Form No. DTMB-3522 (Rev. 4/2012)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract will not be executed unless form is filed

May 22, 2012

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET
PROCUREMENT
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48913

NOTICE OF CONTRACT NO. 071B2200225

Between

THE STATE OF MICHIGAN

And

NAME & ADDRESS OF CONTRACTOR:	PRIMARY CONTACT	EMAIL
Policy Studies, Inc.	Dennis Seeley	dseeley@policy-studies.com
1515 Wynkoop, Suite 400	TELEPHONE	CONTRACTOR #, MAIL CODE
Denver, CO 80202	(517) 318-2785	

STATE CONTACTS	AGENCY	NAME	PHONE	EMAIL
CONTRACT COMPLIANCE INSPECTOR:	DTMB	Tina Symington	(517) 335-0004	symingtonT@michigan.gov
BUYER:	DTMB	Tammi Hart	(517) 335-4770	Hartt3@michigan.gov

CONTRACT SUMMARY:			
DESCRIPTION: MICSES/DHS NEW HIRES REPORTING SYSTEM			
INITIAL TERM	EFFECTIVE DATE	INITIAL EXPIRATION DATE	AVAILABLE OPTIONS
5 year	May 25, 2012	May 24, 2017	2, 1 yr. options
PAYMENT TERMS	F.O.B	SHIPPED	SHIPPED FROM
N/A	N/A	N/A	N/A
ALTERNATE PAYMENT OPTIONS:			AVAILABLE TO MiDEAL PARTICIPANTS
☐ P-card ☐ Direct Voucher (DV) ☐ Other			☐ YES ☒ NO
MINIMUM DELIVERY REQUIREMENTS:			
N/A			
MISCELLANEOUS INFORMATION:			
ESTIMATED CONTRACT VALUE AT TIME OF EXECUTION:			$1,420,000.00

Form No. DTMB-3522 (Rev. 4/2012)
AUTHORITY: Act 431 of 1984
COMPLETION: Required
PENALTY: Contract will not be executed unless form is filed

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☐ P-card ☐ Direct Voucher (DV) ☐ Other			☐ YES ☒ NO
MINIMUM DELIVERY REQUIREMENTS:			
N/A			
MISCELLANEOUS INFORMATION:			
The terms and conditions of this Contract are those of ITB # 071I2200055, **this Contract Agreement and the vendor's quote. In the event of any conflicts between the specifications, and terms and conditions, indicated by the State and those indicated by the vendor, those of the State take precedence.**			
ESTIMATED CONTRACT VALUE AT TIME OF EXECUTION:			$1,420,000.00

THIS IS NOT AN ORDER: This Contract Agreement is awarded on the basis of our inquiry bearing the ITB No. 071I2200055**. Orders for delivery will be issued directly by the Department of Technology, Management & Budget through the issuance of a Purchase Order Form.**

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

FOR THE CONTRACTOR:	FOR THE STATE:
Firm Name Policy Studies Inc.	Signature
Authorized Agent Signature	Name/Title Jeff Brownlee, Chief Procurement Officer
Authorized Agent (Print or Type)	DTMB/Procurement
Date	Date

STATE OF MICHIGAN
Department of Technology, Management and Budget
Procurement

Contract No. 071B2200225
New Hire Reporting Services

Buyer Name: Tammi Hart
Telephone Number: 517-335-4770
E-Mail Address: hartt3@michigan.gov

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Glossary

Days	Means calendar days unless otherwise specified.
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/Deliverables within the scope of the Contract, but not specifically provided under any Statement of Work, that once added will result in the need to provide the Contractor with additional consideration.
Audit Period	See Section 2.110
Business Day	Whether capitalized or not, shall mean any day other than a Saturday, Sunday or State-recognized legal holiday (as identified in the Collective Bargaining Agreement for State employees) from 8:00am EST through 5:00pm EST unless otherwise stated.
Blanket Purchase Order	An alternate term for Contract as used in the States computer system.
Business Critical	Any function identified in any Statement of Work as Business Critical.
Chronic Failure	Defined in any applicable Service Level Agreements.
Deliverable	Physical goods and/or commodities as required or identified by a Statement of Work
DTMB	Michigan Department of Technology, Management and Budget
Environmentally preferable products	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 that contain recycled content, minimize waste, conserve energy or water, and reduce the amount of toxics either disposed of or consumed.
Excusable Failure	See Section 2.244.
Hazardous material	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	Any interruption in Services.
ITB	A generic term used to describe an Invitation to Bid. The ITB serves as the document for transmitting the RFP to potential bidders
Key Personnel	Any Personnel designated in Article 1 as Key Personnel.
New Work	Any Services/Deliverables outside the scope of the Contract and not specifically provided under any Statement of Work, that once added will result in the need to provide the Contractor with additional consideration.
Ozone-depleting substance	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	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	Industrial by-products that would otherwise go to disposal and wastes generated after completion of a manufacturing process, but do not include internally generated scrap commonly returned to industrial or manufacturing processes.
Recycling	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.
RESERVED	Section is not applicable or included in this RFP. This is used as a placeholder to maintain consistent numbering.
Reuse	Using a product or component of municipal solid waste in its original form more than once.
RFP	Request for Proposal designed to solicit proposals for services
Services	Any function performed for the benefit of the State.
Source reduction	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	Any physical location where the State performs work. State Location may include state-owned, leased, or rented space.
Subcontractor	A company Contractor delegates performance of a portion of the Services to, but does not include independent contractors engaged by Contractor solely in a staff augmentation role.

Unauthorized Removal	Contractor's removal of Key Personnel without the prior written consent of the State.
Waste prevention	Source reduction and reuse, but not recycling.
Waste reduction and Pollution prevention	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	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 this Contract.

Article 1 – Statement of Work (SOW)

1.000 Project Identification

1.001 PROJECT REQUEST

The State of Michigan, through the Michigan Department of Technology, Management & Budget (MDTMB), and with assistance of the Michigan Department of Human Services (MDHS), has issued this contract for New Hires Reporting Services.

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

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

The services will begin immediately after the contract has been executed, with the Contractor's facility fully operational at the end of the current contract without any disruption of services.

The contract term is five (5) years, with two (2) one-year options.

1.002 BACKGROUND

Michigan Department of Treasury (Treasury) form MI-W4 (Attachment A) has historically been used by employees to indicate to their employers the number of exemptions claimed for Michigan income tax withholding purposes and to change their addresses or residency status. The employer has been required to submit these forms to Treasury if the employee claims exempt from withholding, claims to be a resident of a Renaissance Zone, or claims of ten (10) or more personal and dependency exemptions.

Title III of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PL 104-193) required employers, effective October 1, 1997, to report to the State the name, address and social security number of the employee, and the name, address and the Federal Employer Identification Number (FEIN) of the employer for each newly hired employee.

Effective June 8, 2011, employers are required to include an individual's date of hire when submitting a new hire report. The date of hire is the date an employee first performed services for pay. This requirement was enacted in Section 802 of the federal Claims Resolution Act of 2010 (CRA; Pub. L. No. 111-291). The CRA amended the new hire reporting provisions of Section 453A(b)(1)(A) of the Social Security Act.

Effective 4/21/12, Employers are required to submit new hire reports for employees who have been rehired and were previously employed but have been separated for 60 consecutive days.

Employers provide new hire reports using a W-4 or comparable form, and may transmit it by phone, fax, mail, website, electronic or magnetic media. Since October 1, 1997 employers have been submitting this information to a Post Office Box or electronic address, for compilation by a contracted vendor and subsequent submittal to the State of Michigan for processing.

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

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

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

New Hires Information

Recent trends indicate the number of new hires to be approximately 1.5 million per year, with peak times anticipated during September and October. Economic factors may affect these numbers and as such the volume is not guaranteed by the State.

New Hire reports in the formats and quantities for 2008, 2009 and 2010 is provided below:

2008	2009	2010
Manual Copy 18%	Manual Copy 14.3%	Manual Copy 14.6%
Electronic: 69.9%	Electronic 74.3%	Electronic 74.3%
Web site: 12.1%	Web site 11.4%	Web site 11.1%

	2008	2009	2010
Manual copy	264,682	204,669	222,498
Electronic	1,029,799	1,067,708	1,130,724
Web site	177,852	163,686	169,520
Total	1,472,333	1,436,063	1,522,742

The average monthly volume for records processed over the last three years was 123,087 reports per month at a rate of 19,218 manual copy reports, 89,673 electronic reports, and 14,196 web site reports.

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

An employer who has employees in more than one state (multi-state employers) and transmits the reports either electronically or magnetically may designate one of the states in which it has employees to transmit the required new hire information. Multi-state employers who report all their new hires to a single state must register with the Federal Department of Health and Human Services as to which state they have designated to receive all their new hire information. The vendor must be able to accept and process new hire reports from Michigan employers and multi-state employers.

Within five (5) business days after receipt of information regarding new hires, the vendor must provide the data in the specified format to the State Directory of New Hires (SDNH), maintained by the State. Within two business days after the information regarding a newly-hired employee is entered into the State Directory of New Hires, the Michigan Child Support Enforcement System (MiCSES) must transmit an Income Withholding Notice (IWN) to the employer, directing the employer to withhold the appropriate amount of child support obligation from the income of the employee and a National Medical Support Notice (NMSN) directing the employer to complete medical support information. Within three business days after the information regarding a newly-hired employee is entered in the SDNH, MDHS must furnish the new hires data to the National Directory of New Hires (NDNH).

The Contractor must have the capability to receive and handle hard copy and electronic submittals while maintaining adequate document and data entry controls. The vendor also must address incomplete as well as unidentifiable documents according to requirements identified in the Contract. The Contractor must be able to process the following submittals:

1. New Hires Reports
   This could represent numerous sorts, depending on versions of federal or Michigan W-4 form used.

2. Claims of Exemption from Tax Withholding
   Employers submit approximately 1,000 MI-W4's annually (based on 2010 data) for employees claiming the following types of tax withholding exemptions:

   a. MI-W4's with claims of exemptions from withholding
   An employee may claim his/her wages are exempt from withholding or because a tax liability is not expected for the year. Some of these claims are valid. However, many are not. The information on the claims must be captured so Treasury can contact the employee or employer to begin the required withholding. Approximately 330 wage exemptions and 350 tax liability not expected exemptions were reported in 2010.

b. MI-W4's with claims of ten (10) or more dependency exemptions. Approximately 125 claims of ten (10) or more personal and dependency exemptions were reported in 2010.

c. Renaissance Zone Individuals who are residents in a Renaissance Zone are exempt from certain state and local taxes for up to 15 years. Compared with the other types of information described, these represent a very low volume of W-4's from employees exempt from withholding by virtue of their residence in a Renaissance Zone. Approximately 15 Renaissance Zone exemptions were reported in 2010.

Electronic submissions will be compiled with data entered from hard copy submissions, and the compiled data must be transmitted to the state's Data Exchange Gateway within identified timeframes.

Certain hard copy documents may also be required to be delivered to the State for verification, validation or other processing.

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

1.100 Scope of Work and Deliverables

1.101 IN SCOPE

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

- Receive and sort electronic and hard copy New Hire and MI-W4's submittals for document and data control,
  - MI-W4 information regarding exempt claims, data from MI-W4's with claims of the ten (10) or more dependency exemptions, and data for MI-W4's with Renaissance Zone exemptions claimed
  - Collect the additional W-4 information whether in electronic, magnetic, or paper formats and deliver electronically to the Department of Treasury (Treasury), via the DTMB's Data Exchange Gateway (DEG).
- Data entry of hard copy submittals
- Provide outreach and support to employers to ensure data is submitted timely and as required
- Compile the data using the current file formats for submittal of records,
- Transmit the data electronically to the State DEG for processing and data loading to the State's Data Warehouse. DTMB assumes responsibility for delivery of the data from the DEG to the Data Warehouse.
- Submit certain unidentifiable hard copy documentation to Treasury

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

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

The Contractor will customize, implement, and maintain a database application, known as the Hiring Information Record Entry System (HIRES), to process new hire reports for Michigan's new hire reporting program. HIRES constitutes pre-existing proprietary intellectual property of Contractor and the modifications to HIRE are made to enable the delivery of the New Hire Reporting Services and the shall not be construed as constituting a Deliverable or a "work made for hire."

1.102 OUT OF SCOPE

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

1.103 ENVIRONMENT

Information regarding the State's information technology architecture and standards for hardware, database applications, network hardware and monitoring tools, identity management/authentication and development tools may be found at http://www.michigan.gov/dmb/0,1607,7-150-56355---,00.html.

The State maintains a Data Exchange Gateway (DEG) that is used to accept data for transfer to appropriate State entities. The DEG accepts the following protocols: SFTP, SSL/FTP, and HTTPS.

The Contractor will have and maintain a Web site for the Michigan New Hires Reporting Services contract. For informational purposes only the current URL is: http://mi-newhire.com/MI-Newhire/default.aspx. The current Web site is developed and maintained by the current contractor and is not available for transfer to the Contractor. However, the current contractor will provide an extract of the current employer website registration data (i.e., "user table") and a temporary re-direction notice for a period of six months.
http://www.michigan.gov/dmb/0,1607,7-150-56355---,00.html

Contractor is advised that the State has methods, policies, standards and guidelines that have been developed over the years. Contractor is expected to follow these requirements. Specifically, the State's Project Management Methodology (PMM) must be followed. The PMM may be reviewed at http://www.michigan.gov/dmb/0,4568,7-150-56355_56581---,00.html

1.104 WORK And DELIVERABLE

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

- ***(M) Indicates a Mandatory requirement. All items with (M) are included in the pricing provided in section 1.601 within tables 1 and 2.***

- ***(D) Indicates a Desirable requirement. All items with (D) are included in the pricing provided in section 1.601 within tables 3. The State reserves the right to procure some or all of the desirable requirements throughout the Contract term at the pricing included in section 1.601 table 3.***

A. Requirements

1. RESERVED

2. (**M**) The Contractor will be responsible for developing and maintaining the operational environment for the timely, accurate, complete collection and capture of the data identified in this Contract and the subsequent delivery of the data to the State of Michigan.
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   a. Security, disaster recovery, capacity planning, maintenance and support of the operating environment will all be the responsibility of the Contractor, per the terms and conditions identified in this Contract and the State's information technology standards.

   The Contractor will establish and maintain:

   Security – The Contractor will follow all security requirements relating to the storage and protection of data, whether received and sent in hard copy or electronically. The Contractor will require each employee to sign a confidentiality agreement and provide training so they fully understand both requirements and the penalties. The Contractor will ensure their employees understand that if they breach confidentiality, they will be terminated.

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

   Capacity planning - Using the automated features in HIRES, including auto-fill capabilities, the Contractor's staff will be able to process data quickly and efficiently. In addition, the Contractor will handle seasonal volume increases and decreases without sacrificing performance.

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

3. (**M**) The Contractor will implement, support and accept secure methods to allow employers to submit New Hires' information. These methods include but are not limited to: state or federal W-4 or other forms or lists, fax, computer printouts and reports, magnetic media, electronic media, telephone, and Internet. Unencrypted e-mail is not an acceptable method. The Contractor should expect to receive many different versions of state, federal, and proprietary W-4 forms from employers.

   a. The Contractor will support as many reporting methods as possible, plus any methods that may become utilized in the future and have the ability to adapt to emerging technologies.

   The Contractor will conform to the State's requirements and will implement, support, and accept secure methods to allow employers to submit new hire information. Employers can submit reports using a variety of methods, including mail, fax, magnetic and electronic media, telephone, Internet, diskette and FTP. The Contractor will not accept new information via unencrpted email, as this is not a secure method. The Contractor will support multiple reporting options.

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

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

   - W-4 form. A faxed or mailed photocopy of the state, federal, or proprietary W-4 form with the required and optional employee and employer information.
   - W-4 with claims of exemption federal form. A faxed or mailed photocopy of the W-4 form claiming exemption from withholding with the required and optional employee and employer information.
   - W-4 with claims of ten or more dependents. A faxed or mailed photocopy of the W-4 form with dependency claims of ten or more with the required and optional employee and employer information.
   - Renaissance Zone forms. A faxed or mailed photocopy of the Renaissance Zone form claiming exemption from certain state and local tax withholding.
   - New hire form. A faxed or mailed new hire reporting form, with all Michigan required and optional information.
   - New hire list. A faxed or mailed new employee list, computer printout, or report as long as the required employer information appears at least once on each page. The Contractor's outreach efforts will include encouraging employers who submit list to report using the Web site or adopt one of the electronic report methods.

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

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

   With regard to electronic and magnetic media:

   The Contractor will encourage employers through outreach efforts to report electronically and offer several methods to make this type of reporting easy. These may include, but are not limited to:

   - The Contractor will accept three-and-a-half inch diskettes with ASCII-delineated files holding employer and employee data and new hire reports in the required record layout format. The Contractor will also accept new hire files on CD in the required recording format.
   - The Contractor will accept all character sets including but not limited to 3480 18-track and 3490 and 349E cartridge tapes in EBCDIC and ASCII format character sets.
   - The Contractor will accept Excel or CSV files submitted via magnetic media.
   - The Contractor will provide employers with the ability to send files via FTP through a secure FTP site. This site will be available 24x7

Additional electronic reporting methods will be evaluated mutually by the Contractor and the State as to feasibility and potential cost impacts.

With regard to telephone New Hire Reports:

The Contractor will accept new hire reports offered by employers over the phone. Upon receiving a call from an employer wanting to report new hire information over the telephone, center staff enters the information onto a reporting form. Staff then scans the form for entry into HIRES, Employers may also use an automated phone system to report new hire information 24x7 by leaving a message that provides all required new hire report information.

With regard to Internet New Hire Reports:

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

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

4. (**M**) The Contractor will establish and maintain a relationship with current and newly identified employers. The Contractor will provide technical assistance, and encourage employers to report new hires data electronically, thereby reducing data entry costs and data keying errors. For employer outreach, the Contractor will develop and issue informational mailings (fax or email when possible, postal mail when email addresses are not available). The MDHS-OCS Program Development Division will approve the information mailing content.

    i. The mailers will inform employers about the new hire procedures or other new hire reporting related information.
    ii. The Contractor will be responsible for creating, producing and issuing the information mailings within three (3) weeks of MDHS Office of Child Support (OCS) approval of informational mailings.
    iii. Mailings will not exceed six (6) double-sided pages in length.

Employer Assistance and Outreach are inclusive of the following:

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

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

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

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

The Contractor will send informational letters (via fax or e-mail as possible, or via mail if necessary), or make telephone calls to employers who submit incomplete or incorrect reports or employers who fail to submit reports at all. In the case of an incomplete or inaccurate report, this notice will include all of the information submitted in the report and advise the employer of the exact information needing correction. The Contractor will create, produce,

and issue the informational letters within three weeks of receiving approval from the State. As required, the Contractor will develop mailings that do not exceed six double-sided pages in length. The Contractor emphasizes the benefits of electronic reporting in communications with non-compliant employers or employers that are using other methods of reporting.

Manual Copy – Contractor will ensure all mailing deadlines as prescribed and agreed upon are met. All manual copy to be mailed shall be prepared so as to achieve the highest level of USPS mailing discounts. Contractor shall use state of the art equipment and techniques to meet all applicable USPS regulations / standards for all mailings. Contractor will report all actual mailing costs to the State authority, specifying the number of pieces mailed per month and the average cost per piece, including any fees assessed to perform the service. The State will maintain the option to perform the physical operations to achieve optimal mailing discounts upon the award for the contract.

5. (**D**) On a quarterly basis, the Contractor shall run the new hire database against employer quarterly wage information provided to the Contractor by MDHS for the purpose of employer new hire reporting compliance.

   a. The Contractor will check the National Directory of New Hires multi-state Employer registration reports to verify employers that haven't contacted Michigan are reporting new hires to another state.
   b. The Contractor will identify and track employers that report employees as new hires under one FEIN but report employees' quarterly wages under a different FEIN (Refer to Deliverable #16).
   c. The Contractor shall determine which employers did not report new hires during the quarter, and will send notification to the employers to report as required.
   d. A letter used to notify an employer of potential non-compliance through this process must be approved by MDHS-OCS.
   e. The Contractor will provide to OCS the report of employers not complying with new hire reporting.
   f. Prior to implementation, the State will work with the Contractor to determine source files, which may be available for this purpose.

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

   The Contractor will develop a compliance notice that not only advises the employer of their legal obligation to report new hires and the potential fines that can be imposed if they remain non-compliant, but also explains the new hire reporting law and the ways in which an employer can submit reports to be compliant. The Contractor will provide a draft sample non-compliance letter for review and approval by the State . In addition to notifying the employers, the Contractor will also provide a report to OCS listing those employers that are non-compliant.

6. (**M**) The Contractor will monitor employers' compliance with reporting timeframes.

   a. The Contractor will compare the employee's date of hire on each report to the date the employer submitted the new hire report and determine whether the new hire report was submitted within the required time frame.
   b. The Contractor will notify the employer when it is non-compliant with the required reporting timeframe.
   c. A letter used to notify an employer of reporting timeframe non-compliance through this process must be approved by MDHS-OCS.
   d. The Contractor will provide to MDHS-OCS the report of employers not complying with new hire reporting timeframes.

7. (**D**) On a periodic basis (quarterly or as agreed upon by the state) the Contractor will monitor employers' reporting history for the purpose of past reporting compliance as well as proactively ensuring future compliance.

   a. The Contractor will determine an employer's new hire reporting history for period of time and intervals.
   b. The Contractor will notify the employer when it exhibits a gap/interval with no new hire reports submitted and/or a downward trend.
   c. The Contractor will work with the state to define the time period, intervals, and trend criteria.
   d. A letter used to notify an employer of reporting compliance through this process must be approved by MDHS-OCS.

e. The Contractor will provide to MDHS-OCS a report of employers identified and/or notified through this process.

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

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

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

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

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

8. (**M**) The Contractor shall provide dedicated fax line(s) to receive new hire reports prior to implementation and throughout the contract period.

   a. The Contractor shall provide sufficient fax lines so that fax "resend" tries by the employers are limited to no more than two.
   b. If the first fax line is busy, new incoming faxes must automatically switch to the next available fax line.
   c. The current fax number is 1-877-318-1659 Although the State will facilitate the transfer of responsibility (including all costs) for the fax number from the current Contractor, the State will retain all rights to the fax number for the purposes any subsequent transfer.

9. RESERVED

10. (**M**) Employers are currently mailing New Hires records to the Post Office box listed below. Although the State will facilitate the transfer of responsibility (including all costs) for the Post Office box from the current contractor, the State will retain all rights to the Post Office box for the purposes any subsequent transfer. The current post office box is:

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

a. The Contractor is responsible for retrieving all mail from the post office box on a daily basis, Monday through Friday, by 9:00 a.m.
b. Some employers may mail W-4 forms directly to Treasury, rather than to the Post Office Box. The Contractor shall be responsible to pick up from Treasury these misdirected W-4 forms and other records on a weekly basis. The current contractor receives less than 1% of new hire data from Treasury.
c. The Contractor must contact employers who have misdirected their New Hire submittals and provide the appropriate, correct contact information for the purpose of reducing future misdirects.

The Contractor agrees to retrieve all mail from the Post Office Box on a daily basis Monday through Friday, by 9:00 a.m. The Contractor will contract with a local courier for mail pickup and delivery. To maintain a "same day" data-entry schedule, the Contractor will require the courier to deliver new hire mail to the center no later than 10 a.m. on each Business Day. The Contractor will hire a courier that bonds its employees, which helps alleviate any concerns regarding third-party handling of this confidential information.

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

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

11. (**M**) Employers are currently using a contractor provided toll-free telephone number, 1-800-524-9846, for technical advice or other questions. The Contractor will use this same toll-free number. The current contractor handles an average of 60-80 calls per month. Although the State will facilitate the transfer of responsibility (including all costs) for the Toll-Free number from the current contractor, the State will retain all rights to the Toll –Free number for the purposes any subsequent transfer.

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

- Monitor and modify the number of customer service lines as required by call volumes and to meet service-level agreements.
- Establish additional numbers, as needed, to serve the auto-attendant and electronic reporting systems.
- Negotiate with the telephone company on the response time and options available to transfer telephone lines to another site during disaster recovery.
- Publicize the center's number in outreach materials, correspondence, and Web site.
- When speaking with an employer, always provide a callback number.

12. (**M**) The Contractor will develop and maintain, or otherwise implement, an internet Web site for the submittal of New Hire data by employers. The Web site must be developed and maintained according to State of Michigan standards, available via the following links:

- Outline of web review process and web standards
  http://www.michigan.gov/documents/WebReviewRoadShow_2005_125523_7.pdf

- Look and Feel standards
  http://www.michigan.gov/documents/Look_and_Feel_Standards_2006_v3_166408_7.pdf

  If the State of Michigan chooses to modify their Look and Feel standards from what is provided in this Contract, which causes the Contractor to redesign or modify the current website to meet State of Michigan's website standards, the Contractor will be reimbursed for the cost of the redesign.

- Usability Guidelines
  http://www.michigan.gov/dmb/0,4568,7-150-9173-2090--,00.html

Prior to web site design and development, the Contractor will attend a project review and start up meeting with the DTMB Project Manager, State of Michigan web master and the DTMB Office of Enterprise Security to discuss scope, standards and security. DTMB IT security policies must be followed and are listed in the Enterprise IT Security Policy and Procedures:

http://www.michigan.gov/documents/dmb/1310_183772_7.pdf
http://www.michigan.gov/documents/dmb/1310.02_183775_7.pdf
http://www.michigan.gov/documents/dmb/1325_193160_7.pdf
http://www.michigan.gov/documents/dmb/1335_193161_7.pdf
http://www.michigan.gov/documents/dmb/1340_193162_7.pdf
http://www.michigan.gov/documents/dmb/1350.10_184594_7.pdf

The State's security environment includes:

- MDTMB Single Login.
- MDTMB provided SQL security database.
- Secured Socket Layers.
- SecureID (State Security Standard for external network access and high risk Web systems)

a. The Contractor will develop a Web site design and development plan that will include a schedule of milestones and deliverables, as well as recommendations based on the information gathered. After the plan is developed, the Contractor will create paper prototypes or electronic mock-ups of the Web site and perform usability testing with the State.
b. The website must ensure employer web site registrations are transitioned from the current vendor to ensure the continuity of employer access with minimal or no interruption. Refer to transition and conversion requirements in Sections 1.103, 1.104(1), and C.
c. The Contractor will conduct a "soft launch" of the Web site to give the Contractor staff an opportunity to test the Web site and test online submissions. During this test, the Contractor will log and fix defects before the State reviews for Performance Readiness.
d. A link to the website will also be provided from the State of Michigan, Treasury and MDHS websites.
e. The New Hires website is to provide employers with new hire information, including general information, Frequently Asked Questions, file layouts, submission selections, and related compliance and submittal information.
    i. The web site will allow employers to submit new hire reports via the web.
    ii. The web site will provide employers with a view of the new hire reports (an electronic image of each report and/or the data keyed from each report) it has submitted.
    iii. The web site will allow employers to correct rejected new hire reports via the web.
    iv. MDHS-OCS will approve any new or modified content.
    v. If the website address changes, the Contractor is responsible for notifying employers that are currently using the site.
    vi. The Contractor is responsible for updating any information (web-based) associated with the website, and ensuring that the website continues to provide the secure access for employers to submit of new hire reporting via the web.
f. The Contractor will also be required to participate in a workgroup to discuss standards for the state child support program Web sites and incorporate approved changes to the new hire Web sites to meet the child support program goals. Review and approval of the Web design and content is necessary from either MDHS-OCS and the Department of Treasury as applicable.

The Contractor will adhere to the standards set forth by the state. The Contractor will develop and maintain the Web site according to State of Michigan standards. Before redesigning or revising the Web site, the Contractor will attend a project review and start-up meeting with the MDTMB project manager, State of Michigan Web master, and the MDTMB Office of Enterprise Security to discuss scope, standards, and security.

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

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

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

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

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

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

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

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

The Web site is backed by robust functionality to accept and store employer registrations in a SQL database and collect employer new hire reports, both individual reports and entire files, for processing in the Contractor's HIRES database.

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

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

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

The Contractor will use Visual Studio.Net.to develop Web pages and check 508 compliance. The Contractor will adhere to those standards when developing the Web site for this contract.

The Contractor will develop the Web sites using HTML, VBScript, Active Server Pages, SQL Server 2000, and JavaScript. The site will be hosted on a Windows 2003 server with Internet Information Services 5.0,. On the customer side, the Web application will accept input from employers via an HTML browser using client-side JavaScript validation. This enables the browsers employers use to make basic edit checks before information is sent to the server—reducing network traffic as well as the amount of time the server-side components need to spend validating information. These edit checks also help to ensure that companies report the most accurate data possible.

The Contractor's Web sites will be designed and tested for the State standard internet browsers. Providing compatibility with the most commonly used Internet browsers ensures that all employers can access and use the Contractor's Web site using the same familiar tools they use to "surf the Web."

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

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

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

13. (**M**) The Website will provide the following functions for employers and state/local child support staff.

    a. The web site will allow employers to view the information the Contractor has on file for that employer (e.g., employer name(s), FEIN(s), employer address(es), contact information, etc.) and allow the employer to submit changes to that information.
    b. The website will allow state and local child support staff to view the employer information the Contractor has in its database.

14. (**D**) The Website will provide the following functions for employers and state/local child support staff.

    a. The website will allow state and local child support staff to view the employer-submitted reports (an electronic image of each report and/or the data keyed from each report).

15. (**M**) The Contractor will use batch identification and tracking system to facilitate record identification and accountability.

    a. The Contractor shall submit for approval by DTMB a procedure for batch accountability to assure that all data received is accounted for, captured, and delivered. DTMB Project Manager will secure comments and approval from Treasury and MDHS, and provide final approval to the Contractor.
    b. The Contractor must ensure that all documents received for each day are processed and that batching and processing of batches will not cause delay.
    c. The Bidder will assign a unique tracking number to each new hire report and have the ability to pass the tracking number to the State at such time the State is prepared to receive it. The State may provide feedback to the Contractor regarding report record errors such as missing required information, incorrectly formatted information, etc. To the extent possible, the Contractor will address the errors (Refer to Deliverables #16, 20, 22-24, and Attachment B).

The Contractor will maintain previously establish MI-W4 processing procedures on all MI-W4 forms received at the Michigan New Hires operations center. All W4 information received at the Michigan New Hires operations center will be processed as a new hire report unless "No" is checked in box number 5 (See Attachment A) of the MI-W4 form.

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

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

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

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

For documents that are completely unrelated to new hire, the Contractor will return the submitted documents to the employer along with a form letter informing the employer that the information sent is not processed by the Michigan New Hire operation. The Contractor will obtain approval from the State for the proposed form letter before sending it out to any employer.

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

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

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

The Contractor may receive unidentifiable documents via faxes (received via the fax number 1-877-318-1659 and not just through the mail. Since the Contractor performs all data entry from images, the Contractor will not immediately print the faxes received at the New Hire operations to local printers to perform data entry, and therefore, will not complete a manual pre-sort on all faxes received. The Contractor will perform a similar, although more automated, batching and outsorting function within the Contractor's HIRES application.

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

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

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

The State of Michigan does not have the capacity to process new hire reports which contain a foreign address using the standard address layout. In agreement with Michigan's Department of Technology, Management and Budget and Michigan Office of Child Support, Contractor will process new hire reports containing foreign addresses by entering the foreign address on address line 2 while using Michigan New Hire operations center address as the city, state and zip code.

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

16. (**M**) Contractor will attempt to obtain information to complete any incomplete or incorrect records it receives. An incomplete record is any record that does not contain, at a minimum, employee last name, employee first name, employee social security number, employee address, employee date of hire, employer name, employer address, employer federal identification number.

    a. The Contractor shall make its best effort to ensure accuracy and completeness of information received from employers. These efforts shall include, but are not limited to:
        i. Edits to ensure that data is reasonable and correct where possible;
        ii. Requesting the employer to complete, correct and/or verify the data before resubmitting the paper or electronic transmission data (the request may be made via phone, rejection letter or other method as agreed upon by the state); and
        iii. Using envelopes, cover letters, fax cover sheets, and look-up tables to determine incomplete, illegible or incorrect information.
    b. A rejection letter used to notify an employer of incomplete or unidentifiable information and request correction must be approved by MDHS-OCS.
    c. DTMB anticipates that the Contractor will not be able to complete a certain number of records; DTMB anticipates that this number will be negligible.
    d. The Contractor will send unidentifiable records to Treasury in batches of no more than 100 pieces, within a time frame agreed to by the contract administrator.

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

    <u>Contacting the Employer by Phone</u>
    The Contractor's staff will review all hard-copy reports received in the mail for completeness and legibility. When opening the mail, a Data Entry Operator (DEO) will quickly scan each hard-copy report. If a report is incomplete (for example, the FEIN is missing) or illegible, the DEO will call the employer for clarification or to obtain missing information.

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

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

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

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

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

17. (**M**) Employers may submit MI-W4's for which there is no apparent reason. The Contractor must process as a new hire report regardless of whether the document is identified as a new hire report and as long as all required data elements are provided. In addition, there may be a need to retain certain types of documents, or facsimiles thereof, whereas there may be no need to retain other types. Treasury may need to review certain hard copy documents.

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

    a. The Contractor will consult on an ongoing basis with Treasury to continually define the proper handling of questionable documents.
    b. The Contractor will return the unrelated new hire information to the employer with a form letter informing the employer the information sent is not processed by Michigan new hire. The Contractor will obtain approval from the State for the proposed form letter before sending it out to any employer.

18. (**M**) To ensure that the State has sufficient time to enter information relating to new hires into the State Directory of New Hires within the timeframe required by statute:

    a. The Contractor will ensure that all New Hire data submitted electronically is transmitted to the State within two working days of receipt of the record.
    b. All New Hire data submitted via hard copy is to be captured and transmitted within five working days of the Contractor's receipt of the record.
    c. New Hire records which cannot be confirmed/validated (e.g., illegible, cannot determine the submitting employer, unable to obtain missing information from employer, etc.) by research methods available to and required of the contractor are to be submitted to Treasury within seven working days of the receipt of the record. Treasury will research and return these to the contractor.
    d. By 5:00 p.m. EST every State business day, the Contractor shall provide in a secure environment, via dedicated line or electronic encrypted method (to be determined by the DTMB), all new records processed for that day and deliver the data to the Data Exchange Gateway (DEG). The DEG accepts the following protocols: SFTP, SSL/FTP, and HTTPS. The appropriate protocol and testing of the file transfer will occur prior to implementation.

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

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

19. (**M**) The Contractor must transmit data relating to claims of exempt from withholding, claims of 10 or more dependency exemptions, and Renaissance Zone claims within one week of receipt.. The Contractor should anticipate an average of 1,000 records per year based on year 2010 data. However, DTMB does not guarantee a specific workload.

20. (**M**) The Contractor must provide or establish an employer validation file for the purposes of matching employer names and FEINs and reducing keying and reporting errors.

    a. The Contractor is responsible for verifying the accuracy of employer-supplied data, either through the validation file, or by contacting the employer regarding mismatched or incomplete data.
    b. The Contractor must identify how the validation file will be established, and the source(s) of the file. If the Contractor will be reliant on the State as a source of this information, this must be identified in the Contractor's response. To establish an employer validation file, the State may provide employer information to the Contractor.
    c. To further reduce keying errors, the Contractor's manual data entry of employer and employee information will require, at a minimum, double keying of employer FEIN's and employee SSN's.
    d. The Contractor must be able to identify and exclude duplicate records from the file transfer sent to the state according to criteria agreed upon between the Contractor and the state.
    e. The Contractor must have the capability of identifying and tracking employers with multiple FEINs, multiple subsidiaries, and multiple addresses as well as the ability to cross-reference the employer records identified by the Contractor, the state or employer. The Contractor must also have the ability to remove cross-references.

       The Contractor will identify and track potentially related employer records for cross-referencing through the validation/keying process as well as the new hire to quarterly wage matching/compliance process (refer to deliverable #4). Upon identifying potentially related employer records, the Contractor will contact the employer to confirm/validate the employer's use of the identified FEINs, names, and addresses. Upon confirmation, the Contractor will cross-reference the related employer records and track the employer's confirmation.

       The Contractor will utilize the cross-reference information in the new hire report keying process to minimize/avoid duplication of employer record entries. The Contractor will not replace an existing employer record with information from a cross-referenced employer record. The Contractor will record and transmit a new hire report with the information provided by the employer on the new hire report and will not use cross-referenced employer information to replace the information the employer provided on the new hire report.

       The Contractor will utilize the cross reference information to minimize the number of new hire/quarterly wage matching compliance letters that are sent to employers as the result of an employer reporting a newly hired employee under one FEIN but reporting quarterly wages for the same employee under a different FEIN (refer to deliverable #4).

    f. Upon the State's request, the Contractor will provide its employer information to the State as a report, list, and/or comparable file and the information will include but not be limited to the identification of confirmed or potentially related/cross-referenced employers.

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

<u>Verifying Data Entry of FEINs/SSNs</u>
The Contractor will verify the data entry on all FEINs and SSNs keyed from imaged paper reports, and faxes.

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

Identifying and Excluding Duplicate Records

The Contractor will program the database to meet the State's definition of a duplicate record—for example, when the FEIN and SSN match. When a report is entered in HIRES (from paper reports, imaged reports, electronic media, and Web reporting), the system will check the SSN and FEIN against all records entered during the previous 60 days. This 60-day timeframe provides a wide enough window to detect duplicates while also allowing for accurate report processing of re-hires. All duplicate records are to be excluded from the file transfer to the State.

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

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

Once the data entry process is completed, the Contractor performs a comprehensive quality assurance process. The first step of this process is a key verification process. We double enter the FEIN and SSN on all non-electronic records to diminish the likelihood of transmitting an incorrect record. If it is necessary to refer to an original document, the batch number enables easy retrieval of the correct record

21. (**M**) The Contractor will maintain a minimum of 15 business days of files for retransmission if necessary.

22. (**M**) The transmission to the State shall contain the following data elements of the data collected during that day. These elements are all required by the NDNH and currently included in the transmission layout. The daily data transmissions shall contain header and trailer records and must be provided in the format presented in Attachment B.

    a. Employee name (last name, first name, and middle name (if middle name is available);
    b. Employee address (3 street address lines, city, state, zip code, and zip+4 code (if +4 code is available);
    c. Employee social security number;
    d. Employee date of hire (the date services were first performed for pay);
    e. Employer name;
    f. Employer address and
    g. Federal employer identification number (FEIN).

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

    The Contractor can capture the following fields for each file:

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

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

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

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

23. (**D**) The transmission to the State shall contain the following data elements of the data collected during that day if available. These elements are considered desirable for the NDNH, required by Treasury, or required by DHS-OCS and all are currently included in the transmission layout (See Attachment B).

    a. Employee date of birth, if provided (NDNH optional);
    b. Employee Driver's License number, if provided (DHS-OCS required)
    c. Number of personal and dependency exemptions (Treasury required);
    d. Exempt from withholding (Treasury required);
    e. Explanation of exemption from withholding (Treasury required);
    f. Renaissance Zone Designation (Treasury); and
    g. Employee Signature Date.

24. (**D**) The transmission to the State shall contain the following data elements of the data collected during that day. None of these elements are currently included in the transmission layout (See Attachment B):

    a. Employer Optional address (the address at which the employer receives income withholding notices), if provided (NDNH optional);
    b. State employer identification number (SEIN), if provided (NDNH optional);
    c. Employee foreign address (Foreign country FIPS code, foreign country name, and foreign zip code), if provided (NDNH optional);
    d. Employer foreign address (Foreign country FIPS code, foreign country name, and foreign zip code), if provided (NDNH optional);
    e. Employer optional foreign address (Foreign country FIPS code, foreign country name, and foreign zip code), if provided (NDNH optional);
    f. Employer subsidiary/alternate name(s) if provided;
    g. Other Employer address(es) if provided– may be used to gather addresses the employer and child support program may use for other purposes such as sending/receiving National Medical Support Notices (NMSNs), employment verifications, etc.;
    h. Employer contact name(s);
    i. Employer contact phone number(s);
    j. Employer contact cell phone number(s) if provided;
    k. Employer contact fax number(s);
    l. Employer contact email address(es) if provided;
    m. Employer website if provided;
    n. Employer insurance provider indicator if provided
    o. Employee phone number(s) if provided;
    p. Employee cell phone number(s) if provided; and
    q. Employee email address(es) if provided.
    r. State of employment, if provided (NDNH optional) ;
    s. Spouse social security number if provided (Treasury);
    t. Employee special exemptions if provided: Age, deaf, disabled/blind (Treasury);
    u. Employee's spouse special exemptions if provided : Age, deaf, disabled/blind (Treasury) ;
    v. Claimed as dependent on someone else's return if provided (Treasury);

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

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

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

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

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

26. (**M**) The Contractor shall retain Exempt Claims, of ten or more Personal and Dependency Exemption Claims, Renaissance Zone Exemption Claims, and forms listing a combination of purposes for no less than 60 days, and then destroy in a confidential manner in accordance with Safeguard Requirements of Confidential Data, Attachment C.

27. (**M**) The Contractor agrees and understands that some W-4's and other records may have letters of inquiry or other correspondence from the employer attached.
    a. If the vendor can identify the other correspondence as Child Support related it (the documents and envelope or copy of envelope) will be forwarded to OCS.
    b. If the vendor can identify other correspondence as tax related it (the documents and envelope or copy of envelope) will be forwarded to Treasury in a separate batch.

    Note: If the Contractor cannot identify other correspondence it will be retuned back to the employer.

    Identifiable correspondence related to Child Support will be forwarded to OCS, and tax related correspondence will be forwarded to Treasury in separate envelopes detailing the reason why the documents are bering forwarded to their office. For documents that are completely unrelated to Child Support and taxes, the Contractor will return the submitted documents to the employer along with a form letter informing the employer that the information sent is not related to new hire reporting.

28. (**M**) Contractor must maintain technical support hotline for employers to obtain assistance and/or information.
    a. The hotline must be operational between the hours of 8:00 a.m. and 5:00 p.m., EST, Monday through Friday, excluding state recognized legal holidays.
    b. The Contractor will continue an ongoing relationship with contacts in Treasury, DTMB and MDHS-OCS for the purpose of gaining answers to unanswered questions received by technical support staff.

    The Contractor will provide a technical assistance hotline to Michigan's employers. The Contractor's staff will provide the needed education and guidance for employers to report new hire data and improve the quality of the data submitted.

    Employers may also seek technical assistance by directly contacting the Michigan New Hires Reporting Center. They can call the center's toll-free number, or visit the Web site (www.mi-newhire.com).

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

    - Explain new hire legal requirements and elicit their cooperation
    - Respond to inquiries about compliance notices

- Encourage the use of electronic or magnetic reporting, where possible
- Provide technical assistance with electronic and magnetic filing
- Resolve filing issues that may arise, especially the submission of incomplete, inaccurate, or illegible reports

29. (**M**) **Data Security**
    a. The Contractor is required to meet the requirements of Safeguard Requirements of Confidential Data, Attachment C.
    b. Additional security requirements and considerations to be met are outlined in Attachment D. The State will provide the Contractor with the most current policies as they are available.
    c. Additional security considerations identified by future needs must be incorporated into practice as directed.
    d. The Contractor will provide technical controls to protect data and security training to all staff in the following areas:
        i. Identifying confidential information
        ii. Applicable federal, state and local laws regarding confidential and protected information
        iii. Confidential data elements and markings (i.e. confidential, restricted, proprietary)
        iv. Confidential handling of physical and electronic data to include use of confidential and privacy disclaimers; labeling; consent; access; distribution and transmission; storage; and destruction
        v. Overview of the confidentiality agreements (i.e., both the Contractor's, the State of Michigan, and third-party)
        vi. Security incident response procedures in the event of unauthorized disclosure
        vii. Monitoring and audit trail

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

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

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

30. (**M**) **General**
    a. The Contractor shall be responsible for furnishing all material, labor, facilities, equipment and supplies necessary to provide the services required herein.
    b. The Contractor shall provide a detailed Disaster Recovery Plan, subject to acceptance by the State.
    c. Transition Assistance
        i. At the end of the contract period, the Contractor will provide transition assistance to the new contractor.
        ii. The Contractor will work with the incoming contractor to develop a transition plan which will be approved by the DTMB Project Manager, which allows the new contractor to work with the Contractor during a set period of time to transition current work loads and processes from the Contractor to the new contractor as seamlessly as possible.

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

31. **Optional Services**
The State is interested in eventually enhancing services to employers beyond the New Hires related services identified in this Contract. Additional services could include a single, centralized Employer portal that provides employers with the ability to timely and accurately access, manage, and respond to other Child Support program related requests and requirements. These services, in addition to the New Hires reporting, could encompass National Medical Support Notices (NMSNs), Employer demographic and other information self-service capabilities, Income Withholding and Employment verification Services. Vendors can propose as comprehensive a solution as they can deliver, including other sources of income, that will enhance Child Support Program practices related to the above services.

Pricing for optional services is provided in Table 4 of Section 1.601.

The State will determine the specific optional services to implement in the future and will coordinate efforts with the Contractor through a Contract Change Notice.

B. Services to be Provided

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

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

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

2. Project initiation will include a kick-off meeting with State and Contractor management staff to be scheduled within 10 business days of contract execution.

   a. The Contractor will present a preliminary work plan during this meeting.
   b. The work plan will outline the project phases, aligned with the deliverables identified in this Contract, and proposed tentative dates for each milestone. In addition the work plan will identify state and Contractor roles.

3. The following is a list of major activities, deliverables and milestones for project initiation and implementation, leading up to a readiness review.

   a. Project Plan – The Contractor will present a project plan, including a timeline and schedule for major tasks, milestones and deliverables. The plan is to be fully resourced. The plan will be reviewed and approved by the State prior to the start of work, and will be coordinated with the DTMB-MiCSES Project Control Office.

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

The Contractor's preliminary project plan as included in **Appendix B,** includes several tasks and milestones that would occur soon after contract award. As the current contractor, Contractor will continue providing new hire reporting services through a separate agreement through the effective date of the purchase order. New contract deliverables will be reviewed at the bidders meeting and implemented per the agreed upon project timeline. Agreed upon delivery dates are contingent upon State resources being available to implement changes such as testing and OCS access.

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

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

The Contractor's finalized project work plan will include an overview of the proposed deployment plan; a timeline for deployment with milestones; risk identification and mitigation strategies; and details regarding the Contractor's operational and logistical approach.

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

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

<u>Phase 1, Initiation</u>
The Contractor has divided the initiation phase into two initiation phases—one internal for the Contractor's staff, and one for the Contractor's initiating the project with State of Michigan staff. During the Contractor's initiation phase, the Contractor will prepare its technical environment for the new hire services which includes establishing a facility with appropriate physical office security, building the technology infrastructure for servers, WAN, desktop workstations, telecommunications and installation of all technology equipment in the facility. The initiation phase with the State involves finalizing the project work plan, conducting the contract kickoff meeting which will familiarize State and Contractor's staff with each other and provide an opportunity to discuss Contractor's preliminary project plan. Additionally, this phase includes the requirements validation session, establishment of the format for all ongoing project management plan updates and status reports, and schedule of project status review meetings, and a finalization of Contractor's overall project work plan, including implementation and transition plans.

<u>Phase 2, Design</u>
In the design phase, the Contractor has defined tasks that are internal to the Contractor and tasks that will be conducted with State resources. The Contractor's internal tasks include the business process reviews for the design of the Contractor's HIRES application to meet Michigan's specific business requirements as laid out in the Contract and accompanying file layouts, and design and drafting of a disaster recovery plan for the Contractor's facility for the new hires project office in Lansing. The tasks in the design phase that will require State resources include business process review for the web site application, the project review meeting with MDTMB, the State Webmaster, and MDTMB Enterprise

Security, documentation of the State's configuration requirements for web sites, and documentation of the State's "look and feel" for web sites.

Phase 3, Development
In the development phase, the Contractor will develop any enhancements for databases, interfaces, and conversion processes for both its HIRES application and a Michigan specific web site application required under this contract. The Contractor will develop customized reports specific to the Michigan Contract requirements as necessary.

Phase 4, Implementation
In the implementation phase, the Contractor will provide the testing and production environments, which include security, completing any required changes to the HIRES database application and the Michigan new hire web site application. The Contractor will perform system testing, including testing HIRES and the web site application, and user acceptance testing of HIRES and the web site application. During the Implementation phase, the Contractor will work closely with the State resources from MDTMB to complete the performance readiness review and obtain sign-off and acceptance from the State agencies.

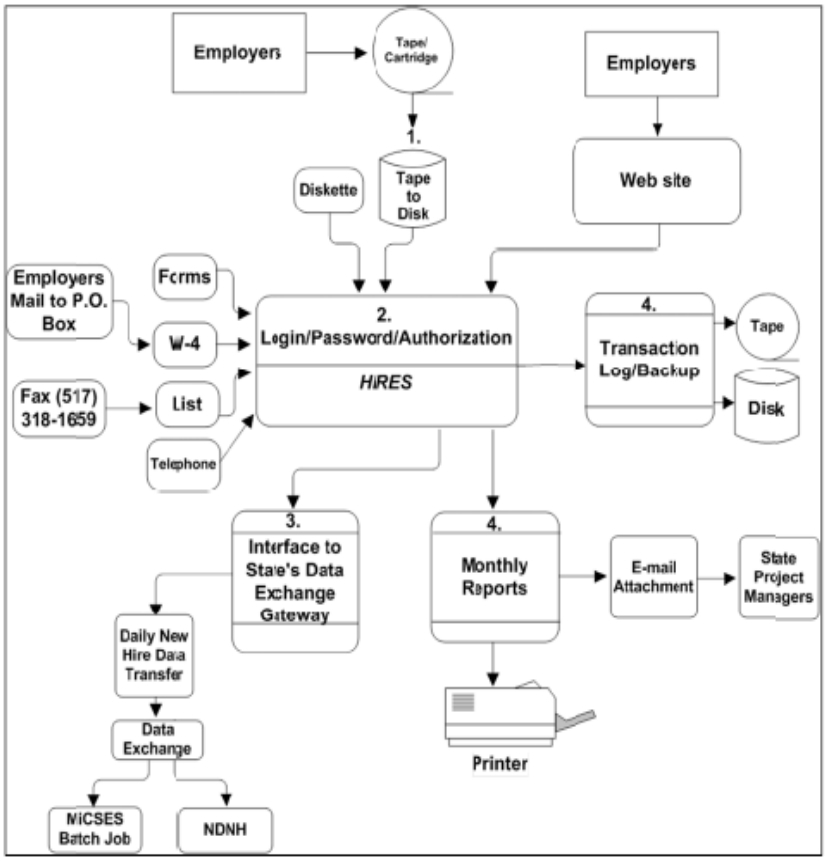
The last major milestone during the Implementation phase is the Contractor's preparation for Operations. The Contractor will provide any necessary update training on the new hire reporting law, data security and confidentiality of the new hire data, operations, and systems and technology training.

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

Phase 6, Operate the Michigan New Hires Operation Center
In the operations phase, the Contractor will perform the daily tasks that will be occurring in the new hires project office including daily processing of all new hire reports, daily production file transmissions to the State's Data Exchange Gateway, ongoing employer awareness and outreach, employer compliance monitoring, production of reports to the State, bi-weekly project meetings, and Contractor performance monitoring.

d. Operational Configuration – The Contractor will provide end-to-end operational configuration diagrams, including data flows, control points and interfaces.

See Contractor's Proposed Operational Configuration



e. Testing –Contractor is responsible to delivering a fully tested and operational process that is ready for testing in conjunction with State personnel and State processes.

i. Testing objectives will include, but are not limited to:
   1. Validation of the receipt and transfer of electronic files
   2. Validation of the handling processes for paper reports
   3. Validation of security compliance
   4. Validation of backup and disaster plans
   5. Validation of standard adherence of the web site according to the requirements of the Contract.

ii. The Contractor is responsible to establish the test environment including the creation of test files. The State is responsible for validating the Contractor's test files from the point of retrieval from the Data Exchange Gateway.

The Contractor will:

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

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

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

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

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

Backup and Disaster Recovery:
Confirm all steps for recovery of critical business functions can be performed successfully in designated recovery location, East Point, Georgia. Confirm restoration of State of Michigan new hire data to HIRES recovery database in East Point, Georgia, redirect fax lines to a State approved site fax server, perform data entry in East Point for all form types, process electronic file submitted from employer and generate "send to state" file in East Point.

Security Compliance:
Confirm physical security requirements of operations' facility, confirm network and workstation security requirements for each level of user, confirm password conventions for users of the HIRES application, and confirm security requirements for file exchange through the State Data Exchange Gateway.
To ensure that the software application does not fail in production for technical (environment) reasons, it is imperative to test the application in a production-like environment. For the Michigan new hire operation, the Contractor's test environment will exactly duplicate the production environment.

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

f. Performance Readiness Review – The testing phase will culminate in a performance readiness review (PRR), which is to commence on the timeline agreed upon between the State and Contractor.

i. The PRR must successfully demonstrate, to the State's satisfaction all required functionality.
ii. The PRR must demonstrate and simulate the full production environment.
iii. A PRR checklist and system acceptance form will be developed by the State, with input from the Contractor, based on the requirements in the contract and the contractual deliverables.
iv. Any deficiencies or defects found during the PRR must be corrected, unless otherwise accepted by the State in writing.
v. State signatories to the final sign-off and acceptance of the system and processes as production ready will include designated representatives from MDHS-Office of Child Support, DTMB-MiCSES and the designated Contractor representative.
vi. Failure to begin the PRR within the agreed upon timeframe shall be subject to liquidated damages of $2,500 per calendar day for each calendar day beyond the agreed upon start date of this key deliverable.

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

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

Task	*Description of Tasks*	*Contractor Role*	*State Role*
Phase 3 Development			
Interface design and development	Work with the State to design and develop interfaces identified in fit analysis	Interfaces Develop, design, verify design of interface Program and install interface	Provide resources to identify and test Test interface Verify each unit-tested interface meets requirements
Conversion design and development	Plan and design the conversion processes with plan and schedule for conversion **(as related to the web user registration table)**	Conversion design for data Program and install Test conversion program conversion program	Provide resources and access Provide data extract Review and verify design Verify each unit-tested conversion meets requirements Cleanse data
Queries and Reports design and development	Develop and test reports	Custom report development Program and install reports	Provide resources and access Test reports
Security definition and setup	Prior to production, setup security as identified by State, Implement and test	Security template	Provide resources and access
Modification Development	If any additional modifications are requested by the State, subject to approved change order, design and develop modifications	Modification work as contracted Program and install modifications	Provide resources and access Review and verify design Test modifications Verify each unit-tested modification meets requirements
Phase 4 Implementation			
Build stage and production environments	Create the stage and production environments, Define and establish security, Convert data.	Stage – production planning meeting Completed stage – production planning meeting	Provide resources and access needed Develop, populate, modify stage environment Setup security Validate conversions
Stage preparation and testing	Perform a dress rehearsal of the production environment prior to live date of the system, running parallel process cycles to be validated against the production systems. Conduct system and acceptance testing	Stage- production planning meeting agenda Completed stage – production planning meeting System test scripts Acceptance test scripts Performance Readiness Review Perform full conversion testing and system test	Provide resources and access as required Develop user acceptance test criteria Validate Perform user acceptance test Conduct PRR Signoff on system
Migration	Coordinate tasks for cutover	Production setup plan Migration task list Populated production database Create and populate the production environment	Validate the production environment
Phase 5 Post Implementation			

Task	Description of Tasks	Contractor Role	State Role
Post Production Support	Resolve issues and problems as detected. Revise procedures as needed and communicate updated procedures to the user community. Provide help desk support as needed for employers.	Provide support to project team as required	Maintain issues log to be resolved with Vendor

C. Interfaces

The Contractor shall establish and maintain electronic interfaces with:

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

D. Training

The Contractor will directly train, supervise, and employ data entry and all other project staff and will not outsource the data entry function. This will enable the Contractor to set and maintain high standards of productivity and accuracy, and to provide the training that develops and sustains employee proficiency and responsiveness to employers. The Contractor must also train State individuals who will be working with the project upon request. Employer outreach will include employer training with respect to an employer's use of the Contractor's system.

Training deliverables include training the trainer, end-user training, technical training, and system administration training. Technical training will, at a minimum, cover database/interface establishment, application configurations, data conversion, as well as software configuration, customization, and upgrades. System administration training will include, at a minimum, cover ongoing maintenance of the system and security.

Training shall be provided in a variety of formats (e.g. classroom or online training, training flier, release features, etc.) for product installation, use, and administration for a variety of levels (e.g. basic, advanced, refresher, etc.) End-user training for new or upgraded systems shall be provided at no additional cost. All training manuals, training plans and other documentation provided become the property of the State.

1.200 Roles and Responsibilities

1.201 CONTRACTOR STAFF, ROLES, AND RESPONSIBILITIES

A. Contractor Staff

The Contractor will commit that staff identified in this section will actually perform the assigned work.

If the identified personnel are currently assigned to a State project the Contractor must provide a letter signed by the State Project Manager releasing the individual from the project upon execution of the contract.

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

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

The Contractor shall provide a Contract Administrator designated as a Key Personnel whose duties shall include, but not be limited to:

i) supporting the management of the Contract,
i) facilitating dispute resolution, and
iii) advising the State of performance under the terms and conditions of the Contract.

The State reserves the right to require a change in the current Contract Administrator if the assigned Contract Administrator is not, in the opinion of the State, adequately serving the needs of the State.

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

The Project Manager is considered Key Personnel and therefore subject to the State's interview and approval.

The Contractor's Project Manager responsibilities include, at a minimum:

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

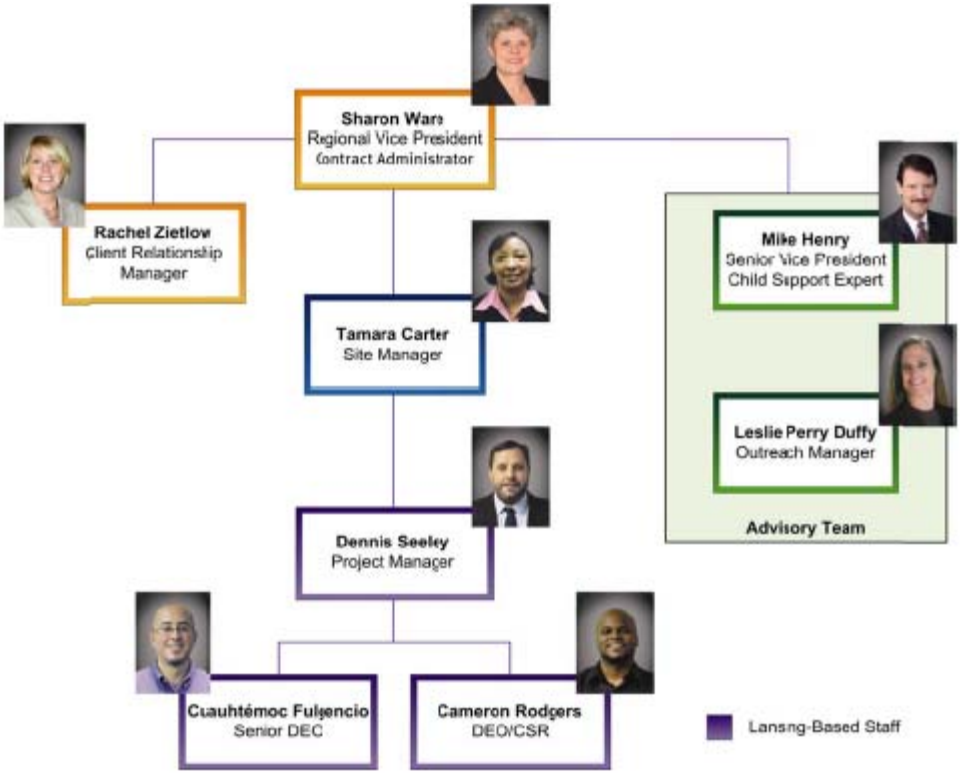
The Contractor will provide sufficient qualified staffing to satisfy the deliverables of this Statement of Work.

The Contractor will provide the following individuals as key personnel:

Sharon Ware, Contract Administrator
Dennis Seeley, Project Manager

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

The following Organization Chart is current as of Contract execution date. The Contractor will update this chart to reflect any future staffing and organizational changes should there be any, and provide a copy to the State.



B. **Location of Work**

a. The Contractor will perform, complete, and manage operations for Michigan New Hires Reporting Services from a facility in the State of Michigan.

823 Brookside Drive
Lansing, Michigan 48917

b. The State **will not** provide any of the following resources for the Contractor's use on this project:

- Work space
- Minimal clerical support
- Desk
- Telephone
- PC workstation
- Printer
- Access to copiers and fax machine
- Parking
- Travel Reimbursement

c. Hours of Operation:

- Normal State working hours are 8:00 a.m. to 5:00 p.m. EST, Monday through Friday, with work performed as necessary after those hours to meet project deadlines. No overtime will be authorized or paid.
- The State is not obligated to provide State management of assigned work outside of normal State working hours. The State reserves the right to modify the work hours in the best interest of the project.
- Contractor shall observe the same standard holidays as State employees. The State does not compensate for holiday pay.

d. Travel:

a. No travel or expenses will be reimbursed. This includes travel costs related to training provided to the State by Contractor.
b. Travel time will not be reimbursed.

e. Additional Security and Background Check Requirements:

Contractor must present certifications evidencing satisfactory Michigan State Police Background checks ICHAT and drug tests for all staff identified for assignment to this project.

In addition, proposed Contractor personnel will be required to complete and submit an RI-8 Fingerprint Card for the National Crime Information Center (NCIC) Finger Prints, if required by project.

The Contractor will pay for all costs associated with ensuring their staff meets all requirements.

1.202 STATE STAFF, ROLES, AND RESPONSIBILITIES

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

DTMB Project Manager:
Tina Symington
MiCSES Project
Michigan Department Technology, Management & Budget
Lansing, MI 48913
517-335-0004

MDHS- OCS Operational Project Lead:
Laura Cleland
Office of Child Support
Department of Human Services
Lansing, MI 48909
517-373-9954

Treasury Operational Lead:
Marcy Hunt
Michigan Customer Service Bureau
Department of Treasury
Lansing , MI 48922
517-636-4641

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

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

The DTMB Project Manager will provide the following services:

- Provide State facilities, as needed
- Coordinate the State resources necessary for the project
- Facilitate coordination between various external contractors
- Facilitate communication between different State departments/divisions
- Resolution of project issues
- Escalation of outstanding/high priority issues
- Utilize change control procedures

- Conducting regular and ongoing review of the project to confirm that it meets original objectives and requirements
- Documentation and archiving of all important project decisions
- Arrange, schedule and facilitate State staff attendance at all project meetings
- Escalate any contractual change requests to DTMB – Procurement

The Treasury Operational Lead will provide the following services:

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

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

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

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

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

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

MDTMB shall provide a Contract Administrator whose duties shall include, but not be limited to, supporting the management of the Contract.

Tammi Hart
DTMB-Purchasing Operations
2nd Floor, Mason Bldg.
P.O. Box 30026
Lansing, MI 48909
517-335-4770

1.203 OTHER ROLES AND RESPONSIBILITIES

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

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

DTMB Office of Enterprise Security will provide the following services:

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

1.300 Project Plan

1.301 PROJECT PLAN MANAGEMENT

The Contractor has provided a Preliminary Project Plan which is provided in **Appendix B**.

The Contract shall provide an updated Project Plan as stated in Article 1, Section 1.301 (C) Project Control, which shall include necessary time frames and deliverables for the various stages of the project and the responsibilities and obligations of both the Contractor and the State.

1. In particular, the Project Plan will include a MS Project plan or equivalent (check the SUITE/PMM standard):
   a. A description of the deliverables to be provided under this contract.
   b. Target dates and critical paths for the deliverables.
   c. Identification of roles and responsibilities, including the organization responsible. Contractor is to provide a roles and responsibility matrix.
   d. The labor, hardware, materials and supplies required to be provided by the State in meeting the target dates established in the Preliminary Project Plan.
   e. Internal milestones
   f. Task durations

2. The Project Plan shall include the following deliverable/milestones for which payment shall be made.
   - Payment to the Contractor will be made upon the completion and acceptance of the deliverable or milestone, not to exceed contractual costs of the phase. A milestone is defined as complete when all of the deliverables within the milestone have been completed.
   - Failure to provide deliverable/milestone by the identified date may be subject to liquidated damages as identified in Article 2.

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

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

Project Control
   1. The Contractor will carry out this project under the direction and control of the DTMB-MiCSES and MDHS-OCS.
   2. At the project kick-off meeting, the Contractor will submit to the State project manager(s) for approval a preliminary work plan including the transition checklist. The work plan is to be finalized within fifteen (15) working days of contract award.
      a. This work plan must be in agreement with section 1.104 Work and Deliverables, and must include the following:
         i. The Contractor's project organizational structure.
         ii. The Contractor's staffing table with names and title of personnel assigned to the project. This must be in agreement with staffing of accepted proposal. Necessary substitutions due to change of employment status and other unforeseen circumstances may only be made with prior approval of the State.
         iii. The project breakdown (work plan) showing sub-projects, activities and tasks, and resources required and allocated to each.
         iv. The time-phased plan in the form of a graphic display, showing each event, task, and decision point in the work plan.
   3. The Contractor will manage the project in accordance with the PMBOK® (Project Management Body of Knowledge from the Project Management Institute) and the State's PMM. Methodology is available at www.michigan.gov/projectmanagement.
      a. The Contractor will use an automated tool for planning, monitoring, and tracking the Contract's progress and the level of effort of any Contractor personnel spent performing Services under the Contract.
      b. The Contractor shall use automated project management tools, as reasonably necessary, in order to perform the cited Services, which shall include, through the end of the Contract, the capability to produce:
         i. Staffing tables with names of personnel assigned to Contract tasks.

ii. Project plans showing tasks, subtasks, deliverables, and the resources required and allocated to each (including detailed plans for all Services to be performed within the next sixty (60) calendar days, updated semi-monthly).
iii. Updates must include actual time spent on each task and a revised estimate to complete.
iv. Graphs showing critical events, dependencies and decision points during the course of the Contract.

c. Any tool(s) used by Contractor for such purposes must produce information of a type and in a manner and format that will support reporting in compliance with the State's standard to the extent such standard is described with reasonable detail in the Statement of Work.
d. Project plans and schedules will be coordinated with DTMB-MiCSES Project Control Office.

1.302 REPORTS

1. The State and Contractor shall mutually agree on necessary operational summary and detail reports and the frequency of these reports within 1 month of contract award. For example:

   a. Volumes received by day, and date they were processed (sent to the state) to determine if 2-day and 5-day turnaround has been met;
   b. Backlogs by date received;
   c. Volume processed by day;
   d. Volume of duplicates received but not transmitted to the state;
   e. Volume of unidentified reports transmitted to Treasury;
   f. Volume of reports pending validation;
   g. Volume of reports returned from Treasury and validated/transmitted to state
   h. Records received electronically and by paper;
   i. Number of records received by each media type;
   j. The number of reports received that had to be returned to the employer, including a breakdown by return reason;
   k. The number of phone calls received over the course of the month;
   l. The number of employers tiddehat reported; and
   m. Employers not meeting reporting timeframe requirements..

2. If the Contractor is performing employer out-reach activities, then the reports such as the following are desired:
   a. The number of compliance letters/notifications sent out by letter/notification type and media type;
   b. The number of first time compliance letters;
   c. Employers identified through quarterly wage matching; and
   d. Employers exhibiting reporting gap or downward trends.

<u>1.400 Project Management</u>

1.401 ISSUE MANAGEMENT

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

The Contractor shall maintain an issue log for issues relating to the provision of services under this Contract. (The issue management log must be communicated to the State's Project Manager on an agreed upon schedule, with email notifications and updates. Issue tracking will be coordinated with the DTMB-MiCSES Project Control Office. The issue log must be updated and must contain the following minimum elements:

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

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

1.402 RISK MANAGEMENT

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

Contractor shall define risks identified as being significant to the success of the project. Include how they would propose to effectively monitor and manage these risks, including reporting of risks to the State.

The Contractor shall provide the tool to track risks. The Contractor will work with the State and allow input into the prioritization of risks.

The Contractor is responsible for identification of risks for each phase of the project. Mitigating and/or eliminating assigned risks will be the responsibility of the Contractor. The State will assume the same responsibility for risks assigned to them.

The following table provides the Contractor's Risk Mitigation Strategy:

PSI's Risk Mitigation Strategy for the Michigan New Hire Reporting Program				
Risk	Initial Probability	Impact	Mitigation Strategy	Revised Probability
Technical difficulties—hardware, software, network issues	Low	High	We employ a proven technical solution and staff that are knowledgeable about potential technical issues and can provide effective resolution strategies for technical issues.	Low
Failure to be ready for the Performance Readiness Review	Low	High	We will conduct extensive testing of each of the new technical enhancements in the operation before the Performance Readiness Review (PRR). Our program manager will make our *HIRES* application and employer Web site production-ready for users prior to the PRR.	Low
Staff turnover	Low	High	PSI has experience hiring high performing new hire staff nationwide. We will use these strategies to hire new staff in Michigan if needed.	Low
Inability to transmit daily file to State	Low	High	PSI has established protocols to troubleshoot any file transmission issues. We will work with both our internal IT team as well as State representatives as needed to determine the problem with a file transmission and resubmit the file.	Low
Unexpected spike in new hire report volume	Low	High	Due to our experience, PSI knows when typical spikes in new hire volume occur. However, should an unexpected increase occur, we will add staff to ensure that we continue to submit reports on time.	Low

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

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

1.403 CHANGE MANAGEMENT

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

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

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

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

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

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

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

1.500 Acceptance

1.501 CRITERIA

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

1.502 FINAL ACCEPTANCE

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

1.600 Compensation and Payment

1.601 COMPENSATION AND PAYMENT

State shall pay Contractor an amount not to exceed $1,420,000 dollars for the performance of all activities necessary for or incidental to the performance of work as set forth in this SOW. Authorized Services and Price List as follows:

Total Estimated Contract Amount was based on the following calculations:

- 1,500,000 * $0.1845 = $276,750.00 (Cost Per Year)
- $276,750.00 * 5 years = $1,383,750.00
- $1,383,750.00 + $31,350.00 per service + $4,500 per occurrence +$400 for desirable or transaction variance = **$1,420,000.00**

Table 1 – Transition Costs (Reserved)

Item Description	**Amount ($)**
Requirements Validation	$0
System Set-up costs	$0
Initialization	$0
Conversion Activities	$0
Project Management	$0
Other Costs	$0
Table 1 Sub-Total	**$0**

Table 2 - ongoing operational costs

Item Description	**Cost per transaction* $0.0000**	**Annual Cost****
Mandatory Deliverables *All costs necessary to provide the mandatory deliverables and services identified in the Contract must be included in the "cost per transaction". **Estimated annual volume = 1,500,000 Total annual cost = estimated annual volume X cost per transaction	$ 0.1845	$ 276,750.00
Discounts & Rebates	$ zero	$ zero
Other Costs not identified (please describe)	$ zero	$ zero

Table 3 - Desirable services

Item Description	**Amount ($)**
Employer Outreach (on request in addition to Mandatory)	$ zero per mailing
Employer Outreach (on request in addition to Mandatory)	$ zero per email
Quarterly Wage Match (1.104 A5)	$ zero per occurrence
Add additional data elements (1.104 A23)	$ 4,500.00 per occurrence*
Additional reports or analysis	$ zero per report
Allow Child Support professionals to view records submitted	$ 31,350.00 per service

*Contractor considers one 'occurrence' to encompass all services 1.104.A23.a through 1.104.A23.g

Table 4 - Optional Services

Bidders are required to provide a pricing proposal to address the optional service requested in Sec. 1.104 (31) Optional services. The State reserves the right to accept in part or fully at the State's discretion during the contract period.

Item Description	**First Year Price**	**Outyear Price (per year)**
1) Employer Services Web Portal (Portal) only	$1,200,000.00	$250,000.00

Note: The following additional services (2 through 5) and related prices are dependent on procurement of one-time purchase of the portal priced above.

Item Description	First Year Price	Outyear Price (per year)
2) Initial employer database clean-up and ongoing employer database maintenance	$750,000.00	$750,000.00
3) IWO follow-up and returned mail/bad address processing	$2,100,000.00	$2,100,000.00
4) Hardcopy Employment Verification processing	$1,000,000.00	$1,000,000.00
5) Hardcopy NMSN processing	$2,000,000.00	$1,800,000.00

Note on 10% discount for all years.
Contractor offers Michigan a discount of 10% on any and all optional services listed above, if the State purchases services within 60 days of contract award. This discount will apply to both first year and outyear prices.

The Contract is a fixed-priced per transaction contract. The State will only pay for services rendered in delivering the services.

Payments will be made monthly on a per transaction basis. The State will only pay for services rendered.

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

Travel

The State will not pay for any travel expenses, including hotel, mileage, meals, parking, etc. Travel time will not be reimbursed.

Out-of-Pocket Expenses

- Contractor out-of-pocket expenses are not separately reimbursable by the State unless, on a case-by-case basis for unusual expenses, the State has agreed in advance and in writing to reimburse Contractor for such an expense at the State's current travel reimbursement rates.

- In the event travel is required, all travel reimbursement will be paid according to the State of Michigan's Standardized Travel Rates and Regulations. This information may be found at: http://www.michigan.gov/dmb/0,1607,7-150-9141_13132---,00.html

- All air, car and hotel reservations must be made through the State Contract with Passageways Travel at (517) 333-5880 or (800) 915-8729. All original receipts must be included with your travel voucher and invoices, which must include the purchase order number. Failure to follow this policy will result in reduced reimbursement.

If Contractor reduces its prices for any of the software or services during the term of this Contract, the State shall have the immediate benefit of such lower prices for new purchases. Contractor shall send notice to the State's MDTMB Contract Administrator with the reduced prices within fifteen (15) Business Days [or other appropriate time period] of the reduction taking effect. – OR – Contractor shall send updated prices to the State *[quarterly/semi-annually].*

Statements of Work and Issuance of Purchase Orders

- Unless otherwise agreed by the parties, each Statement of Work will include:
  1. Background
  2. Project Objective
  3. Scope of Work
  4. Deliverables
  5. Acceptance Criteria
  6. Project Control and Reports
  7. Specific Department Standards
  8. Payment Schedule
  9. Travel and Expenses
  10. Project Contacts
  11. Agency Responsibilities and Assumptions
  12. Location of Where the Work is to be performed
  13. Expected Contractor Work Hours and Conditions

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

Invoicing

Contractor will submit properly itemized invoices to

DTMB – Financial Services
Accounts Payable
P.O. Box 30026
Lansing, MI 48909
or
DTMB-Accounts-Payable@michigan.gov

. Invoices must provide and itemize, as applicable:

- *Contract number;*
- *Purchase Order number*
- *Contractor name, address, phone number, and Federal Tax Identification Number;*
- *Description of any commodities/hardware, including quantity ordered;*
- *Date(s) of delivery and/or date(s) of installation and set up;*
- *Price for each item, or Contractor's list price for each item and applicable discounts;*
- *Maintenance charges;*
- *Net invoice price for each item;*
- *Shipping costs;*
- *Other applicable charges;*
- *Total invoice price; and*
- *Payment terms, including any available prompt payment discount.*

The State may pay maintenance and support charges on a monthly basis, in arrears. Payment of maintenance service/support of less than one (1) month's duration shall be prorated at 1/30th of the basic monthly maintenance charges for each calendar day.

Incorrect or incomplete invoices will be returned to Contractor for correction and reissue.

1.602 HOLDBACK

The State shall have the right to hold back an amount equal to 10% of all amounts invoiced by Contractor for Services/Deliverables. The amounts held back shall be released to Contractor after the State has granted Final Acceptance.

1.700 Additional Terms and Conditions Specific To This SOW

Article 2, Terms and Conditions

2.000 Contract Structure and Term

2.001 CONTRACT TERM

This Contract is for a period of **five (5)** years commencing on the date that the last signature required to make the Contract enforceable is obtained. All outstanding Purchase Orders must also expire upon the termination 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, shall remain in effect for the balance of the fiscal year for which they were issued.

2.002 OPTIONS TO RENEW

This 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 **two (2)** additional **one (1) year periods**. Successful completion of negotiations surrounding the terms of the extension will be a pre-requisite for the exercise of any option year.

2.003 LEGAL EFFECT

Contractor accepts this Contract by signing two copies of the Contract and returning them to the Purchasing Operations. The Contractor shall 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 shall not be liable for costs incurred by Contractor or payment under this Contract, until Contractor is notified in writing that this Contract or Change Order has been approved by the State Administrative Board (if required), signed by all the parties and a Purchase Order against the Contract has been issued.

2.004 ATTACHMENTS, APPENDICES & EXHIBITS

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

2.005 ORDERING

The State must issue an approved written Purchase Order, Blanket Purchase Order, Direct Voucher or Procurement Card Order to order any Services/Deliverables under this Contract. All orders are subject to the terms and conditions of this Contract. No additional terms and conditions contained on either a Purchase Order or Blanket Purchase Order apply unless they are specifically contained in that Purchase Order or Blanket Purchase Order's accompanying Statement of Work. Exact quantities to be purchased are unknown; however, the Contractor will be required to 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

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.**

In the event of any inconsistency between the terms of the Contract and a Statement of Work, the terms of the Statement of Work shall 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. The Contract 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 the 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

This Contract is issued by the Department of Technology, Management and Budget, Procurement and [the Department of Human Services] (collectively, including all other relevant State of Michigan departments and agencies, the "State"). Procurement is the sole point of contact in the State with regard to all procurement and contractual matters relating to the Contract. The Procurement Contract Administrator for this Contract is:

Tammi Hart, Buyer
Procurement
Department of Technology, Management and Budget
Mason Bldg., 2nd Floor
PO Box 30026
Lansing, MI 48909
hartt3@michigan.gov
517-335-4770

2.022 CONTRACT COMPLIANCE INSPECTOR

The Director of Procurement directs the person named below, or his or her designee, to monitor and coordinate the activities for the Contract on a day-to-day basis during its term. **Monitoring Contract activities does not imply the authority to change, modify, clarify, amend, or otherwise alter the prices, terms, conditions and specifications of the Contract. Procurement is the only State office authorized to change, modify, amend, alter or clarify the prices, specifications, terms and conditions of this Contract.** The Contract

Compliance Inspector for this Contract is:
Tammi Hart, Buyer
Procurement
Department of Technology, Management and Budget
Mason Bldg., 2nd Floor
PO Box 30026
Lansing, MI 48909
hartt3@michigan.gov
517-335-4770

2.023 PROJECT MANAGER

The following individual will oversee the project:
Tina Symington, State Administrative Manager
Department of Technology Management and Budget
(Lansing, MI 48913)
Email: symingtont@michigan.gov
517-335-0004

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, Contractor shall provide a detailed outline of all work to be done, including tasks necessary to accomplish the Additional Services/Deliverables, timeframes, listing of key personnel assigned, estimated hours for each individual per task, and a complete and detailed cost justification.

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

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

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

- (1) Change Request at State Request
- If the State requires Contractor to perform New Work, Additional Services or make changes to the Services that would affect the Contract completion schedule or the amount of compensation due Contractor (a "Change"), the State shall submit a written request for Contractor to furnish a proposal for carrying out the requested Change (a "Change Request").
- (2) Contractor Recommendation for Change Requests:
- Contractor shall be entitled to propose a Change to the State, on its own initiative, should Contractor believe the proposed Change would benefit the Contract.
- (3) Upon receipt of a Change Request or on its own initiative, Contractor shall examine the implications of the requested Change on the technical specifications, Contract schedule and price of the Deliverables and Services and shall submit to the State without undue delay a written proposal for carrying out the Change. Contractor's proposal shall include any associated changes in the technical specifications, Contract schedule and price and method of pricing of the Services. If the Change is to be performed on a time and materials basis, the Amendment Labor Rates shall apply to the provision of such Services. If Contractor provides a written proposal and should Contractor be of the opinion that a requested Change is not to be recommended, it shall communicate its opinion to the State but shall nevertheless carry out the Change as specified in the written proposal if the State directs it to do so.
- (4) By giving Contractor written notice within a reasonable time, the State shall be entitled to accept a Contractor proposal for Change, to reject it, or to reach another agreement with Contractor. Should the parties agree on carrying out a Change, a written Contract Change Notice must be prepared and issued under this Contract, describing the Change and its effects on the Services and any affected components of this Contract (a "Contract Change Notice").
- (5) No proposed Change shall be performed until the proposed Change has been specified in a duly executed Contract Change Notice issued by the Department of Technology, Management and Budget, Purchasing Operations.
- (6) 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 this 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 party as addressed below, upon: (i) delivery, if hand delivered; (ii) receipt of a confirmed transmission by facsimile if a copy of the notice is sent by another means specified in this Section; (iii) the third Business Day after being sent by U.S. mail, postage pre-paid, return receipt requested; or (iv) the next Business Day after being sent by a nationally recognized overnight express courier with a reliable tracking system.

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

Contractor: Policy Studies Inc.
Name: Bruce Perkins c/o Laura Hinchey
Address: 1515 Wynkoop Street, Suite 400
Denver, Colorado 80202-1730

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 giving 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 shall be deemed to be an employee, agent or servant of the State for any reason. Contractor shall be solely and entirely responsible for its acts and the acts of its agents, employees, servants and Subcontractors during the performance of the Contract.

2.028 COVENANT OF GOOD FAITH

Each party shall act reasonably and in good faith. Unless stated otherwise in the Contract, the parties shall 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

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 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.

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.

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 shall not be made without prior written State approval, and then only in accordance with the explicit written instructions from the State. No results of the activities associated with the RFP and Contract are to be released without prior written approval of the State and then only to persons designated.

2.032 CONTRACT DISTRIBUTION

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

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 shall 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 this 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 this Contract is subject to the provisions of the Michigan Freedom of Information Act, 1976 Public Act No. 442, as amended, MCL 15.231, et seq (the "FOIA").

2.037 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 this Contract shall 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 this Contract shall specify (or indicate by reference to the appropriate Contract Exhibit) the firm, fixed prices for all Services/Deliverables, and the associated payment milestones and payment amounts. 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 shall 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 this Contract is subsequently reduced by the State, the parties shall negotiate an equitable reduction in Contractor's charges under such Statement of Work commensurate with the reduction in scope.

2.043 SERVICES/DELIVERABLES COVERED

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

2.044 INVOICING AND PAYMENT – IN GENERAL

- (a) Each Statement of Work issued under this Contract shall list (or indicate by reference to the appropriate Contract Exhibit) the prices for all Services/Deliverables, equipment and commodities to be provided, and the associated payment milestones and payment amounts.
- (b) Each Contractor invoice shall 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 shall 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 1.600**.
- (c) Correct invoices shall be due and payable by the State, in accordance with the State's standard payment procedure as specified in 1984 Public Act No. 279, MCL 17.51 et seq., within 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 shall be agreed upon between the Contract Administrator and the Contractor after the proposed Contract Agreement has been signed and accepted by both the Contractor and the Director of Purchasing Operations, Department of Management & Budget. This activity shall occur only upon the specific written direction from Purchasing Operations.
- The specific payment schedule for any Contract(s) entered into, as the State and the Contractor(s) shall mutually agree upon. The schedule should show payment amount and should reflect actual work done by the payment dates, less any penalty cost charges accrued by those dates. As a general policy statements shall be forwarded to the designated representative by the 15th day of the following month.

2.045 PRO-RATION

To the extent there are Services that are to be paid for on a monthly basis, the cost of such Services shall 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 this 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 shall it constitute a waiver of any claims by one party against the other arising from unsettled claims or failure by a party to comply with this Contract, including claims for Services and Deliverables not reasonably known until after acceptance to be defective or substandard. Contractor's acceptance of final payment by the State under this Contract shall constitute a waiver of all claims by Contractor against the State for payment under this Contract, other than those claims previously filed in writing on a timely basis and still unsettled.

2.048 ELECTRONIC PAYMENT REQUIREMENT

Electronic transfer of funds is required for payments on State Contracts. Contractors are required to register with the State electronically at http://www.cpexpress.state.mi.us. As stated in Public Act 431 of 1984, all contracts that the State enters into for the purchase of goods and services shall provide that payment shall be made by electronic fund transfer (EFT).

2.050 Taxes

2.051 EMPLOYMENT TAXES

Contractor shall collect and pay all applicable federal, state, and local employment taxes.

2.052 SALES AND USE TAXES

Contractor shall register and 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 this 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 this 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 this 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 Contract Compliance Inspector 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 shall have the right to recommend and approve in writing the initial assignment, as well as any proposed reassignment or replacement, of any Key Personnel. Before assigning an individual to any Key Personnel position, Contractor shall notify the State of the proposed assignment, shall introduce the individual to the appropriate State representatives, and shall 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 shall 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 will be established. Any Unauthorized Removal may be considered by the State to be a material breach of the Contract, in respect of which the State may elect to exercise its 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 shall 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 shall perform their duties either primarily at Contractor's offices and facilities or at State facilities. Without limiting the generality of the foregoing, Key Personnel shall, 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 agrees to cause its personnel and the personnel of any Subcontractors to cooperate with the State and its agents and other contractors including the State's Quality Assurance personnel. As reasonably requested by the State in writing, the Contractor shall 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 this Contract and shall 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 agrees not to unnecessarily or unreasonably interfere with, delay or otherwise impeded Contractor's performance under this Contract with the requests for access.

2.067 CONTRACT MANAGEMENT RESPONSIBILITIES

Contractor shall be responsible for all acts and omissions of its employees, as well as the acts and omissions of any other personnel furnished by Contractor to perform the Services. Contractor shall have overall responsibility for managing and successfully performing and completing the Services/Deliverables, subject to the overall direction and supervision of the State and with the participation and support of the State as specified in this Contract. Contractor's duties shall include monitoring and reporting the State's performance of its participation and support responsibilities (as well as Contractor's own responsibilities) and providing timely notice to the State in Contractor's reasonable opinion if the State's failure to perform its responsibilities in accordance with the Project Plan is likely to delay the timely achievement of any Contract tasks.

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

2.068 CONTRACTOR RETURN OF STATE EQUIPMENT/RESOURCES

The Contractor shall 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.

2.070 Subcontracting by Contractor

2.071 CONTRACTOR FULL RESPONSIBILITY

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

2.072 STATE CONSENT TO DELEGATION

Contractor shall not delegate any duties under this Contract to a Subcontractor unless the Department of Technology, Management and Budget, Purchasing Operations has given written consent to such delegation. The State shall have the right of prior written approval of all Subcontractors and to require Contractor to replace any Subcontractors found, in the reasonable judgment of the State, to be unacceptable. The State's request shall be written with reasonable detail outlining the reasons for the removal request. Additionally, the State's request shall be based on legitimate, good faith reasons. Replacement Subcontractor(s) for the removed Subcontractor shall be fully qualified for the position. If the State exercises this right, and the Contractor cannot immediately replace the removed Subcontractor, the State shall 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 shall 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 shall require the Subcontractor, to the extent of the Services to be performed by the Subcontractor, to be bound to Contractor by the terms of this Contract and to assume toward Contractor all of the obligations and responsibilities that Contractor, by this Contract, assumes toward the State. The State reserves the right to receive copies of and review all subcontracts, although Contractor may delete or mask any proprietary information, including pricing, contained in such contracts before providing them to the State. The management of any Subcontractor shall be the responsibility of Contractor, and Contractor shall remain responsible for the performance of its Subcontractors to the same extent as if Contractor had not subcontracted such performance. Contractor shall make all payments to Subcontractors or suppliers of Contractor. Except as otherwise agreed in writing by the State and Contractor, the State shall not be obligated to direct payments for the Services other than to Contractor. The State's written approval of any Subcontractor engaged by Contractor to perform any obligation under this Contract shall not relieve Contractor of any obligations or performance required under this Contract. A list of the Subcontractors, if any, approved by the State as of the execution of this Contract, together with a copy of the applicable subcontract is attached.

2.074 FLOW DOWN

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

2.075 COMPETITIVE SELECTION

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

2.080 State Responsibilities

2.081 EQUIPMENT

The State shall provide only the equipment and resources identified in the Statement 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 shall 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 agrees that it shall 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 shall be used to determine Contractor personnel eligibility for working within State facilities and systems. The investigations shall 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 shall be initiated by the State and shall be reasonably related to the type of work requested.

All Contractor personnel shall also be expected to comply with the State's security and acceptable use policies for State IT equipment and resources. See http://www.michigan.gov/dit. Furthermore, Contractor personnel shall be expected to agree to the State's security and acceptable use policies before the Contractor personnel shall be accepted as a resource to perform work for the State. It is expected the Contractor shall present these documents to the prospective employee

before the Contractor presents the individual to the State as a proposed resource. Contractor staff shall be expected to 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 shall cooperate to mitigate, to the extent practicable, the effects of any breach, intrusion, or unauthorized use or disclosure. Any expense related to required breach notifications with be shared. 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 24 hours of becoming aware of the use or disclosure or the shorter time period as is reasonable under the circumstances. Any security breach of personally identifiable information (PII) will be handled in accordance with the guidelines provided in the Identity Theft Protection Act of 2004, as amended.

2.093 PCI DATA SECURITY REQUIREMENTS

Contractors with access to credit/debit card cardholder data must adhere to the Payment Card Industry (PCI) Data Security requirements. Contractor agrees that they are responsible for security of cardholder data in their possession. Contractor agrees that data can ONLY be used for assisting the State in completing a transaction, supporting a loyalty program, supporting the State, providing fraud control services, or for other uses specifically required by law.

Contractor agrees to provide business continuity in the event of a major disruption, disaster or failure.

The Contractor shall contact the Department of Technology, Management and Budget, Financial Services immediately to advise them of any breaches in security where card data has been compromised. In the event of a security intrusion, the Contractor agrees the Payment Card Industry representative, or a Payment Card Industry approved third party, shall be provided with full cooperation and access to conduct a thorough security review. The review will validate compliance with the Payment Card Industry Data Security Standard for protecting cardholder data.
Contractor agrees to properly dispose sensitive cardholder data when no longer needed. The Contractor shall continue to treat cardholder data as confidential upon contract termination.

The Contractor shall provide the Department of Technology, Management and Budget, Financial Services documentation showing PCI Data Security certification has been achieved. The Contractor shall advise the Department of Technology, Management and Budget, Financial Services of all failures to comply with the PCI Data Security Requirements. Failures include, but are not limited to system scans and self-assessment questionnaires. The Contractor shall provide a time line for corrective action.

2.100 Confidentiality

2.101 CONFIDENTIALITY

Contractor and the State each acknowledge that the other possesses and shall 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 this Contract, is marked as confidential, proprietary or with a similar designation by the State. “Confidential Information” excludes any information (including this Contract) that is publicly available under the Michigan FOIA.

2.102 PROTECTION AND DESTRUCTION OF CONFIDENTIAL INFORMATION

The State and Contractor shall 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 shall (i) make any use of the Confidential Information of the other except as contemplated by this Contract, (ii) acquire any right in or assert any lien against the Confidential Information of the other, or (iii) if requested to do so, refuse for any reason to promptly return the other party's Confidential Information to the other party. Each party shall limit disclosure of the other party’s Confidential Information to employees and Subcontractors who must have access to fulfill the purposes of this Contract. Disclosure to, and use by, a Subcontractor is permissible where (A) use of a Subcontractor is authorized under this Contract, (B) 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 in this Section shall 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 this Section shall 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 this Contract for any reason.

2.110 Records and Inspections

2.111 INSPECTION OF WORK PERFORMED

The State's authorized representatives shall 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 shall 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 shall 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 shall 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 this 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 shall 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 shall maintain at least until the end of the Audit Period all pertinent financial and accounting records (including time sheets and payroll records, and information pertaining to the Contract and to the Services, equipment, and commodities provided under the Contract) pertaining to the Contract according to generally accepted accounting principles and other procedures specified in this Section. Financial and accounting records shall be made available, upon request, to the State at any time during the Audit Period. If an audit, litigation, or other action involving Contractor's

records is initiated before the end of the Audit Period, the records shall 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 shall meet to review each audit report promptly after issuance. The Contractor shall 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 shall 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

If the audit demonstrates any errors in the documents provided to the State, then the amount in error shall be reflected as a credit or debit on the next invoice and in subsequent invoices until the amount is paid or refunded in full. However, a credit or debit may not be carried for more than four invoices. If a balance remains after four invoices, then the remaining amount shall 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.

In addition to other available remedies, the difference between the payment received and the correct payment amount is greater than 10%, then the Contractor shall 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 this Contract. The performance of all obligations under this Contract must be provided in a timely, professional, and workman-like manner and must meet the performance and operational standards required under this Contract.
- (b) The Contract Appendices, Attachments and Exhibits identify the equipment and software and services necessary for the Deliverable(s) to perform and Services to operate in compliance with the Contract's requirements and other standards of performance.
- (c) It is the lawful owner or licensee of any Deliverable licensed or sold to the State by Contractor or developed by Contractor under this Contract, and Contractor has all of the rights necessary to convey to the State the ownership rights or licensed use, as applicable, of any and all Deliverables. None of the Deliverables provided by Contractor to the State under neither this Contract, nor their use by the State shall infringe the patent, copyright, trade secret, or other proprietary rights of any third party.
- (d) If, under this Contract, Contractor procures any equipment, software or other Deliverable for the State (including equipment, software and other Deliverables manufactured, re-marketed or otherwise sold by Contractor under Contractor's name), then in addition to Contractor's other responsibilities with respect to the items in this 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 this Contract, on behalf of Contractor.
- (f) It is qualified and registered to transact business in all locations where required.
- (g) Neither the Contractor nor any Affiliates, nor any employee of either, has, 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 this 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) Neither Contractor nor any Affiliates, nor any employee of either has accepted or must accept anything of value based on an understanding that the actions of the Contractor or Affiliates or employee on behalf of the State would be influenced. Contractor must not attempt to influence any State employee by the direct or indirect offer of anything of value.
- (i) Neither Contractor nor any Affiliates, nor any employee of either has paid or agreed to pay any person, other than bona fide employees and consultants working solely for Contractor or the Affiliate, any fee, commission, percentage, brokerage fee, gift, or any other consideration, contingent upon or resulting from the award or making of this Contract.
- (j) The prices proposed by Contractor were arrived at independently, without consultation, communication, or agreement with any other Bidder for the purpose of restricting competition; the prices quoted were not knowingly disclosed by Contractor to any other Bidder; and no attempt was made by Contractor to induce any other person to submit or not submit a proposal for the purpose of restricting competition.

- (k) All financial statements, reports, and other information furnished by Contractor to the State as part of its response to the RFP or otherwise in connection with the award of this Contract fairly and accurately represent the business, properties, financial condition, and results of operations of Contractor as of the respective dates, or for the respective periods, covered by the financial statements, reports, other information. Since the respective dates or periods covered by the financial statements, reports, or other information, there have been no material adverse changes in the business, properties, financial condition, or results of operations of Contractor.
- (l) All written information furnished to the State by or for the Contractor in connection with this Contract, including its bid, is true, accurate, and complete, and contains no untrue statement of material fact or omits any material fact necessary to make the information not misleading.
- (m) It is not in material default or breach of any other contract or agreement that it may have with the State or any of its departments, commissions, boards, or agencies. Contractor further represents and warrants that it has not been a party to any contract with the State or any of its departments that was terminated by the State or the department within the previous five years for the reason that Contractor failed to perform or otherwise breached an obligation of the contract.
- (n) If any of the certifications, representations, or disclosures made in the Contractor's original bid response change after contract award, the Contractor is required to report those changes immediately to the Department of Technology, Management and Budget, Purchasing Operations.

2.122 WARRANTY OF MERCHANTABILITY

Goods provided by Contractor under this agreement shall be merchantable. All goods provided under this Contract shall be of good quality within the description given by the State, shall be fit for their ordinary purpose, shall be adequately contained and packaged within the description given by the State, shall conform to the agreed upon specifications, and shall conform to the affirmations of fact made by the Contractor 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 shall, in providing goods to the State, convey good title in those goods, whose transfer is right and lawful. All goods provided by Contractor shall 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 this Contract, shall be delivered free of any rightful claim of any third person by of infringement or the like.

2.125 EQUIPMENT WARRANTY

RESERVED

2.126 EQUIPMENT TO BE NEW

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

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, shall be considered default by the Contractor of the terms and conditions of the Contract and may result in cancellation of the Contract by the State. The brand and product number offered for all items shall remain consistent for the term of the Contract, unless Purchasing Operations has approved a change order pursuant to **Section 2.024**.

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 this 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 that may arise out of or result from the Contractor's performance of services under the terms of this 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 this Contract.

All insurance coverage provided relative to this Contract/Purchase Order is 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 this 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 this Contract must be issued by companies that have been approved to do business in the State.
See www.michigan.gov/dleg.

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 this Contract, the Contractor must have vehicle liability insurance on any auto including owned, hired and non-owned vehicles used in Contractor's business for bodily injury and property damage as required by law.

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

☑ 3. Workers' compensation coverage must be provided according to applicable laws governing the employees and employers work activities in the state of the Contractor's domicile. If a self-insurer provides the applicable coverage, 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 one million dollars ($1,000,000.00) with a maximum deductible of fifty thousand dollars ($50,000.00).

☐ 6. Umbrella or Excess Liability Insurance in a minimum amount of ten million dollars ($10,000,000.00), which 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: three million dollars ($3,000,000.00) each occurrence and three million dollars ($3,000,000.00) annual aggregate.

☐ 8. Fire and Personal Property Insurance covering against any loss or damage to the office space used by Contractor for any reason under this Contract, and the equipment, software and other contents of 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 this Contract to purchase and maintain the insurance coverage as described in this Section for the Contractor in connection with the performance of work by those Subcontractors. Alternatively, Contractor may include any Subcontractors under Contractor's insurance on the coverage required in this Section. Subcontractor(s) must fully comply with the insurance coverage required in this Section. Failure of Subcontractor(s) to comply with insurance requirements does not limit Contractor's liability or responsibility.

2.133 CERTIFICATES OF INSURANCE AND OTHER REQUIREMENTS

Contractor must furnish to MDTMB Purchasing Operations, 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 Number or the Purchase Order Number 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 coverage afforded under the policies SHALL 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 Operations, Department of Technology, Management and Budget. 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 insured 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 this 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 this 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 this Contract, or if any insurer cancels or significantly reduces any required insurance as specified in this 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 this Contract and that are attributable to the negligence or tortious acts of the Contractor or any of its Subcontractors, or by anyone else for whose acts any of them may be liable.

2.142 CODE INDEMNIFICATION

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

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 this 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 this Contract.

- (a) After the State receives notice of the action or proceeding involving a claim for which it shall 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 this 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 shall 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 this contract, for cause, by notifying the Contractor in writing, if the Contractor (i) breaches any of its material duties or obligations under this 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 this Contract is terminated for cause, the Contractor must pay all costs incurred by the State in terminating this Contract, including but not limited to, State administrative costs, reasonable attorneys' fees and court costs, and any reasonable additional costs the State may incur to procure the Services/Deliverables required by this Contract from other sources. Re-procurement costs are not consequential, indirect or incidental damages, and cannot be excluded by any other terms otherwise included in this Contract, provided the costs are not in excess of 50% more than the prices for the Service/Deliverables provided under this Contract.
- (c) If the State chooses to partially terminate this Contract for cause, charges payable under this Contract shall 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 this Contract that are terminated for cause must cease on the effective date of the termination.
- (d) If the State terminates this 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 this Contract for a termination for convenience.

2.153 TERMINATION FOR CONVENIENCE

The State may terminate this 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 this 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 this Contract in part, the charges payable under this Contract must be equitably adjusted to reflect those Services/Deliverables that are terminated. Services and related provisions of this Contract that are terminated for convenience must cease on the effective date of the termination.

2.154 TERMINATION FOR NON-APPROPRIATION

- (a) Contractor acknowledges that, if this Contract extends for several fiscal years, continuation of this Contract is subject to appropriation or availability of funds for this Contract. If funds to enable the State to effect continued payment under this Contract are not appropriated or otherwise made available, the State must terminate this Contract and all affected Statements of Work, in whole or in part, at the end of the last period for which funds have been appropriated or otherwise made available by giving written notice of termination to Contractor. The State 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 change the production of Deliverables in the manner and for the periods of time as the State may elect. The charges payable under this Contract shall be equitably adjusted to reflect any equipment, services or commodities not provided by reason of the reduction.
- (c) If the State terminates this 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 shall 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 this Contract immediately and without further liability or penalty in the event Contractor, an officer of Contractor, or an owner of a 25% or greater share of Contractor is convicted of a criminal offense related to a State, public or private Contract or subcontract.

2.156 TERMINATION FOR APPROVALS RESCINDED

The State may terminate this 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 shall 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 this 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 this Contract that may be in Contractor's possession, (c) return all materials and property provided directly or indirectly to Contractor by any entity, agent or employee of the State, (d) 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 this 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 this Contract, for Work In Process, on a percentage of completion basis at the level of completion determined by the State. All completed or partially completed Deliverables prepared by Contractor under this 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 this Contract, and may further pursue completion of the Services/Deliverables under this Contract by replacement contract or otherwise as the State may in its sole judgment deem expedient.

2.158 RESERVATION OF RIGHTS

Any termination of this 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 this Contract if the State (i) materially breaches its obligation to pay the Contractor undisputed amounts due and owing under this Contract, (ii) breaches its other obligations under this 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 2.160** before it terminates the Contract.

2.170 Transition Responsibilities

2.171 CONTRACTOR TRANSITION RESPONSIBILITIES

If the State terminates this contract, for convenience or cause, or if the Contract is otherwise dissolved, voided, rescinded, nullified, expires or rendered unenforceable, the Contractor shall 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 this 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 (30) days. These efforts must include, but are not limited to, those listed in **Section 2.150.**

2.172 CONTRACTOR PERSONNEL TRANSITION

The Contractor shall work with the State, or a specified third party, to develop a transition plan setting forth the specific tasks and schedule to be accomplished by the parties, to effect an orderly transition. The Contractor 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 this Contract. In addition, during or following the transition period, in the event the State requires the Services of the Contractor's subcontractors or vendors, as necessary to meet its needs, Contractor agrees to reasonably, and with good-faith, work with the State to use the Services of Contractor's subcontractors or vendors. Contractor will notify all of Contractor's subcontractors of procedures to be followed during transition.

2.173 CONTRACTOR INFORMATION TRANSITION

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

2.174 CONTRACTOR SOFTWARE TRANSITION

The Contractor shall reasonably assist the State in the acquisition of any Contractor software required to perform the Services/use the Deliverables under this Contract. This must include any documentation being used by the Contractor to perform the Services under this Contract. If the State transfers any software licenses to the Contractor, those licenses 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, the termination provisions of this Contract must govern reimbursement. 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 will prepare an accurate accounting from which the State and Contractor may reconcile all outstanding accounts.

2.176 STATE TRANSITION RESPONSIBILITIES

In the event that this Contract is terminated, dissolved, voided, rescinded, nullified, or otherwise rendered unenforceable, the State agrees to reconcile all accounts between the State and the Contractor, complete any pending post-project reviews and perform any others obligations 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**. 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 2.182**.

2.182 CANCELLATION OR EXPIRATION OF STOP WORK ORDER

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

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 shall be deemed to be a termination for convenience under **Section 2.153**, and the State shall pay reasonable costs resulting from the Stop Work Order in arriving at the termination settlement. For the avoidance of doubt, the State shall not be liable to Contractor for loss of profits because of a Stop Work Order issued under this Section**.**

2.190 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 shall be resolved under the Contract Management procedures in this Contract. If the parties are unable to resolve any dispute after compliance with the processes, the parties must meet with the Director of Purchasing Operations, DTMB, or designee, to resolve the dispute without the need for formal legal proceedings, as follows:

(1) 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 at issue which the parties believe to be appropriate and germane in connection with its resolution. The representatives shall discuss the problem and negotiate in good faith in an effort to resolve the dispute without the necessity of any formal proceeding.

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

(3) The specific format for the discussions shall 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.

(4) Following the completion of this process within 60 calendar days, the Director of Purchasing Operations, DTMB, or designee, shall 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 shall 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 shall 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 shall 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 that the damages to the party resulting from the breach shall 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, and marital status, physical or mental disability. Contractor further agrees that every subcontract entered into for the performance of this Contract or any purchase order resulting from this Contract will contain a provision requiring non-discrimination in employment, as specified here, binding upon each Subcontractor. This covenant is required 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 shall not award a Contract or subcontract to an employer whose name appears in the current register of employers failing to correct an unfair labor practice compiled 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, shall 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 shall comply with the Department of Civil Services Rule 2-20 regarding Workplace Safety and Rule 1-8.3 regarding Discriminatory Harassment. In addition, the Contractor shall comply with Civil Service regulations and any applicable agency rules provided to the Contractor. For Civil Service Rules, see http://www.mi.gov/mdcs/0,1607,7-147-6877---,00.html.

2.204 PREVAILING WAGE

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

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

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

2.210 Governing Law

2.211 GOVERNING LAW

The Contract shall 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 shall 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 shall be resolved in the State of Michigan. With respect to any claim between the parties, Contractor consents to venue in Ingham County, Michigan, and irrevocably waives any objections it may have to 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 shall be 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 this Contract calling for liquidated damages; or to court costs or attorney's fees awarded by a court in addition to damages after litigation based on this Contract.

The Contractor's liability for damages to the State is limited to two times the value of the Contract or $500,000 whichever is higher. The foregoing limitation of liability does not apply to claims for infringement of United States patent, copyright, trademarks or trade secrets; to claims for personal injury or damage to property caused by the gross negligence or willful misconduct of the Contractor; to claims covered by other specific provisions of this Contract calling for liquidated damages; or to court costs or attorney's fees awarded by a court in addition to damages after litigation based on this Contract.

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

2.230 Disclosure Responsibilities

2.231 DISCLOSURE OF LITIGATION

Contractor shall 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) shall 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 shall 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 that 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 shall be deemed to satisfy the requirements of this Section.

If any Proceeding disclosed to the State under this Section, or of which the State otherwise becomes aware, during the term of this Contract would cause a reasonable party to be concerned about:

- (a) the ability of Contractor (or a Subcontractor) to continue to perform this Contract according to its terms and conditions, or
- (b) 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 this 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:
    - iii. (1) Contractor and its Subcontractors will be able to continue to perform this Contract and any Statements of Work according to its terms and conditions, and
    - iv. (2) 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 shall make the following notifications in writing:
    - v. (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 MDTMB Purchasing Operations.
    - vi. (2) Contractor shall also notify MDTMB Purchasing Operations 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.
    - vii. (3) Contractor shall also notify MDTMB Purchase Operations within 30 days whenever changes to company affiliations occur.

2.232 CALL CENTER DISCLOSURE

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

2.233 BANKRUPTCY

The State may, without prejudice to any other right or remedy, terminate this Contract, in whole or in part, and, at its option, may take possession of the "Work in Process" and finish 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 this 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 shall 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 shall 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,** Contractor shall notify the State in a timely manner upon becoming aware of any circumstances that may reasonably be expected to jeopardize the timely and successful completion of any Deliverables/Services on the scheduled due dates in the latest State-approved delivery schedule and 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 AGREEMENT (SLA)

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

viii. (1) SLAs will not be calculated for individual Incidents where any event of Excusable Failure has been determined; Incident means any interruption in Services.

ix. (2) SLAs will not be calculated for individual Incidents where loss of service is planned and where the State has received prior notification or coordination.

x. (3) SLAs will not apply if the applicable Incident could have been prevented through planning proposed by Contractor and not implemented at the request of the State. To invoke this consideration, complete documentation relevant to the denied planning proposal must be presented to substantiate the proposal.

xi. (4) Time period measurements will be based on the time Incidents are received by the Contractor and the time that the State receives notification of resolution based on 24x7x365 time period, except that the time period measurement will be suspended based on the following:

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

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

- (b) Chronic Failure for any Service(s) will be defined as three unscheduled outage(s) or interruption(s) on any individual Service for the same reason or cause or if the same reason or cause was reasonably discoverable in the first instance over a rolling 30 day period. Chronic Failure will result in the State's option to terminate the effected individual Service(s) and procure them from a different vendor for the chronic location(s) with Contractor to pay the difference in charges for up to three additional months. The termination of the Service will not affect any tiered pricing levels.
- (c) Root Cause Analysis will be performed on any Business Critical outage(s) or outage(s) on Services when requested by the Contract Administrator. Contractor will provide its analysis within two weeks of outage(s) and provide a recommendation for resolution.
- (d) All decimals must be rounded to two decimal places with five and greater rounding up and four and less rounding down unless otherwise specified.

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.

Unauthorized Removal of any Key Personnel
It is acknowledged that an Unauthorized Removal will interfere with the timely and proper completion of the Contract, to the loss and damage of the State, and that it would be impracticable and extremely difficult to fix the actual damage sustained by the State as a result of any Unauthorized Removal. Therefore, Contractor and the State agree that in the case of any Unauthorized Removal in respect of which the State does not elect to exercise its rights under **Section 2.152**, the State may assess liquidated damages against Contractor as specified below.

For the Unauthorized Removal of any Key Personnel designated in the applicable Statement of Work, the liquidated damages amount is $25,000.00 per individual if the Contractor identifies a replacement approved by the State under **Section 2.060** and assigns the replacement to the Project to shadow the Key Personnel who is leaving for a period of at least 30 days before the Key Personnel's removal.

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

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, electrical surges or current fluctuations, lightning, earthquake, war, water or other forces of nature or acts of God, delays or failures of transportation, equipment shortages, suppliers' failures, or acts or omissions of common carriers, fire; riots, civil disorders; strikes or other labor disputes, embargoes; injunctions (provided the injunction was not issued as a result of any fault or negligence of the party seeking to have its default or delay excused); or any other cause beyond the reasonable control of 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 OF DELIVERABLES

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

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

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

2.252 CONTRACTOR SYSTEM TESTING

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

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

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

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

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

2.253 APPROVAL OF DELIVERABLES, IN GENERAL

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

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

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

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

If, after three (3) opportunities (the original and two repeat efforts), Contractor is unable to correct all deficiencies preventing State approval of a Deliverable, the State may: (i) demand that Contractor cure the failure and give Contractor additional time to cure the failure at the sole expense of Contractor; or (ii) keep this Contract in force and do, either itself or through other parties, whatever Contractor has failed to do, in which event Contractor shall bear any excess expenditure incurred by the State in so doing beyond the contract price for such Deliverable and will pay the State an additional sum equal to ten percent (10%) of such excess expenditure to cover the State's general expenses without the need to furnish proof in substantiation of such general expenses; or (iii) terminate this Contract for default, either in whole or in part by notice to Contractor (and without the need to afford Contractor any further opportunity to cure). Notwithstanding the foregoing, the State shall not use, as a basis for exercising its termination rights under this Section, deficiencies discovered in a repeat State Review Period that could reasonably have been discovered during a prior State Review Period.

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

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

2.254 PROCESS FOR APPROVAL OF WRITTEN DELIVERABLES

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

2.255 PROCESS FOR APPROVAL OF CUSTOM SOFTWARE DELIVERABLES

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

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

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

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

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

2.256 FINAL ACCEPTANCE

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

2.260 Ownership

2.261 OWNERSHIP OF WORK PRODUCT BY STATE

The State owns all Deliverables, as they are work 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

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 will not use the State's data for any purpose other than providing the Services, nor will any part of the State's data be disclosed, sold, assigned, leased or otherwise disposed of to the general public or to specific third parties or commercially exploited by or on behalf of 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 will 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.

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

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 (MICHIGAN DELIVERY EXTENDED AGREEMENTS LOCALLY

Public Act 431 of 1984 permits MDTMB to provide purchasing services to any city, village, county, township, school district, intermediate school district, non-profit hospital, institution of higher education, community, or junior college. A current listing of approved program members is available at: www.michigan.gov/contractconnect. Unless otherwise stated, the Contractor must ensure that the non-state agency is an authorized purchaser before extending the Contract pricing.

The Contractor will supply Contract Services and equipment to these local governmental agencies at the established State of Michigan contract prices and terms to the extent applicable and where available. The Contractor must send its invoices to, and pay the local unit of government, on a direct and individual basis.

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

IT IS MANDATORY THAT ALL CONTRACTS RESULTING FROM THIS RFP WILL BE MADE AVAILABLE TO ALL STATE OF MICHIGAN AGENCIES AND AUTHORIZED MIDEAL PURCHASING PROGRAM MEMBERS.

Please Visit Mi DEAL at www.michigan.gov/buymichiganfirst under MiDeal.

Estimated requirements for authorized local units of government are not included in the quantities shown in this RFP.

2.282 STATE EMPLOYEE PURCHASES

RESERVED

2.290 Environmental Provision

2.291 ENVIRONMENTAL PROVISION

Energy Efficiency Purchasing Policy: The State seeks wherever possible to purchase energy efficient products. This includes giving preference to U.S. Environmental Protection Agency (EPA) certified 'Energy Star' products for any category of products for which EPA has established Energy Star certification. For other purchases, the State may include energy efficiency as one of the priority factors to consider when choosing among comparable products.

Environmental Purchasing Policy: The State of Michigan is committed to encouraging the use of products and services that impact the environment less than competing products. The State is accomplishing this by including environmental considerations in purchasing decisions, while remaining fiscally responsible, to promote practices that improve worker health, conserve natural resources, and prevent pollution. Environmental components that are to be considered include: recycled content and recyclables; energy efficiency; and the presence of undesirable materials in the products, especially those toxic chemicals which are persistent and bioaccumulative. The Contractor should be able to supply products containing recycled and environmentally preferable materials that meet performance requirements and is encouraged to offer such products throughout the duration of this Contract. Information on any relevant third party certification (such as Green Seal, Energy Star, etc.) should also be provided.

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 the 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 shall 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 shall provide a safe and suitable environment for performance of Contractor's Work. Before the commencement of Work, the State shall 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 shall 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 shall order a suspension of Work in writing. The State shall proceed to have the Hazardous Material removed or rendered harmless. In the alternative, the State shall terminate the affected Work for the State's convenience.
- (c) Once the Hazardous Material has been removed or rendered harmless by the State, the Contractor shall 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 a time as mutually agreed by the parties.
- (d) If the Hazardous Material was brought to the site by the Contractor, or results in whole or in part from any violation by the Contractor of any laws covering the use, handling, storage, disposal of, processing, transport and

transfer of Hazardous Material, or from any other act or omission within the control of the Contractor, the Contractor shall bear its proportionate share of the delay and costs involved in cleaning up the site and removing and rendering harmless the Hazardous Material according to Applicable Laws to the condition approved by applicable regulatory agency(ies).

Labeling: 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

Refrigeration and Air Conditioning: The Contractor shall 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 this contract.

Environmental Performance: Waste Reduction Program - Contractor shall establish a program to promote cost-effective waste reduction in all operations and facilities covered by this contract. The Contractor's programs shall 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 Deliverables

2.301 SOFTWARE

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

2.302 HARDWARE

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

2.310 Software Warranties

2.311 PERFORMANCE WARRANTY

The Contractor represents and warrants that Deliverables, after Final Acceptance, will perform and operate in compliance with the requirements and other standards of performance contained in this Contract (including all descriptions, specifications and drawings made a part of the Contract) for a period of (90) ninety days. In the event of a breach of this warranty, Contractor will promptly correct the affected Deliverable(s) at no charge to the State.

2.312 NO SURREPTITIOUS CODE WARRANTY

The Contractor represents and warrants that no copy of licensed Software provided to the State contains or will contain any Self-Help Code or any Unauthorized Code as defined below. This warranty is referred to in this Contract as the “No Surreptitious Code Warranty.”

As used in this Contract, “Self-Help Code” means any back door, time bomb, drop dead device, or other software routine designed to disable a computer program automatically with the passage of time or under the positive control of a person other than the licensee of the software. Self-Help Code does not include Software routines in a computer program, if any, designed to permit an owner of the computer program (or other person acting by authority of the owner) to obtain access to a licensee’s computer system(s) (e.g. remote access via modem) for purposes of maintenance or technical support.

As used in this Contract, “Unauthorized Code” means any virus, Trojan horse, spyware, worm or other Software routines or components designed to permit unauthorized access to disable, erase, or otherwise harm software, equipment, or data; or to perform any other such actions. The term Unauthorized Code does not include Self-Help Code. Unauthorized Code does not include Software routines in a computer program, if any, designed to permit an owner of the computer program (or other person acting by authority of the owner) to obtain access to a licensee’s computer system(s) (e.g. remote access via modem) for purposes of maintenance or technical support.

In addition, Contractor will use up-to-date commercial virus detection software to detect and remove any viruses from any software prior to delivering it to the State.

2.313 CALENDAR WARRANTY

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

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

2.314 THIRD-PARTY SOFTWARE WARRANTY

The Contractor represents and warrants that it will disclose the use or incorporation of any third-party software into the Deliverables. At the time of Delivery, the Contractor shall provide in writing the name and use of any Third-party Software, including information regarding the Contractor's authorization to include and utilize such software. The notice shall include a copy of any ownership agreement or license that authorizes the Contractor to use the Third-party Software.

2.315 PHYSICAL MEDIA WARRANTY

Contractor represents and warrants that each licensed copy of the Software provided by the Contractor is free from physical defects in the media that tangibly embodies the copy. This warranty does not apply to defects discovered more than (30) thirty days after that date of Final Acceptance of the Software by the State. This warranty does not apply to defects arising from acts of Excusable Failure. If the Contractor breaches this warranty, then the State shall be entitled to replacement of the non-compliant copy by Contractor, at Contractor's expense (including shipping and handling).

2.320 Software Licensing

2.321 CROSS-LICENSE, DELIVERABLES ONLY, LICENSE TO CONTRACTOR

The State grants to the Contractor, the royalty-free, world-wide, non-exclusive right and license under any Deliverable now or in the future owned by the State, or with respect to which the State has a right to grant such rights or licenses, to the extent required by the Contractor to market the Deliverables and exercise its full rights in the Deliverables, including, without limitation, the right to make, use and sell products and services based on or incorporating such Deliverables.

2.322 CROSS-LICENSE, DELIVERABLES AND DERIVATIVE WORK, LICENSE TO CONTRACTOR

The State grants to the Contractor, the royalty-free, world-wide, non-exclusive right and license under any Deliverable and/or Derivative Work now or in the future owned by the State, or with respect to which the State has a right to grant such rights or licenses, to the extent required by the Contractor to market the Deliverables and/or Derivative Work and exercise its full rights in the Deliverables and/or Derivative Work, including, without limitation, the right to make, use and sell products and services based on or incorporating such Deliverables and/or Derivative Work.

2.323 LICENSE BACK TO THE STATE

Unless otherwise specifically agreed to by the State, before initiating the preparation of any Deliverable that is a Derivative of a preexisting work, the Contractor shall cause the State to have and obtain the irrevocable, nonexclusive, worldwide, royalty-free right and license to (1) use, execute, reproduce, display, perform, distribute internally or externally, sell copies of, and prepare Derivative Works based upon all preexisting works and Derivative Works thereof, and (2) authorize or sublicense others from time to time to do any or all of the foregoing.

2.324 LICENSE RETAINED BY CONTRACTOR

Contractor grants to the State a non-exclusive, royalty-free, site-wide, irrevocable, transferable license to use the Software and related documentation according to the terms and conditions of this Contract. For the purposes of this license, "site-wide" includes any State of Michigan office regardless of its physical location.

The State may modify the Software and may combine such with other programs or materials to form a derivative work. The State will own and hold all copyright, trademarks, patent and other intellectual property rights in any derivative work, excluding any rights or interest in Software other than those granted in this Contract.

The State may copy each item of Software to multiple hard drives or networks unless otherwise agreed by the parties.

The State will make and maintain no more than one archival copy of each item of Software, and each copy will contain all legends and notices and will be subject to the same conditions and restrictions as the original. The State may also make copies of the Software in the course of routine backups of hard drive(s) for the purpose of recovery of hard drive contents.

In the event that the Contractor shall, for any reason, cease to conduct business, or cease to support the Software, the State shall have the right to convert these licenses into perpetual licenses, with rights of quiet enjoyment, but subject to payment obligations not to exceed the then current rates.

2.325 PRE-EXISTING MATERIALS FOR CUSTOM SOFTWARE DELIVERABLES

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

ATTACHMENT A

MI-W4

(Rev. 08-11)

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

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

Issued under P.A. 281 of 1967.

DRAFT 8/1/11

▶ 1. Social Security Number

▶ 2. Date of Birth

▶ 3. Type or Print Your First Name, Middle Initial and Last Name

4. Driver's License Number or State ID

Home Address (No., Street, P.O. Box or Rural Route)

City or Town | State | ZIP Code

▶ 5. Are you a new employee?

☐ Yes If Yes, enter date of hire . . . .

☐ No

6. Enter the number of personal and dependent exemptions you are claiming ..... ▶ 6.

7. Additional amount you want deducted from each pay (if employer agrees) ..... 7. $ .00

8. I claim exemption from withholding because (does not apply to nonresident members of flow-through entities - see instructions):

a. ☐ A Michigan income tax liability is not expected this year.

b. ☐ Wages are exempt from withholding. Explain: _____

c. ☐ Permanent home (domicile) is located in the following Renaissance Zone: _____

EMPLOYEE:
If you fail or refuse to file this form, your employer must withhold Michigan income tax from your wages without allowance for any exemptions. Keep a copy of this form for your records.

Under penalty of perjury, I certify that the number of withholding exemptions claimed on this certificate does not exceed the number to which I am entitled. If claiming exemption from withholding, I certify that I anticipate that I will not incur a Michigan income tax liability for this year.

9. Employee's Signature

▶ Date

INSTRUCTIONS TO EMPLOYER:
Employers must report all new hires to the State of Michigan. Keep a copy of this certificate with your records. If the employee claims 10 or more personal and dependent exemptions or claims a status exempting the employee from withholding, you must file their original MI-W4 form with the Michigan Department of Treasury. Mail to: New Hire Operations Center, P.O. Box 85010; Lansing, MI 48908-5010.

Employer: Complete lines 10 and 11 before sending to the Michigan Department of Treasury.

10. Employer's Name, Address, Phone No. and Name of Contact Person

▶ 11. Federal Employer Identification Number

INSTRUCTIONS TO EMPLOYEE

You must submit a Michigan withholding exemption certificate (form MI-W4) to your employer on or before the date that employment begins. If you fail or refuse to submit this certificate, your employer must withhold tax from your compensation without allowance for any exemptions. Your employer is required to notify the Michigan Department of Treasury if you have claimed 10 or more personal and dependent exemptions or claimed a status which exempts you from withholding.

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

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

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

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

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

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

Line 8: You may claim exemption from Michigan income tax withholding ONLY if you do not anticipate a Michigan income tax liability for the current year because all of the following exist: a) your employment is less than full time, b) your personal and dependent exemption allowance exceeds your annual compensation, c) you claimed exemption from federal withholding, d) you did not incur a Michigan income tax liability for the previous year. You may also claim exemption if your permanent home (domicile) is located in a Renaissance Zone or you are a non-resident spouse of military personnel stationed in Michigan. Members of flow-through entities may not claim exemption from nonresident flow-through withholding. For more information on Renaissance Zones call (517) 636-4486. Full-time students that do not satisfy all of the above requirements cannot claim exempt status.

Visit the Treasury Web site at: **www.michigan.gov/taxes**

ATTACHMENT B

User File Name:		**NEW HIRE**			**Revised Date:**
File Type:	Disk	**Division: INCOME TAX**			11/15/11
FILE ID:	TC06298Q02	**Label Type:** Standard		**Rec Size**	**Blocking Factor/Size**
Sequence:				498	40/19920
LAN ID:	\\Treas_data_fs2\data\Shared\its\DOC\DEV\TC06\TC06298Q01				
From	**To**	**Description**	**Format**	**Length**	**Values**
1	2	STATE ABBREVIATION	X(2)	2	
3	11	SOCIAL SECURITY NUMBER	9(9)	9	
12	27	EMPLOYEE FIRST NAME	X(16)	16	
28	43	EMPLOYEE MIDDLE NAME	X(16)	16	
44	63	EMPLOYEE LAST NAME	X(20)	20	
64	108	EMPLOYER NAME	X(45)	45	
109	117	EMPLOYER FEIN	X(9)	9	
118	157	EMPLOYER ADDRESS LINE 1	X(40)	40	
158	197	EMPLOYER ADDRESS LINE 2	X(40)	40	
198	237	EMPLOYER ADDRESS LINE 3	X(40)	40	
238	272	EMPLOYER CITY	X(35)	35	
273	274	EMPLOYER STATE	X(2)	2	
275	279	EMPLOYER ZIP CODE	9(5)	5	
280	283	EMPLOYER ZIP CODE +4	9(4)	4	
284	291	EMPLOYEE DATE OF BIRTH	9(8)	8	CCYYMMDD
292	299	EMPLOYEE DATE OF HIRE	9(8)	8	CCYYMMDD
300	339	EMPLOYEE ADDRESS LINE 1	X(40)	40	
340	379	EMPLOYEE ADDRESS LINE 2	X(40)	40	
380	414	EMPLOYEE CITY	X(35)	35	
415	416	EMPLOYEE STATE	X(2)	2	
417	421	EMPLOYEE ZIP CODE	9(5)	5	
422	425	EMPLOYEE ZIP CODE +4	9(4)	4	
426	441	EMPLOYEE DRIVER LICENSE	X(16)	16	
442	442	FILLER	X(1)	1	
443	444	NUMBER OF EXEMPTIONS	9(2)	2	
445	445	EXEMPTION CODE	X(1)	1	
446	465	EXEMPTION CODE EXPLAINATION	X(20)	20	
466	485	FILLER	X(20)	20	
486	493	EMPLOYEE SIGNATURE DATE	9(8)	8	CCYYMMDD
494	498	FILLER	X(5)	5	
		W4 DATA FILE LAYOUT TO BE			
		FAST LOADED TO THE RDBC.			

ATTACHMENT C

MI-W-4
Safeguard Requirements of Confidential Data

As used in this Section, "Confidential Information" of Contractor shall mean all non-public proprietary information of Contractor that is marked confidential, restricted, proprietary, or with a similar designation.

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

a) Any Mail Carriers used by the vendor must complete confidentiality agreements with the SOM Treasury to ensure that the carriers understand their responsibility.
b) Non-disclosure agreements executed by third-party maintenance staff assigned to the dedicated fax machines used on this contract.
c) All faxes sent by employers shall be accompanied by a standardized cover sheet containing the name, title and organization of both the sender and the intended recipient, along with a notation indicating the total number of pages faxed. The cover sheet should also include a box that allows the sender to "check-off" whether (s)he would like the recipient to confirm that they have successfully received the transmission. The cover sheet shall also contain a confidentiality disclaimer. (See example below)
d) Audit trails in place to track W-4 data received from employers. An audit trail is defined as a method of capturing all user activity that occurs in an application or computer system and identifying whom, when, and where the access occurred. It also is used to track account activity to follow the routing of documents or correspondence from the time it is sent from the employer until it is stored in a permanent database.

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

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

Protection of Confidential Information

The State and Contractor will each use at least the same degree of care to prevent disclosing to third parties the New Hire confidential information received from employers to avoid unauthorized disclosure, publication or dissemination.

Neither Contractor nor the State will:

i) Make any use of the Confidential information of the other except as contemplated by this Contract,
ii) Acquire any right in or assert any lien against the New Hire confidential information, or
iii) If requested to do so, refuse for any reason to promptly return the New Hire confidential information to the State. Each party will limit disclosure of the New Hire confidential information to employees and subcontractors who must have access thereto in order t fulfill the purposes of this contract.

Disclosure to, and use by, a Subcontractor is permissible where (a) use of a Subcontractor is authorized under this contract; (b) such disclosure is necessary or otherwise naturally occurs in connection with work that is within such Subcontractor's scope of responsibility, and (c) Contractor obligates the Subcontractor in a written contract to maintain the State's confidential information in confidence. At the State's request, any employee of Contractor and Subcontractor having access or continued access to the New Hire confidential information may be required to execute an acknowledgement that the employee has been advised of Contractor's and the Subcontractor's obligations to protect such confidential information from unauthorized use or disclosure.

<u>News Releases</u>

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

with the ITB and Contract are to be released without prior written approval of the State and then only to persons designated.

Exclusions

Notwithstanding the foregoing, the provisions of this section will not apply to any particular confidential information to the extent the receiving party is required by law to disclose such confidential information, provided that the receiving party (i) promptly provides the furnishing party with notice of the legal request, and (ii) assists the furnishing party in resisting or limiting the scope of such disclosure as reasonably requested by the furnishing party.

No Implied Rights

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

Survival

The Treasury confidentiality agreement under this Section imposes a lifetime obligation on the Contractor and any of its subcontractors participating in execution of this contract. Non-disclosure provisions of the confidentiality agreement do not end at the termination of this contract.

Destruction of Confidential Information

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

ATTACHMENT D

STATE OF MICHIGAN
DEPARTMENT OF HUMAN SERVICES

JENNIFER M. GRANHOLM
GOVERNOR

V

MICHIGAN IV-D ACTION TRANSMITTAL 2005-069

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

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

DATE: October 28, 2005

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

PURPOSE:

This Action Transmittal (AT):

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

DEFINITIONS:

- **Restricted information —** Information that contains any of the following items:
  - Internal Revenue Service (IRS) information (i.e., any information obtained from the IRS);1
  - Social Security numbers (SSNs);
  - Address/location information when the *Family Violence Indicator* (FVI) is set to "Y" with a specific *Family Violence Type* (FV) code;2 and
  - Any list or report3 that contains identifying information4 on any case participant.

- **IV-D worker —** Any staff employed or contracted by a IV-D agency doing IV-D work. This includes, but is not limited to, staff of the following offices:

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1 IRS information includes any taxpayer identifying information, or any taxpayer identifying information and the refund intercept amount.
2 The FV codes are: CT – court order; SS – sworn statement; PW – Michigan personal protection order (PPO) with confidential address; FW – Foreign PPO with confidential address; and FP – Federal Parent Locator Service (FPLS).
3 A list or report is defined as a document containing case participant information from multiple cases.
4 Identifying information includes any one of the following: name, SSN, address.

- FOCs;
- PAs;
- MiSDU;
- MiCSES;
- OCS;
- Attorney General's child support unit; and
- Workers contracted to help in any of these offices.

- **State network —** Any server maintained by the State of Michigan.
- **michigan.gov email account —** Any email address that ends with michigan.gov (e.g., doej@michigan.gov).
- **Non-michigan.gov email account —** Any email address that ends with something other than michigan.gov (e.g., doej@county.mi.us).
- **User name —** Everything to the left of the "@" symbol in an email address. For example, if the email address is doej@michigan.gov, then the user name is doej.
- **User ID —** The code used to identify a user when (s)he logs into a system and starts a login session. It is used by the system to uniquely identity each user.
- **Secure —** A transmission where there is little or no likelihood of the communication being intercepted by an unauthorized person.
- **Firewall —** An electronic blocking mechanism that inhibits unauthorized users from accessing a computer system.

SECURE TRANSMISSION:
An email transmission between two michigan.gov email accounts is secure; both via Novell GroupWise and Novell GroupWise web access. An email transmission between a michigan.gov account and a non-michigan.gov account is **not** secure. Even if the county is connected to its own secure server, the transmission between a michigan.gov account and a non-michigan.gov account is **not** secure.

Any IV-D worker using a michigan.gov account **must not**:
- Send restricted information to a non-michigan.gov account; or
- Forward any email containing restricted information to a non-michigan.gov account.

CONFIDENTIAL michigan.gov ACCOUNTS:

For the purposes of transmitting and receiving restricted information, OCS requested that the Department of Information Technology (DIT) create confidential michigan.gov email accounts for all FOC and PA offices.

As a result of the recent name change to DHS, DIT will update the confidential addresses to reflect this new name change. Select county FOC offices have already undergone this transition and are listed as **converted** counties on the provided attachment. The remainder of FOC and PA offices are listed on the attachment with projected dates for the name change to each county's confidential email address account (Ref: Attachment 1).

This name change also affects the user login. At the time the account was created, the user ID naming conventions started each user ID with "FIA." The user of the confidential michigan.gov account must now use DHS instead of FIA when (s)he logs into the account. IV-D staff will continue to use the password that (s)he originally created for the account. In addition, stored email will be retained in the new account.

The FOC office account is designated "DHS-*countyname*-Confidential@michigan.gov" and the PA office account is designated "DHS-PA-*countyname*-CTY-Confidential@michigan.gov."5 For example, the Alcona FOC confidential account is DHS-Alcona-Confidential@michigan.gov. The Alcona PA confidential account is DHS-PA-Alcona-CTY-Confidential@michigan.gov. The county office will assign three designated users (one primary user and two alternates) to maintain the confidential michigan.gov account. The county office does not need to identify the designated users to OCS or DIT.

5 Counties with two-word names must omit the space when logging in (e.g., the Grand Traverse FOC would be DHS-GrandTraverse-Confidential@michigan.gov).

If the designated user is located in a county office that is connected to the state network, (s)he can access the confidential michigan.gov account either via the Novell GroupWise software or the State of Michigan Novell GroupWise web access (http://gw.state.mi.us).6

If the designated user is located in a county office that is **not** connected to the state network, (s)he must only access the confidential michigan.gov account via the State of Michigan Novell GroupWise web access.7

Each FOC/PA IV-D Contact8 will receive a password for the confidential michigan.gov account. The FOC/PA IV-D Contact will send the password to the primary user. Then, the primary user must immediately change the password.

If the primary user accesses the account via Novell GroupWise, then (s)he must:

1. Select “Tools” from the toolbar;
2. Select “Options”;
3. Double-click on “Security”;
4. Enter the old password;
5. Enter the new password;
6. Confirm the new password; and
7. Click “OK.”

If the primary user accesses the account via GroupWise web access, then (s)he must:

1. Select the “options” icon at the top of the page;9
2. Enter the new password;
3. Confirm the new password; and
4. Click “Save.”

After the password is changed, the primary user must inform the two alternate users of the new password. These three designated users must be the only people with access to the office’s confidential michigan.gov account.

GENERAL PROCEDURES:

Receiving Restricted Information From OCS

OCS and DIT will send scheduled (e.g., law enforcement information network (LEIN) validation reports, bonus reports, tax refund offset data) and unscheduled mass distributions of restricted information to confidential michigan.gov accounts, even if the county office uses michigan.gov accounts. This frees OCS and DIT from maintaining statewide distribution lists. If the county office uses michigan.gov accounts, the designated user can forward the restricted information to the appropriate staff. If the county office does not use michigan.gov accounts, the designated user must save the document containing the restricted information to a folder on his/her personal hard drive. Then, the designated user will open his/her county-based email and attach the document to an email addressed to the appropriate staff within his/her county office. This two-step process using two email accounts behind the same firewall ensures that the information will not be transmitted through an unprotected connection. **The designated user must not forward the email containing restricted information to a non-michigan.gov account.**

When the restricted information is not contained within a mass distribution OCS, MiSDU, and MiCSES staff will only send restricted information to michigan.gov accounts. If the recipient(s) does not use a personal michigan.gov account OCS, MiSDU, or MiCSES staff will send the restricted information to the office’s confidential michigan.gov account. The designated user must follow the same guidelines outlined above for disseminating the information to the appropriate staff. If the communication does not contain restricted information, OCS, MiSDU, and MiCSES staff will correspond with the IV-D worker’s personal account, including non-michigan.gov email accounts.

Sending Restricted Information to OCS, MiSDU, and MiCSES

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6 The designated user must select “Department of Human Services” from the list and must enter the user name and password for the confidential michigan.gov account.

7 http://gw.state.mi.us

8 The FOC/PA IV-D Contact was formerly known as the Local Project Coordinator (LPC).

9 The “options” icon is denoted by the following symbol at the top of the page: . This is not the same as the “internet options” function from the drop down menus of your internet browser.

County staff must only send restricted information to OCS, MiSDU, and MiCSES from a michigan.gov account. The IV-D worker can either use a personal michigan.gov account or give the information to the designated user of the office's confidential michigan.gov account for him/her to send.

Sending Restricted Information to Customers and Employers

IV-D workers must **not** send restricted information to customers or employers via email. Before sending a response to a customer or employer, the IV-D worker **must**:

- Delete any restricted information from the body of the original email; and
- Not add any additional restricted information.

ADDITIONAL INFORMATION:

If an FOC or PA wants to set up michigan.gov accounts for all staff the FOC/PA IV-D Contact must notify the CSES Hotline.

LEGAL REFERENCES:

Federal
26 United States Code (USC) 6103
42 USC 653
IRS Publication 1075

State
Michigan Complied Law 400.64

POLICY REFERENCE:

AT 2005-023, ***Revised****: Use of State Make Whole Funds*
AT 2004-018, *Family Violence Indicator (FVI)*

AT MAINTENANCE: Retain until further notice

EFFECTIVE DATE: Upon receipt

REVIEW PARTICIPANTS:

Virginia Hambric, MiCSES Project Staff
Jan Isaacs, MiCSES Project Staff
Dave Clagett, Prosecuting Attorneys Association of Michigan
Lynn Davidson, Macomb County FOC
Steve Capps, State Court Administrative Office, Friend of the Court Bureau
Financial Work Improvement Team
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Crittendens2@michigan.gov
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ENCLOSURE: Attachment 1-*County Conversion Dates for Confidential michigan.gov Email Accounts*

CC: Michigan Attorney General

MFS/SC

ATTACHMENT D1

STATE OF MICHIGAN
DEPARTMENT OF HUMAN SERVICES
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

ISMAEL AHMED
DIRECTOR

MICHIGAN IV-D ACTION TRANSMITTAL 2008-022

TO: All Friend of the Court (FOC) Staff
All Prosecuting Attorney (PA) Staff
All Department of Information Technology (DIT) Michigan Child Support Enforcement System (MiCSES) Project Staff
All Attorney General (AG) Child Support Program Staff
All State Court Administrative Office (SCAO) Staff
All Office of Child Support (OCS) Staff

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

DATE: May 5, 2008

SUBJECT: Internal Revenue Service (IRS) and State of Michigan Tax Return Information – Mandatory Action

RESPONSE DUE: June 15, 2008

PURPOSE:

This Action Transmittal (AT) replaces and obsoletes AT 2007-003, *Internal Revenue Service (IRS) and State of Michigan Tax Return Information – Mandatory Action*, and:

- Informs all IV-D staff and contractors of the IRS and Michigan Department of Treasury (Treasury) tax return information confidentiality requirements;
- Informs all IV-D staff and contractors of the OCS reporting requirements;
- Explains the actions required by all IV-D staff and contractors to continue to meet the IRS reporting requirements; and
- Identifies and provides the forms that must be completed and signed by all IV-D staff and contractors to continue to meet the IRS reporting requirements.

APPLICATION/SCOPE:

This AT applies to all IV-D staff and contractors who access, use or store any tax return information provided to the Michigan Title IV-D program. All guidelines and regulations cited in this AT are mandatory for all organizations that have employees or contractors who access MiCSES, the Child Support Enforcement System (CSES) Data Warehouse, or the legacy CSES Vax.

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www.michigan.gov • (517) 373-2035

DEFINITIONS:

Federal Tax Information (FTI) – Federal terminology used in the Internal Revenue Code (IRC) and IRS publications to describe tax return information.

Tax Return Information – For purposes of the Michigan Title IV-D program, tax return information is defined as the receipts in MiCSES that are from an offset to an individual's tax refund, the amount and date of the offset, the joint name associated with the receipt, and any hard copies showing these offsets.

HISTORY AND BACKGROUND:

The IRS and Treasury provide tax return information to the Michigan Title IV-D program. All persons who access, use or store this information must keep it confidential. Personal penalties apply to anyone who discloses confidential tax return information. The IRS and Treasury prescribe guidelines, procedures and policies that carry out the confidentiality requirements of the IRC and Michigan Compiled Laws (MCLs). All organizations that receive and use tax return information must have safeguards and procedures in line with these requirements. The organization must ensure that staff keep the information confidential and are aware of the penalties for disclosure. County FOC and PA staff and AG staff must report their safeguards and procedures to OCS so this information can be incorporated into the OCS report to the IRS. OCS must also provide employee awareness information to Treasury.

The IRS guidelines, procedures, and reporting requirements and the consequences of unauthorized disclosure are included in *Tax Information Security Guidelines for Federal, State, and Local Agencies* (Office of Management and Budget [OMB] No. 1545-0962), also called *IRS Publication 1075*.[1] The individual(s) responsible for the use of tax return information at the FOC, PA and AG must read the publication and be aware of the requirements and penalties. This is necessary to ensure that the organization meets all the physical security, computer system security, and employee awareness requirements. The requirements of the MCLs will be met if the IRS requirements are followed and applied to Treasury information.

As part of meeting the requirements of *IRS Publication 1075*, the majority of the FOC and PA offices submitted a *Safeguard Procedures Report* (Ref: Section 7.2 of *IRS Publication 1075*) for the calendar year ended December 31, 2003. A majority of the FOC and PA offices also submitted an *Annual Safeguard Activity Report* for the calendar year ended December 31, 2004 and completed the appropriate OCS *Data Confidentiality Questionnaires* for the calendar years ended December 31, 2005 and December 31, 2006. In order for OCS to continue to meet its annual IRS reporting requirements as stated above, it is necessary for all FOC and PA offices and their contractors to complete the appropriate OCS *Data Confidentiality Questionnaire* and

[1] Ref: http://www.irs.gov/pub/irs-pdf/p1075.pdf.

their staff and contractors to complete the Treasury *Vendor, Contractor or Subcontractor Confidentiality Agreement* as prescribed by OCS and Treasury. The information provided by the FOC and PA contractor is incorporated into the OCS annual report to the IRS.

In order for OCS to continue to meet its annual IRS reporting requirements as described in *IRS Publication 1075*, it is necessary for the Director of the AG Child Support Program to complete the appropriate OCS *Data Confidentiality Questionnaire,* its staff to complete the Treasury *Agency Employee Confidentiality Agreement* and its contractors to complete the Treasury *Vendor, Contractor or Subcontractor Confidentiality Agreement* as prescribed by OCS and Treasury. The information provided by the AG is incorporated into the OCS annual report to the IRS.

PROGRAM ACTIONS AND POLICY INFORMATION:

A. FOC and PA Office

Each county FOC must complete the *Friends of the Court Tax Data Confidentiality Questionnaire* (Ref: Attachment 1), and each county PA must complete the *Prosecuting Attorneys Tax Data Confidentiality Questionnaire* (Ref: Attachment 2) for the calendar year ended December 31, 2007. FOC and PA staff must complete and sign the questionnaire and submit it by **June 15, 2008** to their assigned contract manager at:

Department of Human Services
Office of Child Support
P.O. Box 30037
Lansing, MI 48909

B. AG Child Support Program Office

The AG must complete the *Attorney General Child Support Program Tax Data Confidentiality Questionnaire* (Ref: Attachment 3) for the calendar year ended December 31, 2007. The completed and signed questionnaire must be submitted by **June 15, 2008** to Lynn Walker, contract manager, at:

Department of Human Services
Office of Child Support
P.O. Box 30037
Lansing, MI 48909

C. OCS Employees and Contractors/DIT Employees and Contractors/SCAO Employees and Contractors

The OCS Financial Management staff will contact all of the responsible OCS, DIT, and SCAO offices to communicate the procedures and deadlines for submitting the Treasury forms to OCS.

D. Employee and Contractor Awareness

All FOC, PA, AG, OCS, DIT and SCAO offices and contractors must review *IRS Publication 1075* Section 6.2 (Employee Awareness), which describes the required annual certifications and training related to confidential tax return information. Additional information and training is available on the mi-support Web site at: http://mi-support.cses.state.mi.us under "Training." The FOC, PA, AG, OCS, DIT and SCAO offices and contractors must meet these training requirements and must also complete the following Treasury forms to fulfill the minimum IRS requirements:

- FOC and PA – Complete and sign the Michigan Department of Treasury form 3337, *Vendor, Contractor or Subcontractor Confidentiality Agreement* (Ref: Attachments 4 and 5).
- All contractors of the AG, OCS, DIT and SCAO – Complete and sign the Treasury form 3337, *Vendor, Contractor or Subcontractor Confidentiality Agreement* (Ref: Attachment 4).
- All employees of AG, OCS, DIT and SCAO – Complete and sign the Treasury form 4062, *State of Michigan Agency Employee Confidentiality Agreement* (Ref: Attachments 6 and 7).

Each employee and any contractor who accesses MiCSES, CSES Data Warehouse or the legacy CSES Vax must sign the appropriate form, certifying that (s)he understands the policies, procedures and penalties related to safeguarding tax information before (s)he is granted access to MiCSES, CSES Data Warehouse or the legacy CSES Vax. Anyone who will not sign the form must have his/her access revoked. In addition, FOC, PA, AG, OCS and DIT offices must make each employee and contractor aware of the specific policies and procedures related to printing, using, storing and destroying hard copies of any tax return information.

Local FOC and PA offices are required by *IRS Publication 1075* to provide a non-disclosure clause in contracts with any contractors, including cleaning and maintenance and disposal companies. The contract must include provisions stating that any IRS data which may be viewed in performance of the contractor's work must not be disclosed. Any disclosure of IRS data is subject to federal and state penalties (Ref: Attachment 8).

E. Use of System Screen Prints With FTI

The IRS has indicated that FTI should not be printed off of MiCSES, CSES Data Warehouse or the legacy CSES Vax. If any FTI is printed off of these systems, then all of the formal logging, labeling, securing, and destruction requirements must be followed for each screen print. One requirement is the maintenance of a formal log that lists each screen print (or other print-offs). The formal log must

specify who printed the screen print (or other print-offs) and the date it was printed, and track the use of the screen print until it is destroyed. Any screen prints (or other print-offs) must be stored in a secured location that qualifies as IRS-secured storage. **The screen prints (or other print-offs) must not be stored in the case files**. Refer to *IRS Publication 1075* for the actual requirements and additional details.

F. Reporting Unauthorized Disclosure

Unauthorized disclosure of FTI must be reported in accordance with *IRS Publication 1075,* page 40, Section 10.0. In addition, any unauthorized disclosure must be reported to the assigned contract manager. As part of the employee and contractor awareness training described in Section D above, each office must provide the procedures and contacts for reporting an unauthorized disclosure.

G. Future Fiscal Year (FY) Annual Reporting

All documents and forms required for FY 2008 annual reporting (covering the calendar year ended December 31, 2007) are attached to this AT and are due by **June 15, 2008**. IV-D staff will refer to the cooperative reimbursement contract, section II. DHS DUTIES AND RESPONSIBILITIES, B. Payment, item 2., regarding failure to provide DHS any required paper or electronic records, statistics, or reports as required by the contract.

Beginning FY 2009 (October 1, 2008), all documents and forms required for annual reporting will be available for IV-D contractors to download from the mi-support Web site (under the "Contracts"[2] section) at: http://mi-support.cses.state.mi.us and will be due by **April 30, 2009 and by April 30 of each fiscal year thereafter**. If any IV-D office is unable to access the mi-support Web site, please contact the assigned OCS contract manager for assistance.

LEGAL REFERENCES:

Federal
IRC sections 6103, 7213, and 7431
IRS Publication 1075
OMB No. 1545-0962

State
MCL section 205.28 (1)(f) and (2)

POLICY REFERENCE:

AT 2003-007, *Security Guidelines for Federal, State, and Local Agencies Receiving Tax Information*

[2] The "Contracts" section is found under the "Central Activities" menu.

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LEGAL REFERENCES:

Federal
IRC sections 6103, 7213, and 7431
IRS Publication 1075
OMB No. 1545-0962

State
MCL section 205.28 (1)(f) and (2)

POLICY REFERENCE:

AT 2003-007, *Security Guidelines for Federal, State, and Local Agencies Receiving Tax Information*

[2] The "Contracts" section is found under the "Central Activities" menu.

ATTACHMENT D1a

Reset Form

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

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 RR#, City, State, ZIP Code)			Last Name	First Name
			Driver License Number	
State of Michigan Department	Bureau	Division	Subcontractor Name if Product/Service Furnished to Contractor	
Describe here or in a separate attachment the product or service being provided to the State of Michigan Agency.				

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
Print Witness Name (Required)	Signature of Witness (Required)	Date signed

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**

ATTACHMENT D1b

Instructions for Completion of the Michigan Department of Treasury (Treasury) Forms

Friend of the Court (FOC) and Prosecuting Attorney (PA) Staff

- **Treasury Form 3337 - *Vendor, Contractor or Subcontractor Confidentiality Agreement***

The ***Vendor, Contractor or Subcontractor Confidentiality Agreement*** (Form 3337) must be completed by all FOC and PA staff and contract staff who have access to the Michigan Child Support Enforcement System (MiCSES), the Child Support Enforcement System (CSES) Data Warehouse or the legacy CSES Vax. FOC and PA offices must certify in the *Annual Safeguard Activity Report* that Form 3337 is signed and on file in the local office for each user of MiCSES, the CSES Data Warehouse or the legacy CSES Vax. **Do not** send copies of Form 3337 directly to the Office of Child Support or to Treasury. The completed and signed form must be maintained in the local office.

Completion by FOC and PA Staff

FOC and PA staff completing the *Vendor, Contractor or Subcontractor Confidentiality Agreement* (Form 3337) must take note of the following sections on the form:

1. Under *Company Name and Address*, list your county FOC/PA name and address.
2. The name of the *State of Michigan Department* is the Michigan Department of Human Services, Office of Child Support.
3. The *Subcontractor* section is "N/A" for FOC/PA county employees.
4. The box that requires a description of the product or service provided is "N/A" for FOC/PA county employees.

Completion by FOC and PA Contractors

The Treasury Form 3337 was designed specifically for contractor staff and therefore is self-explanatory for a contractor's certification.

ATTACHMENT D1c

Michigan Department of Treasury
4062 (Rev. 11-10)

State of Michigan Agency Employee Confidentiality Agreement

The Revenue Act, Public Act 122 of 1941, MCL 205.28(1)(f), makes tax information acquired from the Michigan Department of Treasury confidential. The Act holds that any state employee, authorized representative, or former employee who has access to Michigan tax returns and Michigan tax return information is subject to the same restrictions as Michigan Department of Treasury employees. All unauthorized disclosures of information are subject to criminal and civil penalties under the Michigan Revenue Act. Penalties can include fines, imprisonment and dismissal from state employment.

INSTRUCTIONS. Read this entire form before you sign it. After you and your witness sign and date this form, keep a copy for your records and send the **original to: Michigan Department of Treasury, Technical Services Division, Disclosure Unit, Austin Building, 430 W. Allegan, Lansing, MI 48922..**

Employee Information				
Last Name	First Name		Middle Initial	State Employee Identification Number
Telephone Number	State of Michigan Department	Bureau		Division

Michigan Department of Treasury tax returns or return information made available to you, including information marked "Official Use Only," shall not be divulged to any person except as is necessary to perform official duties. MCL 205.28(1)(f) provides that you may not willfully browse returns or information contained in a return. Browsing is defined as examining a return or return information without authorization and without a need to know the information to perform official duties.

Tax returns and tax return information may only be used for the purpose outlined in the Inter-Agency Agreement and/or the addendum to the Inter-Agency Agreement established between the Michigan Department of Treasury and the agency listed above (Department/Division).

Access to Treasury information, both in paper and electronic form, is allowed on a need-to-know basis to perform your agency's official duties. Before you disclose returns or return information to other employees in your agency, they must be authorized by the Michigan Department of Treasury to receive the information to perform their official duties.

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

Agency Discipline
Absence of criminal prosecution does not prevent your agency from pursuing internal sanctions for unauthorized accessing, browsing, or disclosing state or federal tax returns or tax return information.

Michigan Penalties
MCL 205.28(1)(f) provides that you may not willfully browse any Michigan tax return or information contained in a return. Browsing is defined as examining a return or return information acquired without authorization and without a **need to know** the information to perform official duties. Violators 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, 26 USC 7213A, subjecting the violator to a **$1,000 fine or imprisonment for one year, or both, plus prosecution costs**. Taxpayers affected by violations of §7213A must be notified by the government and may bring a civil action against the federal government and the violator within two years of the violation. Civil damages are the **greater of $1,000 or actual damages** incurred by the taxpayer, plus the costs associated with bringing the action, 26 USC 7431.

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

ID mail your completed form to the following address:
Treasury
Technical Services Division
Operations Center - Disclosure Unit

Questions, contact the **Technical Services Division, Disclosure Unit:**
Telephone: (517) 636-4239
Fax: (517) 636-5340
E-mail: **Treas_Disclosure@michigan.gov**

ATTACHMENT D1d

CONTRACT LANGUAGE FOR TECHNOLOGY SERVICES (Attachment D1d)

I. PERFORMANCE

In performance of this contract, the Contractor agrees to comply with and assume responsibility for compliance by his or her employees with the following requirements:

(1) All work will be done under the supervision of the Contractor or the Contractor's employees.

(2) Any return or return information made available in any format shall be used only for the purpose of carrying out the provisions of this contract. Information contained in such material 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 this contract. Disclosure to anyone other than an officer or employee of the Contractor will be prohibited.

(3) All returns and return information will be accounted for upon receipt and properly stored before, during, and after processing. In addition, all related output will be given the same level of protection as required for the source material.

(4) The Contractor certifies that the data processed during the performance of this contract will be completely purged from all data storage components of his or her computer facility, and no output will be retained by the Contractor at the time the work is completed. If immediate purging of all data storage components is not possible, the Contractor certifies that any IRS data remaining in any storage component will be safeguarded to prevent unauthorized disclosures.

(5) Any spoilage or any intermediate hard copy printout that may result during the processing of IRS data will be given to the agency or his or her designee. When this is not possible, the Contractor will be responsible for the destruction of the spoilage or any intermediate hard copy printouts, and will provide the agency or his or her designee with a statement containing the date of destruction, description of material destroyed, and the method used.

(6) All computer systems receiving, processing, storing, or transmitting Federal tax information must meet the requirements defined in IRS Publication 1075. To meet functional and assurance requirements, the security features of the environment must provide for the managerial, operational, and technical controls. All security features must be available and activated to protect against unauthorized use of and access to Federal tax information.

(7) No work involving Federal tax information furnished under this contract will be subcontracted without prior written approval of the IRS.

(8) The Contractor will maintain a list of employees authorized access. Such list will be provided to the agency and, upon request, to the IRS reviewing office.

(9) The agency will have the right to void the contract if the Contractor fails to provide the safeguards described above.

(10) (Include any additional safeguards that may be appropriate.)

II. CRIMINAL/CIVIL SANCTIONS:

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

(2) Each officer or employee of any person to whom returns or return information is or may be disclosed shall be notified in writing by such person that any return or return information made available in any format shall be used only for the purpose of carrying out the provisions of this contract. Information contained in such material shall be treated as confidential and shall not be divulged or made known in any manner to any person except as may be necessary in the performance of the contract. Inspection by or disclosure to anyone without an official need to know constitutes a criminal misdemeanor punishable upon conviction by a fine of as much as $1,000 or imprisonment for as long as 1 year, or both, together with the costs of prosecution. Such person shall also notify each such officer and employee that any such unauthorized inspection or disclosure of returns or return information may also result in an award of civil damages against the officer or employee [United States for Federal employees] in an amount equal to the sum of the greater of $1,000 for

each act of unauthorized inspection or disclosure with respect to which such defendant is found liable or the sum of the actual damages sustained by the plaintiff as a result of such unauthorized inspection or disclosure plus in the case of a willful inspection or disclosure which is the result of gross negligence, punitive damages, plus the costs of the action. These penalties are prescribed by IRC section 7213A and 7431.

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

(4) Granting a Contractor access to FTI must be preceded by certifying that each individual understands the agency's security policy and procedures for safeguarding IRS information. Contractors must maintain their authorization to access FTI through annual recertification. The initial certification and recertification must be documented and placed in the agency's files for review. As part of the certification and at least annually afterwards, contractors should be advised of the provisions of IRC Sections 7431, 7213, and 7213A (see Exhibit 6, *IRC Sec. 7431 Civil Damages for Unauthorized Disclosure of Returns and Return Information and* Exhibit 5, *IRC Sec. 7213 Unauthorized Disclosure of Information*). The training provided before the initial certification and annually thereafter must also cover the incident response policy and procedure for reporting
unauthorized disclosures and data breaches. (See Section 10) For both the initial certification and the annual certification, the Contractor should sign, either with ink or electronic signature, a confidentiality statement certifying their understanding of the security requirements.

III. INSPECTION:

The IRS and the Agency shall have the right to send its officers and employees into the offices and plants of the Contractor for inspection of the facilities and operations provided for the performance of any work under this contract. On the basis of such inspection, specific measures may be required in cases where the Contractor is found to be noncompliant with contract safeguards.

ATTACHMENT D2

STATE OF MICHIGAN
DEPARTMENT OF HUMAN SERVICES
LANSING

RICK SNYDER
GOVERNOR

MAURA D. CORRIGAN
DIRECTOR

IV-D MEMORANDUM 2011-009

UPDATE(S):

☒ Manual

☒ Form(s)

TO: All Friend of the Court (FOC) Staff
All Prosecuting Attorney (PA) Staff
All Office of Child Support (OCS) Staff

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

DATE: September 28, 2011

SUBJECT: Incident Reporting and Password Security

RESPONSE DUE: None

POLICY EFFECTIVE DATE: Upon receipt

PURPOSE:

This IV-D Memorandum announces the publication of Section 1.10, "Confidentiality/Security" of the *Michigan IV-D Child Support Manual*. This initial publication of Section 1.10 discusses policy and procedures for Michigan Child Support Enforcement System (MiCSES) incident reporting and password security.

Section 1.10 discusses incidents that involve the possible or confirmed compromise of federal tax information (FTI) or the possible or confirmed compromise of confidential information. It describes the process for reporting these incidents.

Additionally, Section 1.10 discusses the use of MiCSES passwords and incorporates Action Transmittal (AT) 2007-013, *Michigan Child Support Enforcement System (MiCSES) Password Security Standards for the MiCSES 4.7 Release*. This content has been updated to include information about the case-sensitivity of passwords. Also, the password practices have been reorganized to better highlight that passwords are not to be shared with others. Significant changes to password information since the publication of AT 2007-013 are indicated by a change bar in the right margin.

Additional confidentiality and security subsections in this manual section will be published in the future.

235 SOUTH GRAND AVENUE • P.O. BOX 30478 • LANSING, MICHIGAN 48909
www.michigan.gov • (517) 373-9202

DISCUSSION:

Incident Reporting

Per *IRS Publication 1075,* OCS must report all possible or confirmed compromises of FTI and have documented policy regarding incident reporting procedures. Additionally, federal regulations require that the state IV-D agency have policy in place to address compromises of confidential information. Section 1.10 describes the procedures for reporting these incidents.

OCS is also introducing a new form, the *Security Incident Report* (DHS-882). This form will be completed for each reportable incident. The form includes detailed instructions for its completion.

Lastly, the *Confidentiality & Security* Web-based training on mi-support has been updated to provide information and training on incident reporting.

MiCSES Password Security

Per *IRS Publication 1075*, IV-D agencies must have password management guidelines in place to protect IV-D data systems. Section 1.10 discusses the complexity, expiration, and reuse standards for MiCSES passwords; MiCSES password login standards; and guidelines for creating high-level security passwords for IV-D systems.

NECESSARY ACTION:

Read the policy information in Section 1.10 of the *Michigan IV-D Child Support Manual*. OCS's Program Development Division encourages all IV-D staff to familiarize themselves with the password standards and to understand their responsibilities in the incident reporting process.

For those maintaining a hard copy of the manual, print the manual section and add it to the manual.

Section 1.10 obsoletes AT 2007-013.

REVIEW PARTICIPANTS:

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ATTACHMENTS:

Section 1.10: Confidentiality/Security

DHS-882: *Security Incident Report*

MFS/KP

ATTACHMENT 2a

Michigan IV-D Child Support Manual
Department of Human Services

Publication/ Revision Date:	Chapter Number:	Chapter Title:
September 28, 2011	1.0	Child Support Basics
	Section Number:	**Section Title:**
	1.10	Confidentiality/Security

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1. Incident Reporting

1.1 Overview

Federal regulations require that the state IV-D agency have written policies concerning access to data by IV-D personnel and the sharing of data with other persons. IV-D programs are required to have in place safeguards to prevent the unauthorized release of confidential IV-D data.[1] In addition, the *Internal Revenue Service (IRS) Publication 1075* requires that all IV-D agencies have measures in place to protect data and respond appropriately should a possible or confirmed compromise of federal tax information (FTI) occur. The process of submitting occurrences of a possible or confirmed compromise of confidential information or FTI is called "incident reporting."

This subsection discusses the difference between confidential information and FTI. It also provides the Office of Child Support's (OCS's) incident reporting policies and procedures.

1.2 Confidential Information

[1] 45 Code of Federal Regulations (CFR) 303.21(c), 303.21(e), 307.10(b)(11), 307.13.

Confidential information is "…any information relating to a specified individual or an individual who can be identified by reference to one or more factors specific to him or her,"[2] including, but not limited to:

- Social Security number;
- Residential and mailing addresses;
- Employment information; and
- Financial information.

This information must only be disclosed to IV-D personnel and other authorized persons or agencies as necessary to carry out state agency functions.[3] The local office staff will determine if confidential information is or possibly is compromised, and if so, it must be reported to OCS. Confidential information is compromised in situations where information is disclosed to non-authorized individuals.

All IV-D agencies must have measures in place to protect data and respond appropriately in the event of a possible or confirmed compromise of confidential information. As an agency partner, county offices for the Friend of the Court (FOC) or Prosecuting Attorney (PA) must have measures in place to provide the same level of protection at their worksite.

1.3 Federal Tax Information (FTI)

Pursuant to *IRS Publication 1075,* federal, state, and local agencies using FTI must have incident response policy and procedures developed, documented, disseminated (and updated as necessary) to facilitate implementing incident response security controls. Each year, OCS must provide an annual report[4] to the IRS Office of Safeguards showing that OCS has published policy and procedures for reporting possible or confirmed compromises of FTI. The IV-D program's incident reporting plan requires that all possible or confirmed compromises of FTI be reported to OCS.

FTI includes any tax return information, such as the receipts in the Michigan Child Support Enforcement System (MiCSES) that are from an offset of an individual's tax refund, the amount and date of the offset, the joint name associated with the receipt, and any hard copies showing an offset. The local office must not wait for an investigation to be done before reporting possible or confirmed compromises of FTI. Any possible or confirmed compromise of FTI must be reported immediately.

[2] 45 CFR 303.21(a)
[3] 45 CFR 307.13, 45 CFR 303.21(c)
[4] Ref: *IRS Publication 1075.* This report is called the *Safeguarding Activities Report.*

OCS will contact the Treasury Inspector General for Tax Administration (TIGTA)[5] and the IRS Office of Safeguards immediately, but no later than 24 hours after identification of a possible or confirmed issue involving FTI.[6]

Note: Information is no longer considered to be FTI when it is verified by another source, but it **is** considered to be confidential information. Refer to Subsection 1.2, "Confidential Information" in this manual section for requirements regarding possible or confirmed compromised confidential information.

1.4 Types of Incidents

There are several types of incidents that may require an office to report a possible or confirmed compromise of confidential information or FTI. For example:

- Personnel – These incidents may involve improper activities by IV-D staff, such as:
  - Taking confidential information or FTI to use for unauthorized purposes;
  - Fraudulent or dishonest conduct by IV-D staff in the course of their duties;
  - Allowing unauthorized persons in an area where confidential information or FTI is kept; or
  - IV-D staff failing to act according to security documents they have signed.
- Technology – These incidents involve technology or a compromised computer that threatens the disclosure of confidential information or FTI. Examples include, but are not limited to viruses, worms or hacked access and inappropriately sending unencrypted confidential information or FTI via email. Additionally, the loss of a laptop computer with IV-D data or unauthorized active access to IV-D applications is considered a compromise of FTI or confidential information.

1.5 Reporting an Incident

The possible or confirmed compromise of confidential information or FTI is known as a "reportable incident." IV-D staff must take immediate action to notify OCS of a reportable incident. Each reportable incident will be handled on a case-by-case basis, taking into account several factors, including, but not limited to, whether the compromised information:

- Was used for unauthorized purposes;

[5] TIGTA provides independent oversight of IRS activities.
[6] *IRS Publication 1075*, Section 10.4

- Was due to unauthorized access to IV-D computer systems;
- May potentially result in injury to people or damage to property; or
- May potentially cause a compromise of future information.

The process for submitting a reportable incident is provided below.

1.5.1 IV-D Worker's Discovery of a Reportable Incident

The IV-D worker who discovers a reportable incident must immediately notify his/her supervisor. The IV-D worker must complete the *Security Incident Report* (DHS-882),[7] sign it, and forward it to his/her supervisor for review and signature. If the immediate supervisor is not available, the completed DHS-882 must be forwarded to the backup supervisor.

The supervisor must take immediate action to determine the extent and severity of the possible or confirmed compromise. Based on the determination, the supervisor must take applicable action, such as filing a police report or notifying building staff of the incident. IV-D staff must implement local emergency response procedures as appropriate.[8]

1.5.2 Agency Supervisor Submits Reportable Incident to OCS

The supervisor must contact OCS as soon as possible, but no later than 24 hours after the reportable incident is discovered.

A. If the reportable incident is discovered during business hours (Monday through Friday, 8 a.m. to 5 p.m.), the supervisor must call OCS at 517-373-9202. If the reportable incident is discovered after hours or on the weekend, the supervisor must contact the Client Service Center (CSC) at 1-800-968-2644. The CSC will assign a ticket number to the incident. If the reportable incident is provided to the CSC, the supervisor must also report it to OCS the next business day and include the CSC ticket number;
B. The supervisor must disclose whether the reportable incident possibly involved FTI;
C. The supervisor must fax the DHS-882 to OCS at 517-373-4980;[9] and
D. If a police report was filed, the supervisor must fax a copy of the report to OCS along with the DHS-882.

[7] Step-by-step instructions for completing the DHS-882 are included with the form.
[8] The IRS requires internal security audits of every office receiving IRS information no less frequently than once every three years. IV-D agency partners, vendors, and contractors who do not have such a procedure on file will have an audit finding.
[9] At the time the reportable incident is provided to OCS, the reporting party may be given an email address for sending the DHS-882 or other documentation. Sending the instruction page of the DHS-882 is not necessary.

1.5.3 OCS Security Analyst Reviews Reportable Incident

The OCS security analyst will:

A. Review the reportable incident and contact the reporting agency[10] for further details if necessary;
B. Enter an application request if the information was released due to a system error;
C. Notify the Director, Office of Child Support (OCS director);
D. Assist the OCS director in identifying risks, corrective action and further notification needs; and
E. Upon resolution, close the reportable incident by filing the report in the central file.

1.5.4 Reporting to Department of Human Services (DHS) Director's Office

The OCS security analyst will provide all reportable incidents that involve possible FTI to the OCS director. The OCS director has the discretion to determine whether reportable incidents not involving FTI also need to be reported to the DHS director. The OCS director or designee will:

- Notify the DHS director's office. The DHS director's office will follow agency security policy;[11] and
- Contact TIGTA and the IRS Office of Safeguards.[12]

2. Password Security Standards

2.1 Background

A password is the confidential grouping of alphabetic and numeric characters that identifies a specific IV-D worker (user) who is permitted access to MiCSES. A password may also include special characters (e.g., $ or &), but it is not a system requirement. Federal regulations state that child support agencies are required to "have in effect safeguards to ensure the integrity, accuracy, and completeness of, access to, and use of data."[13]

In 2006 audit reports, the IRS and the Michigan Office of the Auditor General each identified potential security risks for MiCSES user passwords. As a result, the IV-D partnership developed password security standards to address these risks by:

- Increasing the complexity for password criteria within the MiCSES database;

[10] The reporting agency is the IV-D agency that provided the reportable incident to OCS.
[11] Ref: *DHS Administrative Handbook, Emergencies: Disaster, Health & Safety*, Item AHI 450, *Emergencies – General Information*.
[12] *IRS Publication 1075*, Section 10
[13] 42 United States Code (USC) 654a(d) and 45 CFR Section 307.13

- Ensuring that all MiCSES users are subject to the same security standards; and
- Meeting both state[14] and federal[15] current computer security standards.

Effective October 2007, MiCSES requires that all users meet the following password security standards.

2.2 Password Complexity Standards

MiCSES will require user passwords to meet the following criteria. A valid password:

- Must contain alphabetic and numeric characters;
- Must be at least eight characters in length;
- Must be no more than 30 characters in length;
- Must have at least one alphabetic character;
- Must have at least two numeric characters;
- Must not begin with a special character;
- Must not begin with a numeric character;
- Must not contain the word "password";
- Must not contain the user's first or last name;
- Must not contain any part of the user's user name/login ID;[16] and
- May contain special characters limited to those listed in the chart below.

!	)	;	(
'	*	<	:
#	+	>	_ (underscore)
$	,	=	/
%	- (hyphen)	?	&

[14] Ref: 1410.17 *Michigan State Government Network Security Policy*.
[15] Ref: *National Institute of Standards and Technology Special Publication 800-53* (NIST SP 800-53), Rev. 3, *Recommended Security Controls for Federal Information Systems and Organizations;* and NIST SP 800-53A, Rev. 1, *Guide for Assessing the Security Controls in Federal Information Systems and Organizations, Building Effective Security Assessment Plans*.
[16] A user name/login ID is the unique alphabetic and/or numeric characters assigned to each IV-D staff person used for security tracking and identification of individuals in MiCSES (e.g., John Smith's user name/login ID is SmithJ12).

Passwords are case-sensitive.[17] That is, the case of the letters in the password must match the case that the user entered when (s)he created the password, or the user will be unable to log in. Often users are unable to log in because the Caps Lock key is on, causing the case-sensitive password to fail.

Example 1:

A user originally enters her password as CHpa$$WorD10. If she later enters her password as chpa$$word10, she will receive a login error. Only when she re-enters her password using the same upper- and lower-case configuration will she be able to log into MiCSES successfully.

Note: MiCSES does not require users to exit the system and then re-enter after a successful password change. Instead, MiCSES continues the user's current session and brings up the *MiCSES - Michigan Child Support Enforcement System* (WELC) screen.[18]

2.3 Password Expiration Standards

All MiCSES user passwords will expire after 90 days. For password security, MiCSES counts days in consecutive 24-hour increments, not calendar days. Each time users log in during the grace login period (the last five days of the 90-day password change cycle), MiCSES will display a pop-up message informing them of the need to change their password. If a user fails to change his/her password within the grace login period, the user's MiCSES account will be locked and (s)he must contact the MiCSES Help Desk[19] to reset the password.

Example 2:

A user logs into MiCSES on the first day of the grace login period (Day 86). MiCSES presents the user with a pop-up message informing the user of the need to change his password. The user chooses not to change the password on that day and decides to put off changing it until his return to work the next day. However, unforeseen circumstances prevent the IV-D staff person from returning to work for two weeks.

Upon his return to work (after the 14-day absence), the IV-D staff person's MiCSES user account will be locked and he must contact the MiCSES Help Desk to reset the password.

[17] As of June 10, 2011, MiCSES implemented case-sensitivity for passwords as provided by the Oracle 11g software.
[18] This screen is more commonly known as the "welcome" screen.
[19] IV-D staff may contact the MiCSES Help Desk by phone at 1-800-968-2644 and follow the prompts, or by email at: DIT-MICSES-Helpdesk@michigan.gov.

2.4 Password Login Standards

MiCSES will deny the user access to the system and any re-entry attempts after three consecutive failed login attempts. The number of failed login attempts will be retained in the system indefinitely until the user's next successful login.

Example 3:

A user may try to log in two times in one day, never log in successfully that day, and try a third time the next morning. If the third try is also unsuccessful, that would constitute three consecutive failed login attempts even though the attempts were not made during the same day or within the same login attempt session. If on the third try, the user logged in correctly, the number of failed login attempts would revert to zero.

Users denied access must contact the MiCSES Help Desk to create a new password for MiCSES.

2.5 Password Reuse Standards

MiCSES will not allow users to reuse the same password within six password change cycles. This security standard requires users to create a new, unique password for at least six change cycles[20] after the current password has expired.

2.6 Password Security Guidelines

OCS recommends that all IV-D staff use a high-level security password for all IV-D data systems. The guidelines listed below provide staff with password practices to create a high-level security password.

2.6.1 Password Practices to Avoid

To maximize password security, IV-D workers must **not**:

A. Write passwords on paper affixed to a desk or computer;
B. Share their passwords with anyone;
C. Permit others to access any IV-D data system using their user name/login;
D. Use common words in proper or reverse spelling;
E. Use common computer acronyms (e.g., SQL);
F. Use names of famous or fictitious people;
G. Use their spouse's or child's name;
H. Use easily obtained numbers such as telephone, street or Social Security numbers; or

[20] Six password change cycles is the equivalent of 540 days.

I. Use passwords of all numbers or repeating numbers.

2.6.2 Recommended Password Practices

High-level passwords are important protections to help secure IV-D data. Keeping data secure is the responsibility of all IV-D staff.

A. OCS recommends the following tips for creating passwords:

- Use 10 or more characters;
- Use mixed-case letters;
- Use special characters;
- Use passwords that are easily remembered and typed (e.g., use the first letters of the words from a favorite song or poem).

B. Password resets

Password resets are handled by the MiCSES Help Desk. State employees and contractors were asked to provide answers to challenge response questions. The answers to the questions are recorded in the Challenge Response System. If passwords need to be reset, the questions/answers are used to verify an individual's identity in order to get a password reset. At this time, FOC and PA staff are not required to use the challenge response questions, but they may be required to do so in the future.

SUPPORTING REFERENCES:

Federal
42 USC 653(b)
42 USC 654a(d)
26 USC 6103
45 CFR 205.50
45 CFR 303.21(a)
45 CFR 303.21(c)
45 CFR 303.21(e)
45 CFR 307.10(b)(11)
45 CFR 307.13

Internal Revenue Code 6103

IRS Publication 1075

NIST SP 800-53, Rev. 3
NIST SP 800-53A, Rev. 1

Office of Child Support Enforcement (OCSE)
AT-10-12

State
Michigan Compiled Law (MCL) 400.235
MCL 445.61
MCL 445.72

1410.17 *Michigan State Government Network Security Policy*

REVISION HISTORY: IV-D Memorandum 2011-009

Attachment D2b

SECURITY INCIDENT REPORT

Michigan Department of Human Services, Office of Child Support

Use this form to report any compromises in federal tax information (FTI) or confidential information.

1. First Name **Middle Initial** **Last Name**		
2. Agency / Office / Division / Section / Unit		
3. Agency Address *(P.O. Box, Street, City, Zip)*		
4. Telephone Number ( )	**5. Email**	
6. Supervisor's Name	**7. Supervisor's Telephone Number** ( )	**8. Supervisor's Email**
9. Notification Provided to *(Check all that apply)* ☐ Office of Child Support ☐ Police (if filed) ☐ Client Service Center (Help Desk)		
10. Disclosure (*Check all that apply*) ☐ FTI Disclosure ☐ Non-FTI but Confidential Data Disclosed		
11. Description of Incident *(Give as many details as possible)* *Information to include date, place and time of incident, contact person name and number (if different than the supervisor or IV-D worker completing this form), and type of IV-D data that may have been involved. See instructions for additional information on completing this form.*		
12. Signature of IV-D Worker	**13. Date**	
14. Signature of Supervisor		**15. Date**

Department of Human Services (DHS) will not discriminate against any individual or group because of race, religion, age, national origin, color, height, weight, marital status, sex, sexual orientation, gender identity or expression, political beliefs or disability. If you need help with reading, writing, hearing, etc., under the Americans with Disabilities Act, you are invited to make your needs known to a DHS office in your area.

Instructions for Reporting an Incident and Completing the DHS-882:

I. <u>The IV-D employee will:</u>

A. Report incident to immediate supervisor; and
B. Complete the DHS-882 by:
   1. Entering the full name of the IV-D worker who discovered the incident.
   2. Entering the full name of the agency where the incident was discovered.
   3. Entering the address of the agency where the incident was discovered.
   4. Entering the telephone number of the IV-D worker reporting the incident.
   5. Entering the email address of the IV-D worker reporting the incident.
   6. Entering the name of the reporting IV-D worker's supervisor.[10]
   7. Entering the telephone number of the reporting IV-D worker's supervisor.
   8. Entering the email address of the IV-D worker's supervisor.
   9. Checking the box(es) next to whom the incident was reported.
   10. Checking the box(es) next to what information may have been disclosed.
   11. Giving detailed information about the incident, including, but not limited to:

      a. Name of reporting agency (example: Friend of the Court [FOC], Prosecuting Attorney's [PA's] Office, Office of Child Support [OCS], etc.) and the reporting agency's point of contact for resolving data incident, along with his/her contact information;
      b. Date and time of the incident;
      c. Date and time the incident was discovered;
      d. How the incident was discovered;
      e. Description of the incident and the data involved. Include specific data elements if known;
      f. If the reportable incident includes confidential or federal tax information (FTI), provide the number of records involved; if unknown, provide a range if possible;
      g. Address where the incident occurred;
      h. Information technology involved (example: laptop, server, mainframe);
      i. Potential results of the incident;
      j. Name and telephone number of a contact person if the IV-D worker completing the form or his/her supervisor is unavailable to discuss the incident; and
      k. Level of confidence that FTI or confidential data was disclosed.

      <u>Note:</u> Do not **include any FTI or confidential information in the *Security Incident Report*.**

   12. Including the signature of the IV-D worker completing the form (when possible, this is the IV-D worker who discovered the incident).
   13. Entering the date the IV-D worker completed and signed the form.

II. <u>The IV-D employee's immediate supervisor will:</u>

A. Follow internal procedures for the local office;
B. Report the incident by calling OCS at 517-373-9202 no later than 24 hours after the incident is discovered;
C. Disclose whether the compromised information was possible or confirmed FTI;
D. Email11 or fax (517-373-4980) the DHS-882 to OCS;12
E. If the incident was discovered after hours or on the weekend, contact the Client Service Center (1-800-968-2644);
F. If a police report was filed, fax a copy of the report to OCS; and
G. Complete the DHS-882 by:

   1. Reviewing the DHS-882.
   2. Signing the DHS-882.
   3. Dating the DHS-882.

---

10 If the IV-D worker's immediate supervisor is unavailable, the IV-D worker will provide the name and email address for the supervisor who was notified.
11 An email address will be provided at the time the incident is reported to OCS.
12 It is not necessary to fax the instruction page of the DHS-882.

<u>Note</u>: Both the IV-D employee and the immediate supervisor may be contacted at a later date for further information concerning this incident.

ATTACHMENT D3

STATE OF MICHIGAN

JENNIFER M. GRANHOLM
GOVERNOR

DEPARTMENT OF HUMAN SERVICES
LANSING

MARIANNE UDOW
DIRECTOR

MICHIGAN IV-D ACTION TRANSMITTAL 2005-008

TO: All Friends of the Court (FOCs)
All Prosecuting Attorneys (PAs)
All Office of Child Support (OCS) Staff
State Court Administrative Office (SCAO), FOC Bureau (FOCB)
Office of the Attorney General (AG)

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

DATE: March 18, 2005

SUBJECT: Dissemination of Ad Hoc Reports

PURPOSE:

This Action Transmittal (AT) provides policy for the proper dissemination and handling of ad hoc reports to IV-D workers.

DEFINITIONS:

- **Ad hoc report** — A report generated by running a query on the *Functional Prototype Queries* (FPRO) screen in the Michigan Child Support Enforcement System (MiCSES). The query produces information on several cases in an Internet Explorer window and the user creates the report by saving the information in a text file and importing it to Microsoft Excel or Access. The report typically contains the following types of information: party's name; case number; court action referral (CAR) number; docket number; date of birth; arrearage and payment information; bench warrant information; scheduled events; etc.

- **IV-D worker** — Any staff employed or contracted by a IV-D agency, including, but not limited to staff of the following offices:
  1. FOCs;
  2. PAs;
  3. Michigan State Disbursement Unit (MiSDU);
  4. MiCSES;
  5. OCS;

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6. SCAO;
7. AG's child support unit; and
8. Workers contracted to help in any of these offices.

- **Federal tax information** — Data obtained from the Internal Revenue Service (IRS). This information includes any taxpayer identifying information, or any taxpayer identifying information and the refund intercept amount.

- **Domain name** — Everything to the right of the "@" symbol in an email address. For example, if the email address is doej@michigan.gov, then the domain name is michigan.gov.

- **Creator** — The IV-D worker who developed the ad hoc report.

- **Recipient** — The IV-D worker who received the ad hoc report.

- **Public folder** — A folder on a hard drive that multiple IV-D workers have access to through the network.

BACKGROUND:

According to AT 2004-040, *Transmission of Restricted Information via Email*, any report that contains identifying information on any case participant is considered restricted and must be protected from unauthorized persons. Therefore, an ad hoc report is restricted and must only be shared with IV-D workers that need access to the information to perform IV-D duties. The IV-D worker must protect the report as (s)he would with any other confidential information.

REQUIRMENTS:

The creator of an ad hoc report will:

- Only distribute to appropriate staff that portion (or portions) of a report pertaining to cases assigned to that staff;
- Immediately retrieve the report after it is printed; and
- **Not** leave any hard copies unattended if the work area is accessible by non-IV-D employees or the public, unless in a locked container.

When sending the ad hoc report to a IV-D worker, the creator will:

- Send the report to an email address with the same domain name,[1] or deliver it in person or via fax; and

[1] For additional information on secure transmission of information refer to AT 2004-040 at: http://mi-support.cses.state.mi.us/policy/stateat/pdf/2004-040.pdf.

- **Not** leave any hard copies unattended if the work area is accessible by non-IV-D employees or the public, unless in a locked container.

The recipient of the report will:

- **Not** leave any hard copies unattended if the work area is accessible by non-IV-D employees or the public, unless in a locked container;
- Avoid storing confidential materials in a shared electronic public folder ("public drive") on his/her computer;[2]
- Immediately retrieve the report after it is printed; and
- Shred the report when it is no longer needed and serves no purpose.[3]

Ad hoc reports that contain federal tax information must be protected with a higher level of security. Creators and recipients of ad hoc reports that contain federal tax information must not leave any hard copies unattended, unless in a locked container.

LEGAL REFERENCES:	Federal 26 USC §6103 42 USC §653 IRS Publication 1075 State MCL 400.64
POLICY REFERENCE:	AT 2004-040, *Transmission of Restricted Information via Email*
AT MAINTENANCE:	Retain until further notice.
EFFECTIVE DATE:	Upon receipt.
REVIEW PARTICIPANTS:	Steve Capps, SCAO, FOCB Dave Clagett, Prosecuting Attorneys Association of Michigan David Huntley, Alpena FOC Lynn Davidson, Macomb FOC Establishment WIT
CONTACT PERSON:	Ian Broughton Policy Analyst broughtoni@michigan.gov (517) 241-5034

[2] If the recipient must store it in a public folder, (s)he must delete it when it is no longer needed.
[3] For additional information on the confidential information protection, refer to IRS Publication 1075 at: http://www.irs.gov/pub/irs-pdf/p1075.pdf.

ENCLOSURE:	None
CC:	None
MFS/IMB	

ATTACHMENT D4 – IV/D (Child Support)
SECURITY REFERENCES

Freedom of Information Act:

Michigan Compiled Law (MCL 15.232 (d)(v) MCL 15.232(d)(v), MCL 15.235, MCL 15.241

Office of Child Support Act:

MCL 400.234 (Information or Records from Other Agencies)

MCL 400.235 (Availability and Purposes of Information)

Social Welfare Act:

MCL 400.64 (Records Maintenance and Disclosure of Information)

Michigan Employment Security Act:

MCL 421.11 (Disclosure of Information)

MCL 421.54 (Penalties)

Identity Theft Protection Act:

MCL 445.61 (Identify Theft short title)

MCL 445.72 (Notice of Security Breach; requirements)

Friend of the Court Act:

MCL 552.518 (Information from Employer or Former Employer Relative to Parent)

Federal Provisions:

Title 42 Public Health and Welfare

Federal Parent Locator Services (FPLS):42 United States Code 653(b) 42 USC 653(b) (Disclosure of Information)

42 USC 653(l) (Restriction on Disclosure and Use)

State plan for child and spousal support

42 USC 654a(f) (Automated Data Processing, Information Comparisons and Other Disclosure of Information)

Use of Federal Parent Locator Service in connection with enforcement or determination of child custody in cases of parental kidnapping of child
42 USC 663 (Use of FPLS in Connection with Enforcement or Determination of Child Custody in Cases of Parental Kidnapping of Child)

Collection and reporting of child support enforcement data

42 USC 669a(b) (Prohibition of Disclosure of Financial Record Obtained by State Child Support Enforcement Agency)

Title 20 Employees' Benefits: Income and Eligibility Verification System:

20 CFR 603 (Confidentiality and Disclosure)

20 CFR 603.5 (Disclosure of Information)

20 CFR 603.7 (Protection of Confidentiality)

Title 45 Public Welfare

45 CFR 205.50 (Safeguarding Information for the Financial Assistance Programs)

45 CFR 302.34 (Cooperative Agreements)
45 CFR 302.35 (State Parent Locator Service (FPLS)
45 CFR 303.15 (Agreements to Use FPLS in Parental Kidnapping and Child Custody of Visitation Cases)
45 CFR 303.3 (Location of Non-Custodial Parents in IV-D cases)
45 CFR 303.21 (Safeguarding and Disclosure of Confidential Information)
45 CFR 303.70 (Requests by FPLS for Information from the FPLS)

IRS Publication 1075 (Tax Information Security Guidelines for Federal, State, and Local Agencies)

TITLE 26 INTERNAL REVENUE CODE
26 USC 6103 (Confidentiality and Disclosure of Returns and Return Information)

Appendix B
Preliminary Project Plan

Michigan New Hire Preliminary Project Work Plan

ID	% Complete	Name	Duration	Start	Finish	Resource Names
1	0%	**Phase 1: Initiation - PSI Internal (Contractor Role)**	**27.13 days**	**Mon 1/30/12**	**Wed 3/7/12**	
2	0%	Notification of PSI as successful vendor for MI New Hire	0 days	Mon 1/30/12	Mon 1/30/12	Sharon Ware
3	0%	**Preparation**	**2 days**	**Mon 1/30/12**	**Tue 1/31/12**	
4	0%	PSI reviews Preliminary Work Plan and Schedule	1 day	Tue 1/31/12	Tue 1/31/12	Project Team
5	0%	Review roles and responsibilities of PSI Project Team	1 day	Tue 1/31/12	Tue 1/31/12	Project Team
6	100%	Establish project work environment	0 days	Mon 1/30/12	Mon 1/30/12	Project Team
7	100%	PSI Project Team planning and training	0 days	Mon 1/30/12	Mon 1/30/12	Project Team
8	0%	**Technical Environment Preparation**	**27.13 days**	**Mon 1/30/12**	**Wed 3/7/12**	
9	0%	**Facilities**	**20 days**	**Mon 1/30/12**	**Fri 2/24/12**	
10	100%	Verify potential office space with State	0 days	Mon 1/30/12	Mon 1/30/12	Walt Stone
11	0%	Negotiate & sign lease extension	20 days	Mon 1/30/12	Fri 2/24/12	Walt Stone
12	100%	Validate space requirements	0 days	Mon 1/30/12	Mon 1/30/12	Walt Stone
13	100%	Space planning	0 days	Mon 1/30/12	Mon 1/30/12	Walt Stone
14	100%	Tenant improvement	0 days	Mon 1/30/12	Mon 1/30/12	Walt Stone
15	100%	Order furniture and equipment	0 days	Mon 1/30/12	Mon 1/30/12	Walt Stone
16	100%	Install furniture	0 days	Mon 1/30/12	Mon 1/30/12	Walt Stone
17	100%	Arrange for office services	0 days	Mon 1/30/12	Mon 1/30/12	Walt Stone
18	100%	Facility ready date	0 days	Mon 1/30/12	Mon 1/30/12	Walt Stone
19	100%	**Physical Office Security**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
20	100%	Perform security needs assessment	0 days	Mon 1/30/12	Mon 1/30/12	Cathie Perich
21	100%	Draft physical, system information, and security plan	0 days	Mon 1/30/12	Mon 1/30/12	Cathie Perich
22	100%	Order security equipment	0 days	Mon 1/30/12	Mon 1/30/12	Cathie Perich
23	100%	Install and test security equipment	0 days	Mon 1/30/12	Mon 1/30/12	Cathie Perich
24	100%	Train management staff on security equipment	0 days	Mon 1/30/12	Mon 1/30/12	Cathie Perich
25	0%	**Technology Infrastructure Refresh**	**27.13 days**	**Mon 1/30/12**	**Wed 3/7/12**	
26	0%	**Server**	**21 days**	**Mon 1/30/12**	**Mon 2/27/12**	
27	100%	Validate server requirements/specifications	0 days	Mon 1/30/12	Mon 1/30/12	Stan Hume
28	0%	Order hardware	3 days	Mon 1/30/12	Wed 2/1/12	Stan Hume
29	0%	Server install at Corporate	5 days	Thu 2/16/12	Wed 2/22/12	Stan Hume
30	0%	Test/QA	5 days	Thu 2/16/12	Wed 2/22/12	Stan Hume
31	0%	Ship hardware to site location	3 days	Thu 2/23/12	Mon 2/27/12	Stan Hume
32	0%	**WAN**	**21 days**	**Mon 1/30/12**	**Mon 2/27/12**	
33	100%	Validate WAN requirements/specifications	0 days	Mon 1/30/12	Mon 1/30/12	Stan Hume
34	100%	Order WAN / VPN services	0 days	Mon 1/30/12	Mon 1/30/12	Stan Hume
35	100%	Order State circuit (if applicable)	0 days	Mon 1/30/12	Mon 1/30/12	Stan Hume
36	0%	Order hardware	3 days	Mon 1/30/12	Wed 2/1/12	Stan Hume
37	0%	WAN install at Corporate	5 days	Thu 2/16/12	Wed 2/22/12	Stan Hume
38	0%	Test/QA	5 days	Thu 2/16/12	Wed 2/22/12	Stan Hume
39	0%	Ship hardware to site location	3 days	Thu 2/23/12	Mon 2/27/12	Stan Hume
40	0%	**Desktop**	**21 days**	**Mon 1/30/12**	**Mon 2/27/12**	
41	100%	Validate Desktop/Scanner requirements/specifications	0 days	Mon 1/30/12	Mon 1/30/12	Stan Hume
42	0%	Order hardware/software	3 days	Mon 1/30/12	Wed 2/1/12	Stan Hume
43	0%	Desktop build/install at Corporate	5 days	Thu 2/16/12	Wed 2/22/12	Stan Hume
44	0%	Test/QA	5 days	Thu 2/16/12	Wed 2/22/12	Stan Hume
45	0%	Ship hardware to site location	3 days	Thu 2/23/12	Mon 2/27/12	Stan Hume
46	100%	**Telecommunications**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
47	100%	Validate service specifications	0 days	Mon 1/30/12	Mon 1/30/12	Stan Hume
48	100%	Order services	0 days	Mon 1/30/12	Mon 1/30/12	Stan Hume
49	100%	Develop voice/data cabling specifications	0 days	Mon 1/30/12	Mon 1/30/12	Stan Hume
50	100%	Order voice/data cabling	0 days	Mon 1/30/12	Mon 1/30/12	Stan Hume
51	100%	Complete rough-in cabling	0 days	Mon 1/30/12	Mon 1/30/12	Cable Vendor
52	100%	Terminate cabling as needed	0 days	Mon 1/30/12	Mon 1/30/12	Cable Vendor
53	100%	Develop phone/voicemail specifications	0 days	Mon 1/30/12	Mon 1/30/12	Stan Hume
54	100%	Order phone/voicemail systems	0 days	Mon 1/30/12	Mon 1/30/12	Stan Hume
55	100%	Determine call flows/switch configuration requirements	0 days	Mon 1/30/12	Mon 1/30/12	Stan Hume
56	0%	**Onsite Installation**	**27.13 days**	**Mon 1/30/12**	**Wed 3/7/12**	
57	0%	Go live meeting for site installation	1 hr	Thu 2/23/12	Thu 2/23/12	IT ImplementationTe
58	0%	Onsite inventory of equipment	4 hrs	Mon 2/27/12	Mon 2/27/12	Stan Hume
59	0%	Prepare for technical build out	2 hrs	Mon 2/27/12	Mon 2/27/12	Stan Hume
60	0%	**Onsite Build Out**	**24.13 days**	**Mon 1/30/12**	**Fri 3/2/12**	
61	0%	**Network Build Out**	**24.13 days**	**Mon 1/30/12**	**Fri 3/2/12**	
62	100%	Install WAN hardware	0 days	Mon 1/30/12	Mon 1/30/12	Stan Hume
63	100%	Install WAN / VPN services	0 days	Mon 1/30/12	Mon 1/30/12	Stan Hume
64	100%	Install State circuit	0 days	Mon 1/30/12	Mon 1/30/12	Stan Hume
65	0%	Install server hardware	1 day	Mon 2/27/12	Tue 2/28/12	Stan Hume
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67	0%	Install scanner	3 hrs	Wed 2/29/12	Wed 2/29/12	Stan Hume
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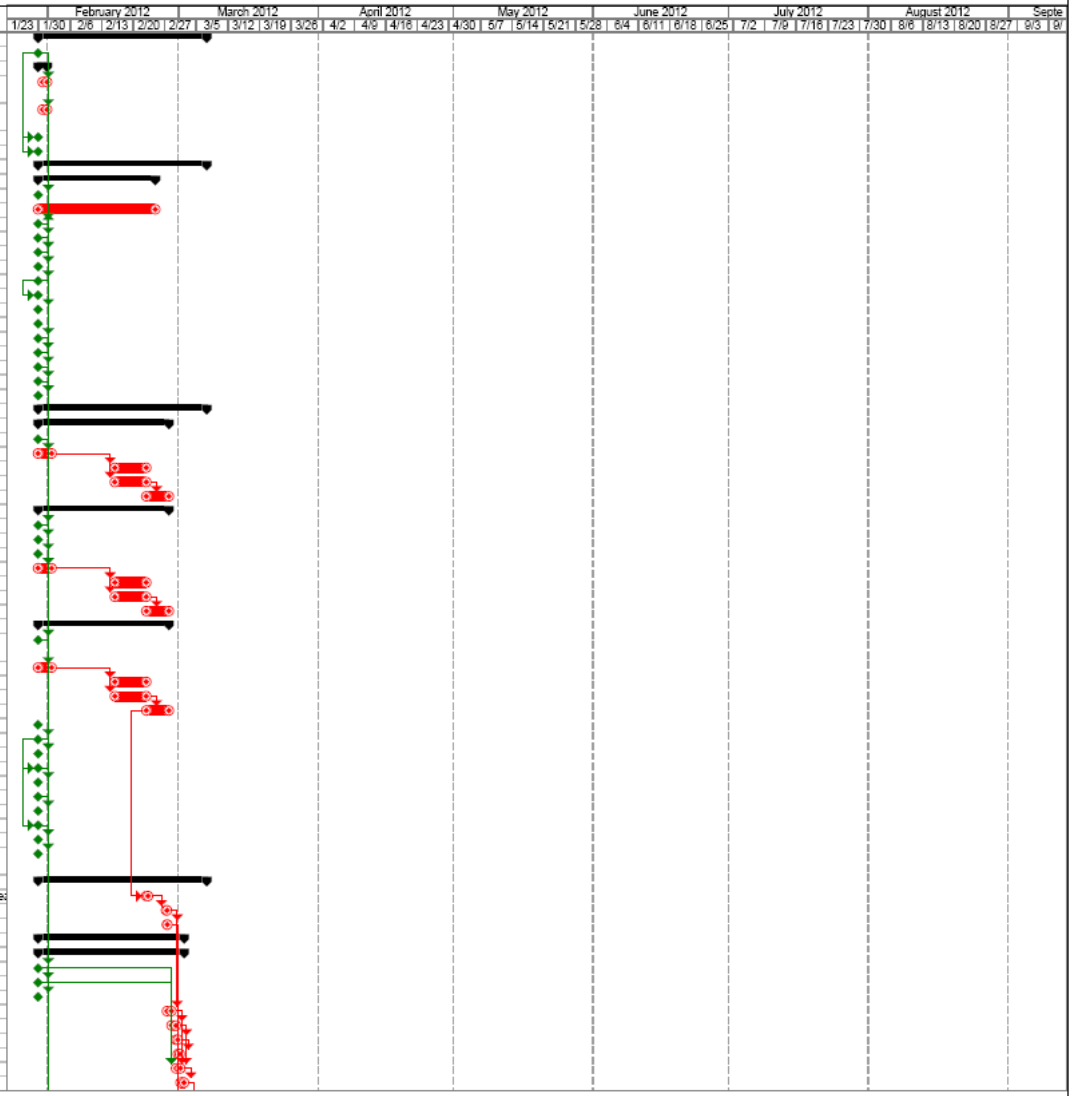

Preliminary Projec
Thu 1/12/12

Task | Critical Task | Milestone | Rolled Up Task | Rolled Up Milestone | Split | PTask
Task Progress | Critical Task Progress | Summary | Rolled Up Critical Task | Rolled Up Progress | External Tasks

* Tasks highlighted in purple indicate State roles.

Michigan New Hire Preliminary Project Work Plan

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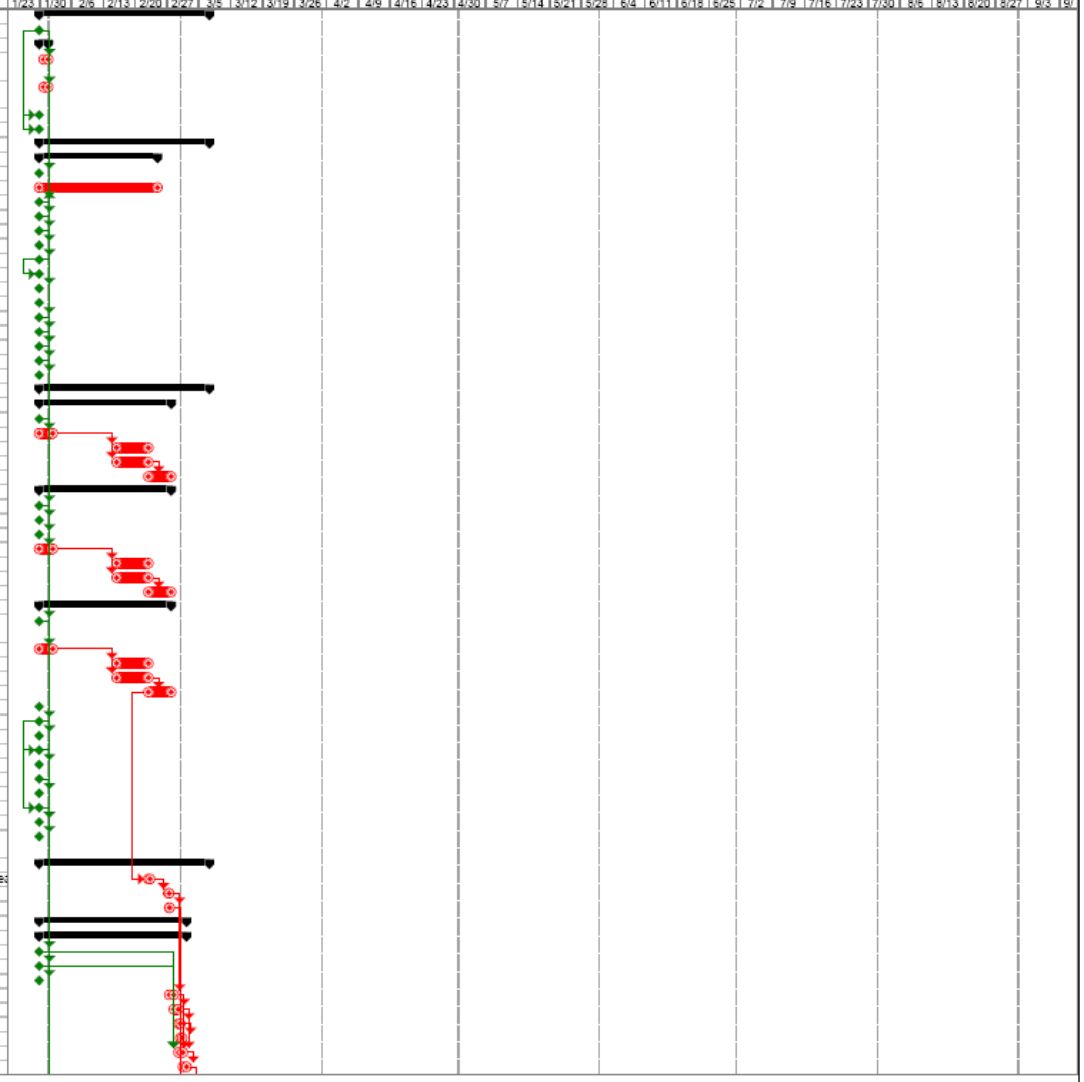


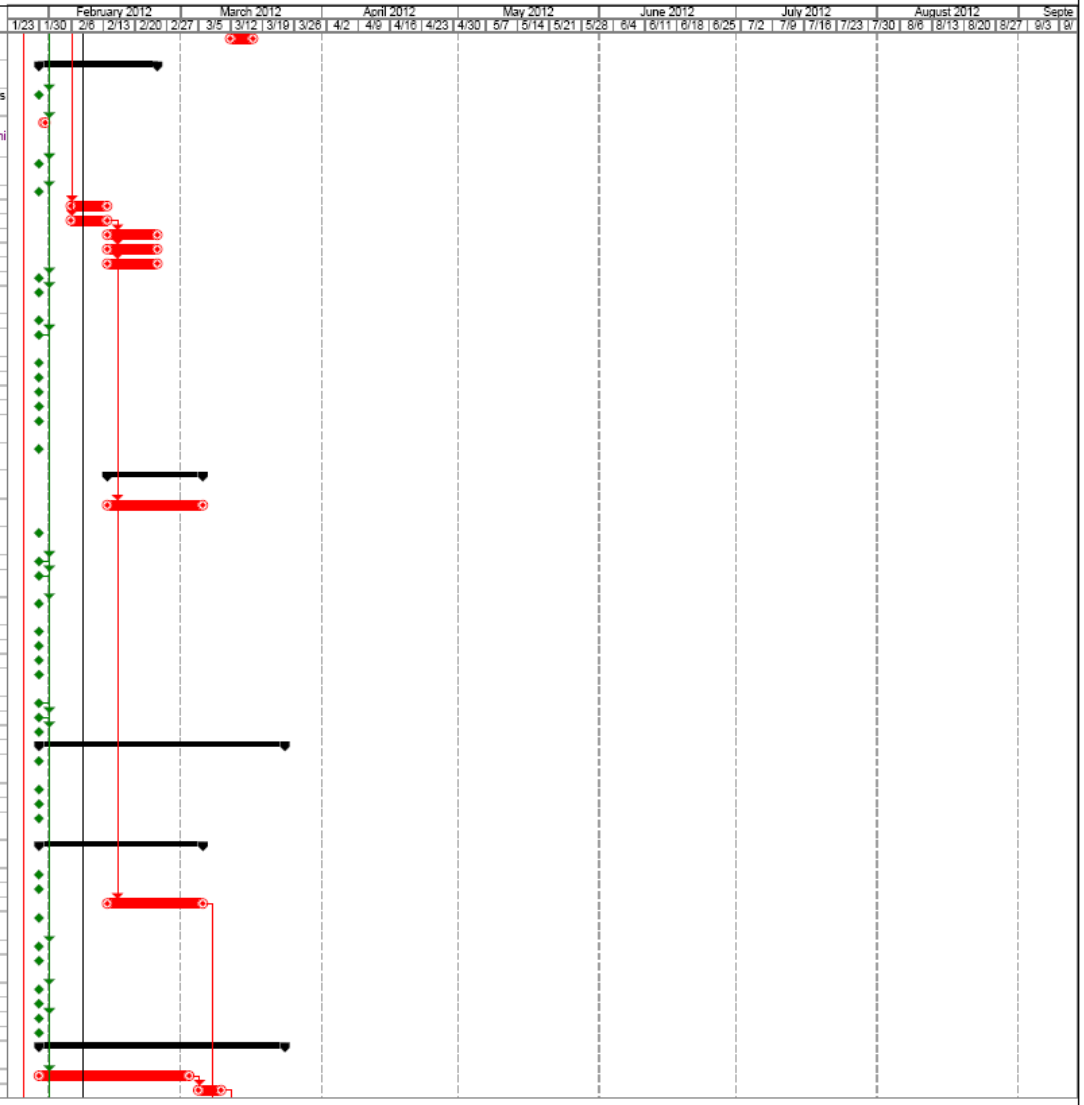
Preliminary Projec
Thu 1/12/12

Task | Critical Task | Milestone | Rolled Up Task | Rolled Up Milestone | Split | PTask
Task Progress | Critical Task Progress | Summary | Rolled Up Critical Task | Rolled Up Progress | External Tasks

* Tasks highlighted in purple indicate State roles.

Michigan New Hire Preliminary Project Work Plan

ID	% Complete	Name	Duration	Start	Finish	Resource Names
148	0%	Receive State comments and finalize disaster recovery plan	5 days	Mon 3/12/12	Fri 3/16/12	Cathie Perich
149	0%	**Business Process Review -- Michigan New Hire Web Site Application (for new scope of work)**	**20 days**	**Mon 1/30/12**	**Fri 2/24/12**	
150	100%	PSI review of Michigan Standards for usability and look and feel	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson,Dennis Seely,Sharon Ware
151	0%	Attend Project Review Meeting with MDIT, MI Webmaster, & MDIT Enterprise Security (if needed)	1 hr	Tue 1/31/12	Tue 1/31/12	Sharon Ware,Karl Erickson,State,Denni Seely
152	100%	Collect data for MI business process requirements for Web site	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
153	100%	Document MI-specific business requirements	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
154	0%	Document system requirements	6 days	Mon 2/6/12	Mon 2/13/12	Karl Erickson
155	0%	Document functional design	6 days	Mon 2/6/12	Mon 2/13/12	Karl Erickson
156	0%	Develop training materials	9 days	Tue 2/14/12	Fri 2/24/12	Karl Erickson
157	0%	Develop user documentation	9 days	Tue 2/14/12	Fri 2/24/12	Karl Erickson
158	0%	Document technical design	9 days	Tue 2/14/12	Fri 2/24/12	Karl Erickson
159	100%	Document data/application conversion plan	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
160	100%	Install/prepare application development environment	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson,Stan Hume
161	100%	**Initial Configuration**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
162	100%	Document initial State configuration for PSI's data exchange gateway	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
163	100%	**Fit Analysis -- Michigan New Hire Web Site Application**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
164	100%	Walk through of operational processes	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
165	100%	Clarify requirements	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
166	100%	**State Configuration -- PSI's HIRES Application**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
167	100%	Configure HIRES software to meet MI-specific business requirements	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
168	100%	Configure PSI's transmission to State data exchange gateway	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson,Stan Hume
169	0%	**State Configuration -- Michigan New Hire Web Site Application**	**15 days**	**Tue 2/14/12**	**Mon 3/5/12**	
170	0%	Configure Web site software to meet new MI-specific business requirements	15 days	Tue 2/14/12	Mon 3/5/12	Karl Erickson
171	100%	**Module Prototyping and Testing -- PSI's HIRES Application**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
172	100%	Create MI-specific customized reports prototypes	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
173	100%	Create test scenarios, scripts for employer file imports, and State system output files	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
174	100%	Execute test scenarios, scripts for employer file imports, and State system output files	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
175	100%	Execute a test connection to the data exchange gateway	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
176	100%	Resolve discrepancies	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
177	100%	Update HIRES documentation	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
178	100%	**Module Prototyping and Testing -- Michigan New Hire Web Site Application**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
179	100%	Execute test scenarios and scripts	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
180	100%	Resolve discrepancies	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
181	100%	Update configuration document	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
182	0%	**Phase 3: Development (Contractor Roles)**	**40 days**	**Mon 1/30/12**	**Fri 3/23/12**	
183	100%	**Interface Design and Development - PSI's HIRES Application**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
184	100%	Security definition and set up	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
185	100%	Develop HIRES database interfaces	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
186	100%	Develop prototype configuration of output file in Michigan file layout	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
187	0%	**Interface Design and Development -- Michigan New Hire Web Site application**	**26 days**	**Mon 1/30/12**	**Mon 3/5/12**	
188	100%	Security definition and set up	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
189	100%	Develop Web site interfaces	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
190	0%	Develop new functionality for new contract period	15 days	Tue 2/14/12	Mon 3/5/12	Karl Erickson
191	100%	**Conversion Design and Development -- PSI HIRES Application**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
192	100%	Design conversion process for Treasury employer file	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
193	100%	**Conversion Design and Development - Michigan New Hire Web Site Application**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
194	100%	Design conversion process for web registration user table	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
195	100%	**Queries and Reports Design and Development - HIRES**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
196	100%	Develop Standard HIRES reports	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
197	100%	Develop Michigan Customized HIRES reports	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
198	0%	***Modification Development – If Additional Modifications Approved by State***	**40 days**	**Mon 1/30/12**	**Fri 3/23/12**	
199	0%	Develop modifications	25 days	Mon 1/30/12	Fri 3/2/12	Karl Erickson
200	0%	Install modifications	5 days	Mon 3/5/12	Fri 3/9/12	Karl Erickson



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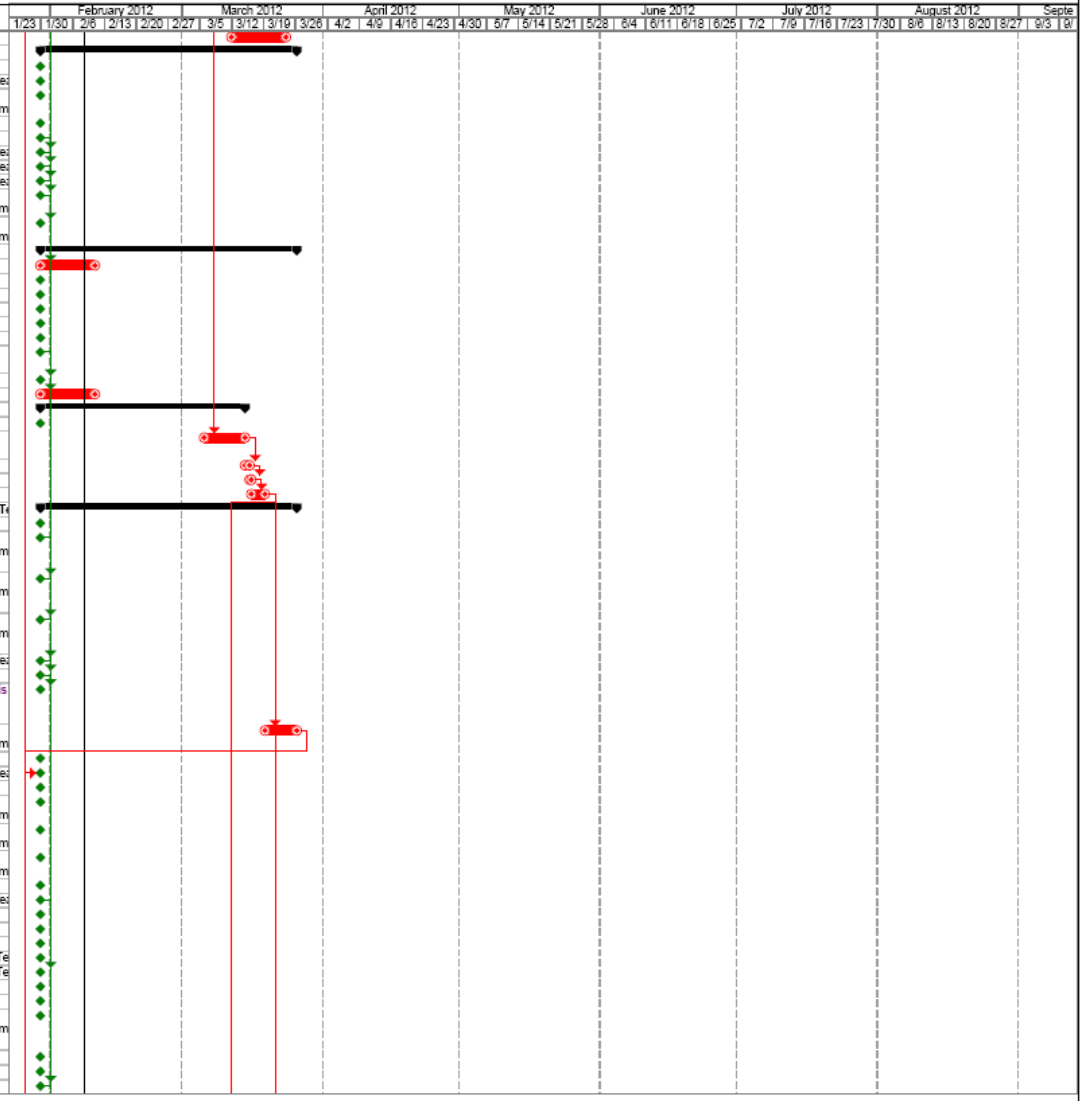
ID	% Complete	Name	Duration	Start	Finish	Resource Names
201	0%	Test modifications	10 days	Mon 3/12/12	Fri 3/23/12	Karl Erickson
202	0%	**Phase 4: Implementation (Contractor and State Roles)**	**40.13 days**	**Mon 1/30/12**	**Mon 3/26/12**	
203	100%	**Build Stage and Production Environments**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
204	100%	Install testing and production environments	0 days	Mon 1/30/12	Mon 1/30/12	IT ImplementationTe
205	100%	Define and establish security for testing and production environments	0 days	Mon 1/30/12	Mon 1/30/12	IT ImplementationTeam
206	100%	**Complete Installation Plan**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	**Karl Erickson**
207	100%	Install Connect:Direct scripts	0 days	Mon 1/30/12	Mon 1/30/12	
208	100%	Install HIRES database interfaces	0 days	Mon 1/30/12	Mon 1/30/12	IT ImplementationTe
209	100%	Install Web site interfaces	0 days	Mon 1/30/12	Mon 1/30/12	IT ImplementationTe
210	100%	Implement web security standards	0 days	Mon 1/30/12	Mon 1/30/12	IT ImplementationTe
211	100%	Install conversion process for Treasury employer file	0 days	Mon 1/30/12	Mon 1/30/12	IT ImplementationTeam
212	100%	Install conversion process for web registration user table	0 days	Mon 1/30/12	Mon 1/30/12	IT ImplementationTeam
213	0%	**Stage Preparation and Testing**	**40.13 days**	**Mon 1/30/12**	**Mon 3/26/12**	
214	0%	Develop Test Plan	10 days	Mon 1/30/12	Fri 2/10/12	Karl Erickson
215	100%	**Conduct system testing**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
216	100%	Test HIRES database interfaces	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
217	100%	Test Web site interfaces	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
218	100%	Test web security	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
219	100%	Test conversion process for Treasury employer file	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
220	100%	Test conversion process for web registration user table	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
221	100%	Review and approve results of testing	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
222	0%	Develop user acceptance test criteria	10 days	Mon 1/30/12	Fri 2/10/12	Karl Erickson
223	0%	**Conduct user acceptance testing**	**33 days**	**Mon 1/30/12**	**Wed 3/14/12**	
224	100%	Conduct HIRES database user testing	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
225	0%	Conduct Web site user testing (for new scope of work)	7 days	Tue 3/6/12	Wed 3/14/12	Karl Erickson
226	0%	Validate user acceptance test results	1 day	Thu 3/15/12	Thu 3/15/12	Karl Erickson
227	0%	Hold PSI Internal Go/No-Go Meeting	1 hr	Fri 3/16/12	Fri 3/16/12	Karl Erickson
228	0%	Release Applications for Performance Readiness Review	8 hrs	Fri 3/16/12	Mon 3/19/12	Karl Erickson
229	0%	**Performance Readiness Review with State**	**40.13 days**	**Mon 1/30/12**	**Mon 3/26/12**	**IT ImplementationTe**
230	100%	Obtain Test Data from MDIT	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
231	100%	1st Test File submitted to Data Exchange Gateway	0 days	Mon 1/30/12	Mon 1/30/12	IT ImplementationTeam Erickson
232	100%	2nd Test File submitted to Data Exchange Gateway	0 days	Mon 1/30/12	Mon 1/30/12	IT ImplementationTeam Erickson
233	100%	3rd Test File submitted to Data Exchange Gateway	0 days	Mon 1/30/12	Mon 1/30/12	IT ImplementationTeam Erickson
234	100%	Correct Any Test transmissions	0 days	Mon 1/30/12	Mon 1/30/12	IT ImplementationTe
235	100%	Return all Test Data to MDIT	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
236	100%	Sign-off and acceptance from State agencies	0 days	Mon 1/30/12	Mon 1/30/12	Sharon Ware,Dennis Seely,State
237	0%	PSI IT Implementation and Performance Readiness Review Support	5 days	Mon 3/19/12	Mon 3/26/12	IT ImplementationTeam
238	100%	**Migration**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
239	100%	Document plan for migration to production	0 days	Mon 1/30/12	Mon 1/30/12	IT ImplementationTe
240	100%	**Populate production database**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
241	100%	Populate employer data from Treasury into PSI's HIRES Application	0 days	Mon 1/30/12	Mon 1/30/12	IT ImplementationTeam
242	100%	Populate web registration user table into Michigan web site application user table	0 days	Mon 1/30/12	Mon 1/30/12	IT ImplementationTeam
243	100%	Populate final production data of 60 day history	0 days	Mon 1/30/12	Mon 1/30/12	IT ImplementationTeam
244	100%	**Populate production environment**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
245	100%	Populate all PSI user accounts for production	0 days	Mon 1/30/12	Mon 1/30/12	IT ImplementationTe
246	100%	**Systems Cutover**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
247	100%	Cutover fax line to PSI's fax service	0 days	Mon 1/30/12	Mon 1/30/12	Stan Hume
248	100%	Cutover customer service toll free line to PSI	0 days	Mon 1/30/12	Mon 1/30/12	Stan Hume
249	100%	Post MI Web site	0 days	Mon 1/30/12	Mon 1/30/12	IT Implementation Te
250	100%	Validate production environment	0 days	Mon 1/30/12	Mon 1/30/12	IT Implementation Te
251	100%	Complete Application Support Transition Plan	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson
252	100%	**Disaster Recovery Plan**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
253	100%	Implement disaster recovery plan for PSI new hire operations office	0 days	Mon 1/30/12	Mon 1/30/12	Cathie Perich,IT ImplementationTeam
254	100%	**Prepare for Operations**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
255	100%	**Select and Train Staff**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
256	100%	Validate position descriptions and staffing needs	0 days	Mon 1/30/12	Mon 1/30/12	Jill Bukowski



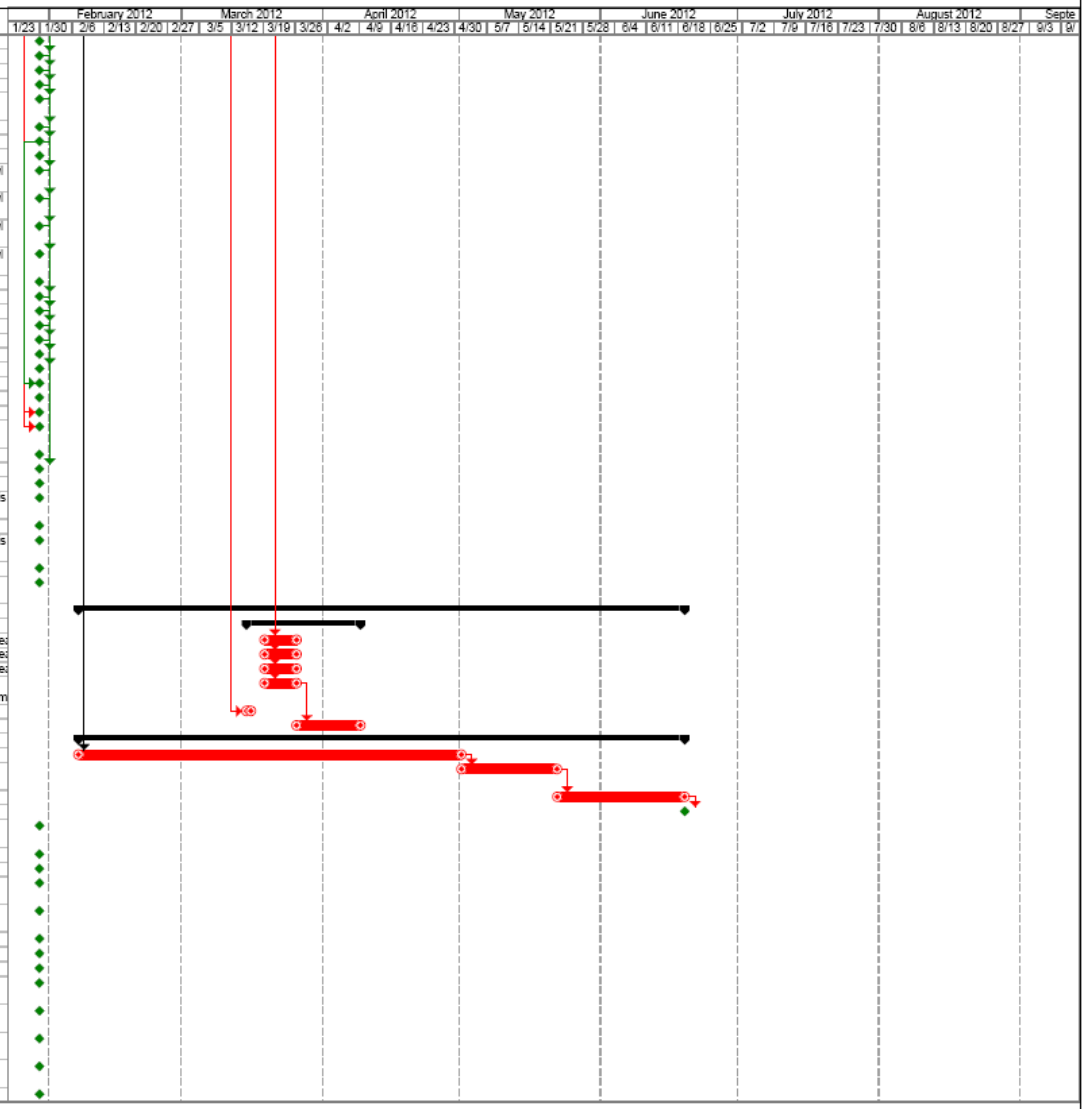
Preliminary Projec
Thu 1/12/12

Task | Critical Task | Milestone | Rolled Up Task | Rolled Up Milestone | Split | PTask
Task Progress | Critical Task Progress | Summary | Rolled Up Critical Task | Rolled Up Progress | External Tasks

* Tasks highlighted in purple indicate State roles.

Michigan New Hire Preliminary Project Work Plan

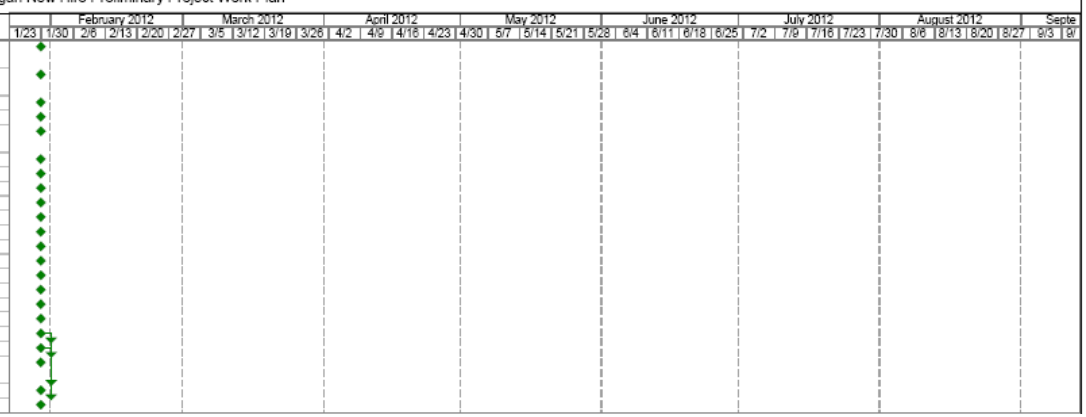
ID	% Complete	Name	Duration	Start	Finish	Resource Names
257	100%	**Recruit and select staff**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
258	100%	Advertise and outreach	0 days	Mon 1/30/12	Mon 1/30/12	Jill Bukowski
259	100%	Conduct interviews	0 days	Mon 1/30/12	Mon 1/30/12	Jill Bukowski
260	100%	Make staffing selections	0 days	Mon 1/30/12	Mon 1/30/12	Jill Bukowski
261	100%	Conduct background, security, reference and drug checks	0 days	Mon 1/30/12	Mon 1/30/12	Jill Bukowski
262	100%	Make offers	0 days	Mon 1/30/12	Mon 1/30/12	Jill Bukowski
263	100%	Start date for key staff	0 days	Mon 1/30/12	Mon 1/30/12	Jill Bukowski
264	100%	**Training Development**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
265	100%	Assemble existing training	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely,Cheryl Garcia
266	100%	Assess existing training	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely,Cheryl Garcia
267	100%	Incorporate existing training into PSI training	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely,Cheryl Garcia
268	100%	Produce training materials	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely,Cheryl Garcia
269	100%	**Train New Staff**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
270	100%	Deliver PSI training	0 days	Mon 1/30/12	Mon 1/30/12	Cheryl Garcia
271	100%	Deliver mandatory training	0 days	Mon 1/30/12	Mon 1/30/12	Cheryl Garcia
272	100%	Deliver technology training	0 days	Mon 1/30/12	Mon 1/30/12	Cheryl Garcia
273	100%	Deliver operations training	0 days	Mon 1/30/12	Mon 1/30/12	Cheryl Garcia
274	100%	On the job training	0 days	Mon 1/30/12	Mon 1/30/12	Cheryl Garcia
275	100%	**Establish Performance Measures for Staff**	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
276	100%	**Sign Confidentiality Agreements**	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
277	100%	**Complete Transition Tasks**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
278	100%	Maintain ownership of the post office box	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
279	100%	Maintain ownership of the fax line 517-318-1659	0 days	Mon 1/30/12	Mon 1/30/12	IT Implementation Team
280	100%	Maintain 60 day retention period of hard copy reports	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
281	100%	Maintain existing website address	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely,State
282	100%	Continue processing new hire reports after last day of current con	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
283	100%	Continue processing employer file from Treasury	0 days	Mon 1/30/12	Mon 1/30/12	Karl Erickson,Dennis Seely
284	100%	**Employer Communications Delivery**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
285	100%	Implement employer communications plan	0 days	Mon 1/30/12	Mon 1/30/12	Sharon Ware,Dennis Seely
286	100%	Obtain employer list of FTP employers reporting to FTP site	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
287	100%	Communicate with all employers reporting via web and FTP site	0 days	Mon 1/30/12	Mon 1/30/12	Implementation Team
288	0%	**Phase 5: Post Implementation**	**95 days**	**Tue 2/7/12**	**Tue 6/19/12**	
289	0%	**Post Production Support (for new scope of work)**	**17 days**	**Thu 3/15/12**	**Mon 4/9/12**	
290	0%	Resolve issues and problems	5 days	Mon 3/19/12	Mon 3/26/12	IT ImplementationTea
291	0%	Revise procedures, as needed	5 days	Mon 3/19/12	Mon 3/26/12	IT ImplementationTea
292	0%	Communicate revisions to users	5 days	Mon 3/19/12	Mon 3/26/12	IT ImplementationTea
293	0%	Provide help desk support to project office, as needed	5 days	Mon 3/19/12	Mon 3/26/12	IT ImplementationTeam
294	0%	Complete Post-Implementation Support Plan	1 day	Thu 3/15/12	Fri 3/16/12	Karl Erickson
295	0%	Complete System Documentation	2 wks	Mon 3/26/12	Mon 4/9/12	Karl Erickson
296	0%	**Phase Out Transition Plan**	**95 days**	**Tue 2/7/12**	**Tue 6/19/12**	
297	0%	Draft phase out transition plan	60 days	Tue 2/7/12	Tue 5/1/12	Dennis Seely
298	0%	Submit phase out transition plan to State for review/approval	15 days	Tue 5/1/12	Tue 5/22/12	Dennis Seely,State
299	0%	Finalize phase out transition plan	20 days	Tue 5/22/12	Tue 6/19/12	Dennis Seely
300	0%	Deliver final phase out transition plan	0 days	Tue 6/19/12	Tue 6/19/12	Dennis Seely
301	100%	**Phase 6: Operate Michigan New Hire Operations Center (Contractor Role)**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
302	100%	Receive new hire reports via mail and fax (ongoing)	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
303	100%	Process new hire reports daily (ongoing)	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
304	100%	Transmit daily production files to Data Exchange Gateway (ongoing)	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
305	100%	Outsort unidentified documents for Treasury review (ongoing)	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely,Data Entry Staff
306	100%	**Ongoing Operations Project Management**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
307	100%	**Reports**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
308	100%	**Monthly reports**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
309	100%	Number of Records received electronically/paper monthly summary	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
310	100%	Number of Records processed by type by day monthly summary	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
311	100%	Number of incomplete reports & returned to employer monthly summary	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
312	100%	Turnaround Processing Report monthly summary	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
313	100%	Backlogs by date received monthly summary	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely



Preliminary Projec
Thu 1/12/12

Task | Task Progress | Critical Task | Critical Task Progress | Milestone | Summary | Rolled Up Task | Rolled Up Critical Task | Rolled Up Milestone | Rolled Up Progress | Split | External Tasks | PTask

* Tasks highlighted in purple indicate State roles.

Michigan New Hire Preliminary Project Work Plan

ID	% Complete	Name	Duration	Start	Finish	Resource Names
314	100%	Number of independent, unique employers monthly summary	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
315	100%	Number of employer phone calls received monthly summary	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
316	100%	Number of compliance letters sent	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
317	100%	Number of first time compliance letters sent	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
318	100%	Results Report from previous month or quarter's compliance mailing	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
319	100%	**Bi-weekly Regular Project meetings on-going**	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
320	100%	**Performance monitoring**	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
321	100%	**Internal PSI monitoring**	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
322	100%	**Record retention and destruction**	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
323	**100%**	**Ongoing Employer Awareness and Outreach**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
324	100%	Communicating with multi-state employers	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
325	100%	Communicating with employers/non-electronically	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
326	100%	Communicating with employers/incomplete or incorrect	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
327	100%	Quarterly compliance analysis and targeted initiatives	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
328	100%	Targeted industry outreach	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
329	100%	Conduct employer presentations and develop partnerships	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
330	**100%**	**Employer compliance monitoring processes**	**0 days**	**Mon 1/30/12**	**Mon 1/30/12**	
331	100%	Receive quarterly wage data from State	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
332	100%	First quarterly employer wage data match	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
333	100%	Submit quarterly wage analysis of targeted employers for State approval	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
334	100%	Submit quarterly non-compliance mailing for State approval	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely
335	100%	Mail first quarterly non-compliance letter	0 days	Mon 1/30/12	Mon 1/30/12	Dennis Seely