



# STATE OF MICHIGAN ENTERPRISE PROCUREMENT

Department of Technology, Management, and Budget  
320 S. Walnut Street 2nd Floor Lansing, MI 48933  
P.O. BOX 30026 LANSING, MICHIGAN 48909

## CONTRACT CHANGE NOTICE

Change Notice Number **6**

to

Contract Number **MA200000000771**

<b>CONTRACTOR</b>	CONDUENT STATE & LOCAL SOLUTIONS, INC.
	100 Campus Drive Suite 200
	Florham Park NJ 07932
	Kim Newsom Bridges
	740-644-0061
	Kimberly.newsombridges@conduent.com
	CV0001936

<b>STATE</b>	<b>Program Manager</b>	Pratin Trivedi	MDHHS
		517-241-7030	
		trivedip@michigan.gov	
	<b>Contract Administrator</b>	Valerie Hiltz	DTMB
		5172490459	
		hiltzv@michigan.gov	

CONTRACT SUMMARY				
State Disbursement Unit for Child Support Payment Processing				
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE	
May 1, 2020	April 30, 2030	5 - 12 Months	April 30, 2030	
PAYMENT TERMS		DELIVERY TIMEFRAME		
Net 45 days, 0.5% discount if paid in 30 days		N/A		
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING	
<input type="checkbox"/> P-Card <input type="checkbox"/> Direct Voucher (PRC) <input type="checkbox"/> Other			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
MINIMUM DELIVERY REQUIREMENTS				
N/A				
DESCRIPTION OF CHANGE NOTICE				
OPTION	LENGTH OF OPTION	EXTENSION	LENGTH OF EXTENSION	REVISED EXP. DATE
<input type="checkbox"/>		<input type="checkbox"/>		
CURRENT VALUE	VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE		
\$49,124,226.74	\$0.00	\$49,124,226.74		
DESCRIPTION				
Effective April 1st, 2025, the following contract has been updated in Schedule A - Statement of Work, section J. Staff & Training, 2. Key Personnel as shown in the attachment below.				
All other terms, conditions, specifications and pricing remain the same. Per contractor and agency agreement, and DTMB Central Procurement approval.				

Title	Name	Role	Location	Functions
Manager, Delivery	Emily Ackels	Accountable – delegates work and is the last one to review the task or deliverable before it's deemed complete	Michigan	<ul style="list-style-type: none"> <li>• Accountable for the delivery of all MiSDU services</li> <li>• Formulates and implements procedures on operational processes; ensures achievement of operational objectives</li> <li>• Prepares related reports and audits current procedures to monitor efficiency of operations</li> <li>• Selects, develops, and evaluates personnel ensuring efficient operation of the function</li> <li>• Deploys resources to meet schedules and goals</li> <li>• Acts as advisor to subordinates to meet schedules and/or resolve technical issues</li> <li>• Provides operational oversight to the management team</li> <li>• Site leader</li> <li>• Responsible for workload management and resource allocation</li> <li>• Monitors performance statistics to ensure contract compliance</li> </ul>
Operational Customer Service Manager	Constance Barnett	Accountable – delegates work and is the last one to review the task or deliverable before it's deemed complete	Michigan	<ul style="list-style-type: none"> <li>• Manages customer service representatives and daily call center activities</li> <li>• Provides oversight and quality assurance for customer service team</li> <li>• Implements customer service procedures</li> <li>• Implements changes to procedures to increase customer service performance</li> <li>• Trains customer service representatives</li> <li>• Responsible for workload management and resource allocation</li> <li>• Monitors unit statistics to ensure contract compliance</li> <li>• Handles escalated stakeholder calls</li> </ul>

Operational IT Manager	Mariah Swartz	Accountable – delegates work and is the last one to review the task or deliverable before it's deemed complete	Michigan	<ul style="list-style-type: none"> <li>• Manages and supports the local computing environment of the SDU operation (e.g., deploying workstations, installing software, replacing hardware)</li> <li>• Monitors, diagnoses, and resolves all file transfer control verification issues to ensure compliance with State deadlines</li> <li>• Responsible for local system user administration, disaster recovery support, facility security, and system security</li> <li>• Ensures critical processes are functioning normally</li> <li>• Responsible for all desktop support and user account maintenance</li> <li>• Manages multiple daily, weekly, and monthly backups and file transfers</li> <li>• Performs audit remediation coordination and artifact collection for multiple audits</li> <li>• Responsible for contract deliverables, such as the forensic review and security reviews</li> <li>• Reviews and engages technical support teams on vulnerability patching</li> <li>• Collaborates with various technical teams on issue resolution</li> <li>• Performs system testing and validation following change deployment</li> </ul>
Banking Specialist	Lindsay Wood	Accountable – delegates work and is the last one to review the task or deliverable before it's deemed complete	Michigan	<ul style="list-style-type: none"> <li>• Prepares bank account reconciliations</li> <li>• Prepares the monthly invoices going to the State</li> <li>• Prepares weekly and monthly reporting</li> <li>• Prepares NSF tracking and reports</li> </ul>

Corporate Finance Manager	Chase Ransburgh	Accountable – delegates work and is the last one to review the task or deliverable before it's deemed complete	Texas	Provides accounting support for site operations <ul style="list-style-type: none"> <li>• Provides monthly, quarterly, and annual financial reporting and budgeting</li> </ul>
Operational Outreach Manager	Brian Leonard	Accountable – delegates work and is the last one to review the task or deliverable before it's deemed complete	Ohio; travel to MiSDU as required	<ul style="list-style-type: none"> <li>• Manages EFT/employer outreach activities, including quality control and customer service for the purpose of increasing the MiSDU electronic remittance rate</li> <li>• Carefully monitors the electronic remittance rate and devises strategies to increase the rate and resolve any issues that arise</li> <li>• Acts as the point of contact for Michigan employers with questions about remitting payments electronically</li> <li>• Contacts employers and resolves issues</li> </ul> Promotes electronic options to employers
Service Manager	Justin Nash	Accountable – delegates work and is the last one to review the task or deliverable before it's deemed complete	Georgia	Serves as primary contact with respect to the MiSDU solution <ul style="list-style-type: none"> <li>• Directs the processing of Support Requests and the Software Support Services</li> </ul>
Director of IT Architecture	Ganesh Venkat	Accountable – delegates work and is the last one to review the	Texas	<ul style="list-style-type: none"> <li>• Validates enterprise architecture for Conduent sites</li> </ul>

		task or deliverable before it's deemed complete		
Information Security Officer	Binyam Kumie	Accountable – delegates work and is the last one to review the task or deliverable before it's deemed complete	Maryland, Travel to MiSDU as required	<ul style="list-style-type: none"> <li>• Provides oversight for implementation of NIST compliant solution</li> <li>• Monitors ongoing information security compliance with applicable standards</li> </ul>



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320 S. Walnut Street 2nd Floor Lansing, MI 48933  
P.O. BOX 30026 LANSING, MICHIGAN 48909

## CONTRACT CHANGE NOTICE

Change Notice Number **5**

to

Contract Number **MA200000000771**

<b>CONTRACTOR</b>	CONDUENT STATE & LOCAL SOLUTIONS, INC.
	100 Campus Drive Suite 200
	Florham Park NJ 07932
	Kim Newsom Bridges
	740-644-0061
	Kimberly.newsombridges@conduent.com
	CV0001936

<b>STATE</b>	<b>Program Manager</b>	Pratin Trivedi	MDHHS
		517-241-7030	
		trivedip@michigan.gov	
	<b>Contract Administrator</b>	Valerie Hiltz	DTMB
		517-249-0459	
		HiltzV@michigan.gov	

CONTRACT SUMMARY				
State Disbursement Unit for Child Support Payment Processing				
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE	
May 1, 2020	April 30, 2030	5 - 12 Months	April 30, 2030	
PAYMENT TERMS		DELIVERY TIMEFRAME		
Net 45 days, 0.5% discount if paid in 30 days		N/A		
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING	
<input type="checkbox"/> P-Card <input type="checkbox"/> Direct Voucher (PRC) <input type="checkbox"/> Other			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
MINIMUM DELIVERY REQUIREMENTS				
N/A				
DESCRIPTION OF CHANGE NOTICE				
OPTION	LENGTH OF OPTION	EXTENSION	LENGTH OF EXTENSION	REVISED EXP. DATE
<input type="checkbox"/>		<input type="checkbox"/>		
CURRENT VALUE	VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE		
\$48,424,226.74	\$700,000.00	\$49,124,226.74		
DESCRIPTION				
Effective October 1, 2024, this contract is revising contract language as attached, revising Schedule B-pricing as attached and is adding funding in the amount of \$700,000.00				
No other terms, conditions, specifications or pricing are changed. Per Contractor and MDHHS agreement, DTMB Central Procurement Services approval and approval of the State Administrative Board granted on September 10, 2024.				

**Revisions to Schedule A, Statement of Work**

1. Revise **Section 3.1. General Requirements, Subsection D. Disbursement Services, 4.k.** to read as follows:
  - k. MiSDU Debit Card Program cardholder will get personalized assistance 24/7/365 through secure, redundant, and scalable cloud-based IVR and customer service centers.
2. Revise **Section 3.1. General Requirements, Subsection E. Customer Service, 9.** to read as follows:
  9. Contractor's customer services hours will be 8:00 a.m. to 6:00 p.m. Monday through Friday. Contractor's customer service will be closed on State of Michigan Holidays unless otherwise agreed upon by the Contractor and the State.
3. Revise **Section 3.1. General Requirements, Subsection H. Disaster Recovery, 2.** to read as follows:
  2. Provide back-up generator(s) in the event of an electrical power failure to keep the MiSDU fully functional without the loss of data until power is restored. Contractors must define how long the backup power supply can maintain full operations.  
Contractor will use the Microsoft Azure Commercial Cloud East US region in Virginia as the primary data center for supporting production operations. The Azure Commercial Cloud West US region in California serves as the secondary, backup data center. It is expressly understood between the Parties that the Contractor will migrate to the Microsoft Azure Government Cloud no later than September 30, 2025. It is expressly understood between the Parties that Contractor shall not be held financially responsible or determined to be in breach of contract for delays caused by the State and/or third-party vendors under the State's control.
4. Revise **Section 3.1. General Requirements, Subsection I. Reporting and Operational Service Level Agreements, 1. Receipting, b. Payment Processing** to read as follows:
  - b. Payment Processing:  
Report Purpose: Tracks the volumes of payments processed by method of receipt. Receipt types shall include paper, EFT, County online, STO, and FTO.  
Report Requirement:
    - 1) Report the weekday, date, type of receipt (paper and each type of electronic transaction), transaction count and dollar amounts, and the percentage of the total for each.
    - 2) Include verification that 100% of the payment receipts were processed to MiCSES or in MiCSES like County Online, FTO, and STO or Pre-MiCSES Research (this can be a yes/no).
    - 3) Provide a MIR report for any instances where the total does not equal 100%.

Metric:

Report to confirm 100% of payment receipts were processed and sent to MiCSES in the daily receipt file. County Online Receipts, FTO, and STO are marked "Approved" daily within the MiCSES system. Payments that cannot be processed are sent to Pre-10 day for further research. No payments shall be left unaccounted for on a daily basis.

Service Level Agreement:

The credits due to the State for failure to meet the "Report Requirement" are as follows:

- 1) \$500 for failure to provide the report within 3 business days of the end of the reporting week.
- 2) \$500 for up to the first 5% of payment receipts not sent to MiCSES by 6 p.m. same day or further research.
- 3) \$1,000 for up to the next 5% of payment receipts not sent to MiCSES by 6 p.m. same day or further research.
- 4) \$20,000 for payment receipts not sent to MiCSES by 6 p.m. same day or further research above 10% (see glossary for definition of payments).
- 5) \$5,000 for failure to process any electronic receipt files (EFT/ACH/credit card/etc. files) same day.

Exception:

If the cause is due to failure of a State system directly related to this service, or, in each instance a MIR report provides adequate documentation and justification, including remedial plans to prevent recurrence, for State approval.

Report Frequency:

Calculated daily, reported weekly and monthly

Report Medium:

Electronic: PDF, Word, or other State accepted format.

5. Revise **Section 3.1. General Requirements, Subsection I. Reporting and Operational Service Level Agreements, 4. Customer Service, a. Call Center Report(s)** as follows:

a. Call Center Report(s):

Report Purpose: Ensure customer calls and chats are being addressed as required.

Report Requirement:

- Report the weekday, date and the following for each phone line:
  - Custodial Party (CP)/Obligor line (NCP), (MiCSES line)
  - Employer line
  - FOC line
  - Debit card line
  - Chats
- SLA's will be applied individually and applied to the total rather than to any individual breakouts. The SLA's will be monitored with MIR reports as necessary based upon this review.



- Report Call counts of including: calls presented to be answered, calls dropped in 30 seconds, calls that should be answered per contract, calls actually answered, percent answered by Contractor, calls abandoned by Contractor after 30 seconds.
- Report Chat counts of including: Chat Date, Inbound Handled, % Handled, Pre-queue Abandons, Short Abandons, % Short Abandons, Long Abandons, % Long Abandons, Avg. Abandon Time, Avg Talk Time, Avg Speed of Answer, Longest Delay, Queued.
- Report average time of: abandon calls and chats, talk and chat time, after call or chat work time, average wait to answer, number of calls or chats, by day, waiting over five minutes and maximum wait to answer/response time.
- Report the created call center incidents, resolved call center incidents, resolved with provided information, resolved with referred to FOC, pending to extended research, other, percentage of calls resolved internally, and percentage of calls referred to the FOC.

Metric:

Workflow Report of customer service calls.

Service Level Agreement:

The SLA's will be applied to the lines as the lines are described above. The credits due to the State for failure to meet the "Report Requirement" are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week.
- \$5,000 per percent above 5% abandoned for the month.

*Note: calls and chats not accepted by Contractor processes due to Contractor decision or errors are to be treated like abandoned calls and chats over 30 seconds. If no metrics are available on calls not accepted when Contractor system is not accepting calls or chats, the State will use the average daily volume for the most recent complete month.*

Exception:

Include failure of a State system directly related to this service, or as approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

Report Frequency:

Calculated daily, reported weekly and monthly.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

6. Revise the first sentence of **Section 3.1. General Requirements, Subsection I. Reporting and Operational Service Level Agreements, 11.** to read as follows:

11. Any, internal or external, event influencing the normal functioning of the MiSDU and/or the accomplishment of its performance requirements must be reported to the state within **10** business days after discovery.

7. Revise **Section 3.1. General Requirements, Subsection J. Staff and Training, 2. Key Personnel Table**, as follows:

<b>Operational IT Manager</b>	Mariah Swartz	Accountable – delegates work and is the last one to review the task or deliverable before it's deemed complete	Michigan	<ul style="list-style-type: none"><li>• Manages and supports the local computing environment of the SDU operation (e.g., deploying workstations, installing software, replacing hardware)</li><li>• Monitors, diagnoses, and resolves all file transfer control verification issues to ensure compliance with State deadlines</li><li>• Responsible for local system user administration, disaster recovery support, facility security, and system security</li><li>• Ensures critical processes are functioning normally</li><li>• Responsible for all desktop support and user account maintenance</li><li>• Manages multiple daily, weekly, and monthly backups and file transfers</li><li>• Performs audit remediation coordination and artifact collection for multiple audits</li><li>• Responsible for contract deliverables, such as the forensic review and security reviews</li><li>• Reviews and engages technical support teams on vulnerability patching</li></ul>
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				<ul style="list-style-type: none"> <li>• Collaborates with various technical teams on issue resolution</li> <li>• Performs system testing and validation following change deployment</li> </ul>
<b>Corporate Finance Manager</b>	Martine Ziegler	Accountable – delegates work and is the last one to review the task or deliverable before it's deemed complete	Ohio	<ul style="list-style-type: none"> <li>• Provides accounting support for site operations</li> <li>• Provides monthly, quarterly, and annual financial reporting and budgeting</li> </ul>
<b>Banking Specialist</b>	Lindsay Wood	Accountable – delegates work and is the last one to review the task or deliverable before it's deemed complete	Michigan	<ul style="list-style-type: none"> <li>• Prepares bank account reconciliations</li> <li>• Prepares the monthly invoices going to the State</li> <li>• Prepares weekly and monthly reporting</li> <li>• Prepares NSF tracking and reports</li> </ul>
<b>Service Manager</b>	Glen Nelson	Accountable – delegates work and is the last one to review the task or deliverable before it's deemed complete	Georgia	<ul style="list-style-type: none"> <li>• Serves as primary contact with respect to the MiSDU solution.</li> <li>• Directs the processing of Support Requests and the Software Support Services.</li> </ul>
<b>Director of IT Architecture</b>	Ganesh Venkat	Accountable – delegates work and is the last one to review the task or deliverable before it's deemed complete	Texas	<ul style="list-style-type: none"> <li>• Validates enterprise architecture for implementation</li> </ul>

8. Remove in its entirety, **Section 3.1. General Requirements, Subsection J. Staff and Training, 5. Subcontractors, c. Crusecom Technology Consultants.**

**Revisions to Schedule B, Pricing**

1. Remove and Replace Table I in its entirety.

Table I	
Expected Typical Monthly Invoice and format	
*Receipts	Rate per resolved item
Paper Receipts (See Note 1)	Not Billable
Paper Receipts w/ Coupons (See Note 1)	Not Billable
Electronic Receipts	\$0.485000
AG Wires	\$0.186840
Credit Card payments	\$0.096390
Other receipting source (See Note 1)	Not Billable
Research	
Debit Card Set-up Requests	\$0.000000
Direct Deposit Requests	\$1.706050
Forgery Packet Requests	\$0.000000
Stop Pay Affidavit Requests	\$1.706050
PIN Change Form Requests	\$0.000000
Escheatment Form Requests	\$0.000000
Returned Address Change Form Requests	\$0.000000
Returned Checks-Other	\$0.000000
Returned Direct Deposits	\$2.314990
SDU Research (Pre-10 Day)	\$2.052690
307 Request-All Sources	\$2.314990
Follow-Up Resolution (MICSES UNID)	\$2.314990
Address Updates	\$2.045100
Address End-dates	\$2.314990
NMSN processing	\$2.612000
Other Scanning	\$0.023200
Disbursements	
Checks Printed and Mailed	\$0.000000
Checks Printed and Not Mailed	\$0.000000
Initial Disbursement Inserts	\$0.071400
Coupon Printing/Mailing	\$0.000000
Electronic Direct Deposit	\$0.000000
Electronic Debit Card	\$0.000000
Customer Service	

Process CP/NCP Calls	\$2.100000
Employer Inquiries	\$2.100000
FOC Inquiries	\$2.100000
MI Debit Card	\$0.000000
Mail Inquiries	\$2.320000
Web Inquiries	\$0.000000
Chat	\$1.000000
Postage	
Postage Rate for Forms Mailed	\$0.548471
Postage Rate for Checks Mailed	\$0.560265
Postage Rate for Coupons Mailed	\$0.554009
Banking Services	
Account analysis charges	Calculated and applied per Schedule A, Section 3.1.N.7.
Less: Bank interest earned	Calculated and applied per Schedule A, Section 3.1.N.7.
Special Projects	
Other SOWs - as agreed	Per Quotation



**STATE OF MICHIGAN**  
**CENTRAL PROCUREMENT SERVICES**  
 Department of Technology, Management, and Budget  
 320 S. WALNUT ST., LANSING, MICHIGAN 48933  
 P.O. BOX 30026 LANSING, MICHIGAN 48909

**CONTRACT CHANGE NOTICE**

Change Notice Number **4**  
 to  
 Contract Number **200000000771**

<b>CONTRACTOR</b>	CONDUENT STATE & LOCAL SOLUTIONS, INC.
	100 Campus Drive , Suite 200
	Florham Park, NJ 07932
	Kim Newsom Bridges
	740-644-0061
	kimberly.newsombridges@conduent.com
	CV0001936

<b>STATE</b>	<b>Program Manager</b>	Pratin Trivedi	MDHHS
		517-241-7030	
		trivedip@michigan.gov	
	<b>Contract Administrator</b>	Valerie Hiltz	DTMB
		(517) 249-0459	
		hiltzv@michigan.gov	

CONTRACT SUMMARY				
STATE DISBURSEMENT UNIT FOR CHILD SUPPORT PAYMENT PROCESSING				
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE	
May 1, 2020	April 30, 2030	5 - 1 Year	April 30, 2030	
PAYMENT TERMS		DELIVERY TIMEFRAME		
		N/A		
ALTERNATE PAYMENT OPTIONS				EXTENDED PURCHASING
<input type="checkbox"/> P-Card <input type="checkbox"/> PRC <input type="checkbox"/> Other				<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS				
N/A				
DESCRIPTION OF CHANGE NOTICE				
OPTION	LENGTH OF OPTION	EXTENSION	LENGTH OF EXTENSION	REVISED EXP. DATE
<input type="checkbox"/>		<input type="checkbox"/>		April 30, 2030
CURRENT VALUE	VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE		
\$48,424,226.74	\$0.00	\$48,424,226.74		
DESCRIPTION				
Effective December 9, 2022, this contract is allowing MDHHS to utilize the PRC Alternate Payment method which will exceed over \$5,000 per transaction. This request has been entered in the Cited Authority Table.				
All other terms, conditions, specifications, and pricing remain the same. Per Contractor and Agency agreement and DTMB Central Procurement Services approval.				



**STATE OF MICHIGAN**  
**CENTRAL PROCUREMENT SERVICES**  
Department of Technology, Management, and Budget  
320 S. WALNUT ST., LANSING, MICHIGAN 48933  
P.O. BOX 30026 LANSING, MICHIGAN 48909

**CONTRACT CHANGE NOTICE**

Change Notice Number **3**  
to  
Contract Number **200000000771**

<b>CONTRACTOR</b>	CONDUENT STATE & LOCAL SOLUTIONS, INC.
	100 Campus Drive , Suite 200
	Florham Park, NJ 07932
	Kim Newsom Bridges
	740-644-0061
	kimberly.newsombridges@conduent.com
	CV0001936

<b>STATE</b>	<b>Program Manager</b>	Pratin Trivedi	MDHHS
		517-241-7030	
		trivedip@michigan.gov	
	<b>Contract Administrator</b>	Valerie Hiltz	DTMB
		(517) 249-0459	
		hiltzv@michigan.gov	

CONTRACT SUMMARY							
STATE DISBURSEMENT UNIT FOR CHILD SUPPORT PAYMENT PROCESSING							
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE				
May 1, 2020	April 30, 2030	5 - 1 Year	April 30, 2030				
PAYMENT TERMS		DELIVERY TIMEFRAME					
		N/A					
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING				
<input type="checkbox"/> P-Card	<input type="checkbox"/> PRC	<input type="checkbox"/> Other	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No				
MINIMUM DELIVERY REQUIREMENTS							
N/A							
DESCRIPTION OF CHANGE NOTICE							
OPTION	LENGTH OF OPTION	EXTENSION	LENGTH OF EXTENSION	REVISED EXP. DATE			
<input type="checkbox"/>		<input type="checkbox"/>		April 30, 2030			
CURRENT VALUE	VALUE OF CHANGE NOTICE	ESTIMATED AGGREGATE CONTRACT VALUE					
\$48,424,226.74	\$0.00	\$48,424,226.74					
DESCRIPTION							
Effective August 22, 2022 Schedule A, Statement of Work language is revised as attached. The State's Contract Administrator is changed to Valerie Hiltz, hiltzv@michgan.gov, 517-249-0459.							
All other terms, conditions, specifications and pricing remain the same. Per Contractor and MDHHS agreement and DTMB Central Procurement Services Approval.							

## Schedule A Language Revisions

### Change Notice #3, Effective 8/22/2022

MA # 200000000771

The following language revisions are made to Schedule A, Statement of Work with this Change Notice.

A. Schedule A, Statement of Work, Section 3. General Requirements, Subsection A. Mailroom Services, 8. is revised to read as follows:

8. Contractor must retain original imaged documents by batch identity for 90 calendar days and disposed of in compliance with IRS Publication 1075 requirements. All original documents must be free of any live payments and be quality checked before disposal. Contractor will shred documents by using an IRS Pub 1075 compliant shredder for all paper documents containing not only FTI, but also Personally Identifiable Information (PII).

B. Schedule A, Statement of Work, Section 3. Requirements, Subsection C. Suspense/Research and Resolution Services, 3. 1<sup>st</sup> paragraph is revised to read as follows:

3. Contractor must deploy business processes that use phone calls, mailing letters, and other electronic means or best practices to appropriately disburse payments instead of the payments going to MiCSES unidentified (UNID). All pre-MiCSES research items (if a pre-MiCSES research database is chosen by the Contractor) are to be resolved within 10 business days following the date of receipt. Regardless of which option is chosen, the Contractor must act upon any information provided such that payments to families are not delayed after research information is discovered. By the close of the 10th business day, it is expected that this work activity will reduce or eliminate the amount of the initial day's research transaction. On average about 1.5% of the total days receipt volumes go into pre-MiCSES research. About 1.3% of the total days' receipt item volumes go to UNID hold in MiCSES. If volume of the initial day's research transactions, ending up in MiCSES UNID, exceeds 1.5% monthly average, the Contractor will review the problem and determine a solution to bring the volume back in line or reduce the volume further. The exceptions to the rule for further research payments are items such as FIDM, Insurance Claims Data Match, NSF Recoupment, Bank adjustments, and refunds that go to MiCSES UNID will be worked per the Contractor's processes. The Contractor may also contact the FOC for additional information, especially related to those orders that are not yet on the system, but only as a last resort.

C. Schedule A, Statement of Work, Section 3. General Requirements, Subsection G. Quality Assurance, 6b. is revised to read as follows:



## Schedule A Language Revisions

### Change Notice #3, Effective 8/22/2022

MA # 200000000771

- b. Call center customer service representatives (CSR) will have QA at a level of no less than two calls monitored from each CSR per day.

- D. Schedule A, Statement of Work, Section 3. General Requirements, Subsection I. Reporting and Operational Service Level Agreements. The following language is added as a second paragraph, prior to 1. Receipting, as follows:

The State recognizes that report formats and approach (e.g. dashboards) will change during the life of the Contract. The contractor will maintain the most current versions of reports addressing the needs identified in the below descriptions within a Report Dictionary on the Contractor's intranet site accessible to State staff.

- E. Schedule A, Statement of Work, Section 3. General Requirements, Subsection I. Reporting and Operational Service Level Agreements, 2. Research, i. Stop Payment Requests- the Service Level Agreement language is revised to read as follows:

Service Level Agreement:

The penalties for failure to meet the "Report Requirement" are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week.
- \$100 for each stop payment check request not processed in MiCSES within 7 business days of request received at the MiSDU from the customer.

- F. Schedule A, Statement of Work, Subsection F. Financial Services, 29. is hereby deleted and replaced in its entirety with:

29. In accordance with the *State of Michigan Financial Management Guide* (FMG) Part VII: Internal Control, Chapter 1, Section 1000: Managing and Evaluating Controls for Third-Party Risks [Managing and Evaluating Controls for Third-Party Risks \(sharepoint.com\)](#), Contractor must allow audits and verification of all processes, work methods, transactions, and information systems as described in 24.7 of the Standard Contract Terms. In addition, Contractor must annually provide the State, at contractor's expense, a Service Organization Control (SOC) 2 Type II by American Institute of CPA's (AICPA). The SOC 2 provides reporting on internal controls at a service organization relevant to security, availability, processing integrity, confidentiality, and privacy. The Contractor must additionally also provide the State annually a SOC 1 Type II report performed by an independent auditor using the same applicable standards.

Within 90 days of the end of the SOC reporting period, the Contractor must submit the SOC report along with a "Bridge" letter covering the "gap" between the Contractor's SOC report period and the State's fiscal year: 9/30/yy. The "Bridge" letter must assert that the control environment described in the SOC report has not changed and that tested controls

## Schedule A Language Revisions



### Change Notice #3, Effective 8/22/2022

**MA # 200000000771**

continued to operate effectively during gaps between the SOC reporting period and the SOM's fiscal year.



**STATE OF MICHIGAN**  
**CENTRAL PROCUREMENT SERVICES**  
 Department of Technology, Management, and Budget  
 525 W. ALLEGAN ST., LANSING, MICHIGAN 48913  
 P.O. BOX 30026 LANSING, MICHIGAN 48909

**CONTRACT CHANGE NOTICE**

Change Notice Number **2**  
 to  
 Contract Number **200000000771**

<b>CONTRACTOR</b>	CONDUENT STATE & LOCAL SOLUTIONS, INC.	<b>STATE</b>	<b>Program Manager</b>	Pratin Trivedi	MDHHS
	100 Campus Drive , Suite 200			517-241-7030	
	Florham Park, NJ 07932			trivedip@michigan.gov	
	Kim Newsom Bridges		<b>Contract Administrator</b>	Joy Nakfoor	DTMB
	740-644-0061			(517) 249-0481	
	kimberly.newsombridges@conduent.com			nakfoorj@michigan.gov	
	CV0001936				

CONTRACT SUMMARY				
STATE DISBURSEMENT UNIT FOR CHILD SUPPORT PAYMENT PROCESSING				
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS		EXPIRATION DATE BEFORE
May 1, 2020	April 30, 2030	5 - 1 Year		April 30, 2030
PAYMENT TERMS		DELIVERY TIMEFRAME		
		N/A		
ALTERNATE PAYMENT OPTIONS				EXTENDED PURCHASING
<input type="checkbox"/> P-Card <input type="checkbox"/> PRC <input type="checkbox"/> Other				<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS				
N/A				
DESCRIPTION OF CHANGE NOTICE				
OPTION	LENGTH OF OPTION	EXTENSION	LENGTH OF EXTENSION	REVISED EXP. DATE
<input type="checkbox"/>		<input type="checkbox"/>		April 30, 2030
CURRENT VALUE	VALUE OF CHANGE NOTICE		ESTIMATED AGGREGATE CONTRACT VALUE	
\$48,424,226.74	\$0.00		\$48,424,226.74	
DESCRIPTION				
Effective August 30, 2021, the following Contractor personnel in Schedule A - Statement of Work, section J. Staff & Training, 2. Key Personnel have been changed to:				
Operational Project Manager is now Mark Groves, Operational Customer Service Manager is now Tammy Freehan, Operational Manager is now Emily Ackels, and Operational IT Manager is now Stephen Jones.				
All other terms, conditions, specifications and pricing remain the same. Per contractor and agency agreement, and DTMB Central Procurement approval.				

**CN 2 - 200000000771**

**SCHEDULE A - SOW**

The following changes are made with this Change Notice:

J. Staff & Training, 2. Key Personnel

Operational Project Manager is now Mark Groves.

Operational Customer Service Manager is now Tammy Freehan.

Operational Manager is now Emily Ackels.

Operational IT Manager is now Stephen Jones.



**STATE OF MICHIGAN**  
**CENTRAL PROCUREMENT SERVICES**  
 Department of Technology, Management, and Budget  
 525 W. ALLEGAN ST., LANSING, MICHIGAN 48913  
 P.O. BOX 30026 LANSING, MICHIGAN 48909

**CONTRACT CHANGE NOTICE**

Change Notice Number 1  
 to  
 Contract Number 200000000771

<b>CONTRACTOR</b>	CONDUEMENT STATE & LOCAL SOLUTIONS, INC.
	100 Campus Drive , Suite 200
	Florham Park, NJ 07932
	Kim Newsom Bridges
	740-644-0061
	kimberly.newsombridges@conduent.com
	CV0001936

<b>STATE</b>	<b>Program Manager</b>	Pratin Trivedi	MDHHS
		517-241-7030	
		trivedip@michigan.gov	
	<b>Contract Administrator</b>	Joy Nakfoor	DTMB
		(517) 249-0481	
		nakfoorj@michigan.gov	

CONTRACT SUMMARY				
STATE DISBURSEMENT UNIT FOR CHILD SUPPORT PAYMENT PROCESSING				
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE	
May 1, 2020	April 30, 2030	5 - 1 Year	April 30, 2030	
PAYMENT TERMS		DELIVERY TIMEFRAME		
		N/A		
ALTERNATE PAYMENT OPTIONS				EXTENDED PURCHASING
<input type="checkbox"/> P-Card <input type="checkbox"/> PRC <input type="checkbox"/> Other				<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS				
N/A				
DESCRIPTION OF CHANGE NOTICE				
OPTION	LENGTH OF OPTION	EXTENSION	LENGTH OF EXTENSION	REVISED EXP. DATE
<input type="checkbox"/>		<input type="checkbox"/>		April 30, 2030
CURRENT VALUE	VALUE OF CHANGE NOTICE		ESTIMATED AGGREGATE CONTRACT VALUE	
\$48,424,226.74	\$0.00		\$48,424,226.74	
DESCRIPTION				
Effective November 19, 2020, pursuant to Schedule A - Statement of Work, Section 3 (J)(6) Disclosure of Subcontractors, the following subcontractor is added to the Contract:				
PayNearMe (a Delaware Corporation with offices located at 5201 Great America Parkway, Suite 510, Santa Clara CA, 95054, 650-930-1030) operates a web-based technology information processing service and supporting infrastructure (the "Cash Transaction Network" or "Network") under the "PayNearMe" brand, which enables cash payments to various "merchants" at conveniently located retailers (currently 7-Eleven, Inc., ACE Cash Express, CVS Pharmacy, Casey's General Store, and Family Dollar Stores, referred to as "Payment Locations" below). Contractor will utilize the Network for the purpose of enabling its Clients to obtain payment for Client offerings from their customers and compensate PayNearMe pursuant to the terms of the Contract SOW. PayNearMe will continue to support the cash services function as well as the one-time payment non-registered flow for credit and debit cards and PayNearMe will need to support Individual and Employer payments under the Contract.				
All other terms, conditions, specifications and pricing remain the same. Per contractor and agency agreement, and DTMB Central Procurement approval.				



**STATE OF MICHIGAN PROCUREMENT**  
 Department of Technology, Management & Budget  
 525 W. Allegan St., Lansing, MI 48933  
 P.O. Box 30026, Lansing, MI 48909

**NOTICE OF CONTRACT**

NOTICE OF CONTRACT NO. **200000000771**

between

THE STATE OF MICHIGAN

and

<b>CONTRACTOR</b>	Conduent State & Local Solutions, Inc.
	100 Campus Drive, Suite 200
	Florham Park, NJ 07932
	Kim Newsom Bridges
	740-644-0061
	Kimberly.newsombridges@conduent.com
	CV0001936

<b>STATE</b>	Program Manager	Pratin Trivedi	DHHS
		517-241-7030	
		trivedip@michigan.gov	
	Contract Administrator	Joy Nakfoor	DTMB
		517-249-0481	
		nakfoorj@michigan.gov	

CONTRACT SUMMARY			
<b>DESCRIPTION: State Disbursement Unit for Child Support Payment Processing</b>			
INITIAL EFFECTIVE DATE	INITIAL EXPIRATION DATE	INITIAL AVAILABLE OPTIONS	EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW
May 1, 2020	April 30, 2030	5, 1-Year	April 30, 2030
PAYMENT TERMS		DELIVERY TIMEFRAME	
Net 45, 0.5% discount if paid in 30 days		N/A	
ALTERNATE PAYMENT OPTIONS			EXTENDED PURCHASING
<input type="checkbox"/> P-card <input type="checkbox"/> Payment Request (PRC) <input type="checkbox"/> Other			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
MINIMUM DELIVERY REQUIREMENTS			
N/A			
MISCELLANEOUS INFORMATION			
This Contract Agreement is awarded on the bases of our inquiry bearing the solicitation of #180000003419.			
ESTIMATED CONTRACT VALUE AT TIME OF EXECUTION		\$48,424,226.74	

FOR THE CONTRACTOR:

Conduent State & Local Solutions, Inc.  
Company Name

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

Scott Cade  
Authorized Agent (Print or Type)

\_\_\_\_\_  
Date

FOR THE STATE:

\_\_\_\_\_  
Signature

James Colangelo, Chief Procurement Officer  
Name & Title

Department of Technology, Management & Budget  
Agency

\_\_\_\_\_  
Date



# STATE OF MICHIGAN

## CONTRACT TERMS

This STANDARD CONTRACT (this “**Contract**”) is agreed to between the State of Michigan (the “**State**”) and Conduent State & Local Solutions, Inc. (“**Contractor**”), a New York Corporation. This Contract is effective on May 1, 2020 (“**Effective Date**”), and unless earlier terminated, will expire on April 30, 2030 (the “**Term**”).

This Contract may be renewed for up to five (5) additional one (1) year periods. Renewal is at the sole discretion of the State and will automatically extend the Term of this Contract. The State will document its exercise of renewal options via Contract Change Notice.

The below definitions are for reference to the **Contract Terms** section only.

1. **Definitions. These definitions are for the Standard Contract Terms section only.**

“**Accept**” has the meaning set forth in **Section 19.2b**).

“**Acceptance**” has the meaning set forth in **Section 19.2b**).

“**Action**” has the meaning set forth in **Section 26.1**.

“**Allegedly Infringing Features**” has the meaning set forth in **Section 26.3b)(ii)**.

“**Authorized Users**” means all Persons authorized by the State to access and use the Services through the State’s account under this Contract, subject to the maximum number of users specified in the applicable Statement of Work.

“**Availability Requirement**” has the meaning set forth in **Section 20**.

“**Business Day**” means a day other than a Saturday, Sunday or State Holiday.

“**Change Notice**” has the meaning set forth in **Section 18.2**.

“**Code**” has the meaning set forth in **Section 31**.

“**Confidential Information**” has the meaning set forth in **Section 25.1**.

“**Contract**” has the meaning set forth in the preamble.

“**Contract Administrator**” is the individual appointed by each party to (a) administer the terms of this Contract, and (B) approve and execute any Change Notices under this Contract. Each party’s Contract Administrator will be identified in the Statement of Work.



**“Contractor”** has the meaning set forth in the preamble.

**“Contractor Personnel”** means all employees and agents of Contractor, all Subcontractors and all employees and agents of any Subcontractor, involved in the performance of Services.

**“Contractor Security Officer”** has the meaning set forth in **Section 18.5a**).

**“Contractor Service Manager”** has the meaning set forth in **Section 18.5a**).

**“Documentation”** means all generally available documentation relating to the Services, including all user manuals, operating manuals and other instructions, specifications, documents and materials, in any form or media, that describe any component, feature, requirement or other aspect of the Services, including any functionality, testing, operation or use thereof.

**“Effective Date”** has the meaning set forth in the preamble.

**“Fees”** has the meaning set forth in **Section 23.1**.

**“Force Majeure Event”** has the meaning set forth in **Section 30**.

**“Harmful Code”** means any software, hardware or other technologies, devices or means, the purpose or effect of which is to: (a) permit unauthorized access to, or to destroy, disrupt, disable, distort, or otherwise harm or impede in any manner, any (i) computer, software, firmware, hardware, system or network, or (ii) any application or function of any of the foregoing or the integrity, use or operation of any data Processed thereby; or (b) prevent the State or any Authorized User from accessing or using the Services or Contractor Systems as intended by this Contract, and includes any virus, bug, trojan horse, worm, backdoor or other malicious computer code and any time bomb or drop dead device.

**“HIPAA”** has the meaning set forth in **Section 24.1**.

**“Hosted Services”** has the meaning set forth in **Section 2.1a**).

**“Intellectual Property Rights”** means any and all rights comprising or relating to: (a) patents, patent disclosures and inventions (whether patentable or not); (b) trademarks, service marks, trade dress, trade names, logos, corporate names and domain names, together with all of the goodwill associated therewith; (c) authorship rights, copyrights and copyrightable works (including computer programs) and rights in data and databases; (d) trade secrets, know-how and other confidential information; and (e) all other intellectual property rights, in each case whether registered or unregistered and including all applications for, and renewals or extensions of, such rights, and all similar or equivalent rights or forms of protection provided by applicable Law in any jurisdiction throughout the world.

**“Key Personnel”** means any Contractor Personnel identified as key personnel in this Contract or any Statement of Work.

**“Law”** means any statute, law, ordinance, regulation, rule, code, order, constitution, treaty, common law, judgment, decree or other requirement or rule of any federal, state, local or foreign government or political subdivision thereof, or any arbitrator, court or tribunal of competent jurisdiction.

**“Loss”** means all losses, damages, liabilities, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, costs or expenses of whatever kind, including reasonable attorneys’ fees

and the costs of enforcing any right to indemnification hereunder and the cost of pursuing any insurance providers. "Losses" has a correlative meaning.

**"Person"** means an individual, corporation, partnership, joint venture, limited liability company, governmental authority, unincorporated organization, trust, association or other entity.

**"Personal Health Information (PHI)"** has the meaning set forth in **Section 24.1**.

**"Personally Identifiable Information (PII)"** has the meaning set forth in **Section 24.1**.

**"Process"** means to perform any operation or set of operations on any data, information, material, work, expression or other content, including to (a) collect, receive, input, upload, download, record, reproduce, store, organize, combine, log, catalog, cross-reference, manage, maintain, copy, adapt, alter, translate or make other improvements or derivative works, (b) process, retrieve, output, consult, use, disseminate, transmit, submit, post, transfer, disclose or otherwise provide or make available, or (c) block, erase or destroy. **"Processing"** and **"Processed"** have correlative meanings.

**"RPO" or "Recovery Point Objective"** means the maximum amount of potential data loss in the event of a disaster.

**"RTO" or "Recovery Time Objective"** means the period of time to fully restore the Hosted Services in the case of a disaster.

**"Reject"** has the meaning set forth in **Section 19.2b**.

**"Rejection"** has the meaning set forth in **Section 19.2b**.

**"Reports"** includes any written test results or other scientific reports related to the Services provided.

**"Representatives"** means a party's employees, officers, directors, consultants, legal advisors and, with respect to Contractor, Contractor's Subcontractors.

**"RFP"** means the State's request for proposal designed to solicit responses for Services under this Contract.

**"Service Level Agreement"** means the service level agreement attached as **Schedule C** to this Contract, setting forth Contractor's obligations with respect to the hosting, management and operation of the Service Software.

**"Service Software"** means any and all software applications and any third-party or other software, and all new versions, updates, revisions, improvements and modifications of the foregoing, that Contractor provides remote access to and use of as part of the Services.

**"Services"** has the meaning set forth in **Section 18**

**"Source Code"** means the human readable source code of the Service Software to which it relates, in the programming language in which the Service Software was written, together with all related flow charts and technical documentation, including a description of the procedure for generating object code, all of a level sufficient to enable a programmer reasonably fluent in such programming language to understand, build, operate, support, maintain and develop modifications, upgrades, updates, adaptations, enhancements,

new versions and other derivative works and improvements of, and to develop computer programs compatible with, the Service Software.

**“Specifications”** means the specifications for the Services set forth in the applicable Statement of Work and, to the extent consistent with and not limiting of the foregoing, the Documentation.

**“State”** has the meaning set forth in the preamble.

**“State Data”** has the meaning set forth in **Section 24.1**.

**“State Modification”** has the meaning set forth in **Section 26.2a**).

**“State Project Manager”** has the meaning set forth in **Section 18.8**.

**“State Systems”** means the information technology infrastructure, including the computers, software, databases, electronic systems (including database management systems) and networks, of the State or any of its designees.

**“Statement of Work”** has the meaning set forth in **Section 18.1a**). The Initial Statement of Work is attached as **Schedule A**, and subsequent Statements of Work will be sequentially identified and attached as Schedule A-1, A-2, A-3, etc.

**“Subcontractor”** means any entity that performs any Services under this Contract and otherwise has the meaning set forth in **Section 18.4a**).

**“Support Services”** has the meaning set forth in **Section 21**.

**“Support Service Level Requirement”** has the meaning set forth in **Section 21**.

**“Term”** has the meaning set forth in the preamble.

**“Transition Period”** has the meaning set forth in **Section 24.4**.

**“Transition Responsibilities”** has the meaning set forth in **Section 22.4**.

**“User Data”** means any and all information reflecting the access or use of the Hosted Services by or on behalf of the State or any Authorized User, including any end user profile, visit, session, impression, click-through or click-stream data and any statistical or other analysis, information or data based on or derived from any of the foregoing.

**“Work Product”** means all State-specific deliverables that Contractor is required to, or otherwise does, provide to the State under this Contract including reports, project management documents, forms, templates, documents created for evidentiary purposes to demonstrate chain of custody, documents created in anticipation of or preparation for litigation, testimony, or otherwise created with the intent to provide or which has been provided to any court of competent jurisdiction, and other State-specific documents and related materials. Work Product does not include the Service Software.

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

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

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

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

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

State:	Contractor:
Joy Nakfoor 525 W. Allegan St. Lansing, MI 48933 <a href="mailto:Nakfoorj@michigan.gov">Nakfoorj@michigan.gov</a> 517-249-0481	Scott Cade 750 First Street, NE 10TH floor, Room 1023 Washington, D.C. 20002 <a href="mailto:Scott.cade@conduent.com">Scott.cade@conduent.com</a> 917-449-7762

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

State:	Contractor:
Pratin Trivedi 201 N. Washington Sq., Ste. 401 Lansing, MI - 48933 <a href="mailto:trivedip@michigan.gov">trivedip@michigan.gov</a> 517-241-7030	Alex Camacho 114 Roan Path San Antonio, TX 78528 <a href="mailto:Alex.camacho@conduent.com">Alex.camacho@conduent.com</a> 210-355-7209

5. **Performance Guarantee.** Contractor must at all times have financial resources sufficient, in the opinion of the State, to ensure performance of the Contract and must provide proof upon request. The State may

require a performance bond (as specified in Schedule A) if, in the opinion of the State, it will ensure performance of the Contract.

6. **Independent Contractor.** Contractor is an independent contractor and assumes all rights, obligations and liabilities set forth in this Contract. Contractor, its employees, and agents will not be considered employees of the State. No partnership or joint venture relationship is created by virtue of this Contract. Contractor, and not the State, is responsible for the payment of wages, benefits and taxes of Contractor's employees and any subcontractors. Prior performance does not modify Contractor's status as an independent contractor.
7. **Staffing.** The State's Contract Administrator may require Contractor to remove or reassign personnel by providing a notice to Contractor.
8. **Change of Control.** Contractor will notify within 30 days of any public announcement or otherwise once legally permitted to do so, the State of a change in Contractor's organizational structure or ownership. For purposes of this Contract, a change in control means any of the following: (a) a sale of more than 50% of Contractor's stock; (b) a sale of substantially all of Contractor's assets; (c) a change in a majority of Contractor's board members; (d) consummation of a merger or consolidation of Contractor with any other entity; (e) a change in ownership through a transaction or series of transactions; (f) or the board (or the stockholders) approves a plan of complete liquidation. A change of control does not include any consolidation or merger effected exclusively to change the domicile of Contractor, or any transaction or series of transactions principally for bona fide equity financing purposes.  
  
In the event of a change of control, Contractor must require the successor to assume this Contract and all of its obligations under this Contract.
9. **Ordering.** Contractor is not authorized to begin performance until receipt of authorization as identified in Schedule A.
10. **Terms of Payment.** Invoices must conform to the requirements communicated from time-to-time by the State. All undisputed amounts are payable within 45 days of the State's receipt. Contractor may only charge for Contract Activities performed as specified in Schedule A. Invoices must include an itemized statement of all charges. The State is exempt from State sales tax for direct purchases and may be exempt from federal excise tax, if Services purchased under this Agreement are for the State's exclusive use. All prices are exclusive of taxes, and Contractor is responsible for all sales, use and excise taxes, and any other similar taxes, duties and charges of any kind imposed by any federal, state, or local governmental entity on any amounts payable by the State under this Contract.

The State has the right to withhold payment of any disputed amounts until the parties agree as to the validity of the disputed amount. The State will notify Contractor of any dispute within a reasonable time. Payment by the State will not constitute a waiver of any rights as to Contractor's continuing obligations, including claims for deficiencies or substandard Contract Activities. Contractor's acceptance of final payment by the State constitutes a waiver of all claims by Contractor against the State for payment under this Contract, other than those claims previously filed in writing on a timely basis and still disputed.

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

time any amount then due and owing to it by Contractor against any amount payable by the State to Contractor under this Contract.

11. **Disclosure of Litigation, or Other Proceeding.** Contractor must notify the State within 14 calendar days of receiving notice of any litigation, investigation, arbitration, or other proceeding (collectively, "**Proceeding**") involving Contractor, a subcontractor, or an officer or director of Contractor or subcontractor, that arises during the term of the Contract, including: (a) a criminal Proceeding; (b) a parole or probation Proceeding; (c) a Proceeding under the Sarbanes-Oxley Act; (d) a civil Proceeding involving: (1) a claim that might reasonably be expected to adversely affect Contractor's viability or financial stability; or (2) a governmental or public entity's claim or written allegation of fraud; or (e) a Proceeding involving any license that Contractor is required to possess in order to perform under this Contract.

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

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

13. **Warranties and Representations.** Contractor represents and warrants: (a) Contractor is the owner or licensee of any Contract Activities that it licenses, sells, or develops and Contractor has the rights necessary to convey title, ownership rights, or licensed use; (b) all Contract Activities are delivered free from any security interest, lien, or encumbrance and will continue in that respect; (c) the Contract Activities will not infringe the patent, trademark, copyright, trade secret, or other proprietary rights of any third party; (d) Contractor must assign or otherwise transfer to the State or its designee any manufacturer's warranty for the Contract Activities; (e) the Contract Activities are merchantable and fit for the specific purposes identified in the Contract; (f) the Contract signatory has the authority to enter into this Contract; (g) all information furnished by Contractor in connection with the Contract fairly and accurately represents Contractor's business, properties, finances, and operations as of the dates covered by the information, and Contractor will inform the State of any material adverse changes; (h) all information furnished and representations made in connection with the award of this Contract is true, accurate, and complete, and contains no false statements or omits any fact that would make the information misleading; and that (i) Contractor is neither currently engaged in nor will engage in the boycott of a person based in or doing business with a strategic partner as described in 22 USC 8601 to 8606. A breach of this Section is considered a material breach of this Contract, which entitles the State to terminate this Contract under Section 23.1, Termination for Cause.

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

14. **Conflicts and Ethics.** Contractor will uphold high ethical standards and is prohibited from: (a) holding or acquiring an interest that would conflict with this Contract; (b) doing anything that creates an appearance of

impropriety with respect to the award or performance of the Contract; (c) attempting to influence or appearing to influence any State employee by the direct or indirect offer of anything of value; or (d) paying or agreeing to pay any person, other than employees and consultants working for Contractor, any consideration contingent upon the award of the Contract. Contractor must immediately notify the State of any violation or potential violation of these standards. This Section applies to Contractor, any parent, affiliate, or subsidiary organization of Contractor, and any subcontractor that performs Contract Activities in connection with this Contract.

15. **Non-Exclusivity.** Nothing contained in this Contract is intended nor will be construed as creating any requirements contract with Contractor. This Contract does not restrict the State or its agencies from acquiring similar, equal, or like Contract Activities from other sources.
16. **Website Incorporation.** The State is not bound by any content on Contractor's website unless expressly incorporated directly into this Contract.
17. **Contract Modification.** This Contract may not be amended except by signed agreement between the parties (a "**Contract Change Notice**"). Notwithstanding the foregoing, no subsequent Statement of Work or Contract Change Notice executed after the Effective Date will be construed to amend this Contract unless it specifically states its intent to do so and cites the section or sections amended.

18. **Services.**

18.1 Services. Throughout the Term and at all times in connection with its actual or required performance under this Contract, Contractor will, in accordance with all terms and conditions set forth in this Contract and each applicable Statement of Work, provide to the State and its Authorized Users the following services ("**Services**"):

- a) the hosting, management and operation of the Service Software and other services for remote electronic access and use by the State and its Authorized Users ("**Hosted Services**") as described in one or more written, sequentially numbered, statements of work referencing this Contract, including all Specifications set forth in such statements of work, which, upon their execution will be attached as **Schedule A** to this Contract and by this reference are incorporated in and made a part of this Contract (each, a "**Statement of Work**");
- b) maintain the Availability Requirement set forth in the Service Level Agreement attached as **Schedule C** to this Contract;
- c) provide maintenance and Support Services as set forth in the Service Level Agreement, attached as **Schedule C**;
- d) implement and maintain the security requirements set forth in **Schedule D** to this Contract;
- e) such other services as may be specified in the applicable Statement of Work.

18.2 Change Notices.

- a) Any modifications or changes to the Services under any executed Statement of Work will be effective only if and when memorialized in a mutually agreed written change notice ("**Change Notice**") signed by both Parties, provided, however, that for any Services provided on a limited basis (for example, on a per user, server, CPU or named-user basis), the State may, at any time, increase or decrease the number of its licenses hereunder subject to a corresponding forward-going adjustment of the Fees to reflect these changes in accordance with the pricing set forth in the applicable Statement of Work.
- b) In the event the Services are customizable, a more detailed change control process may be specified in the applicable Statement of Work. In such event, the change control process set forth in such Statement of Work will control.

- 18.3 Compliance with Laws. Contractor must comply with all applicable Laws as they concern this Contract, including by securing and maintaining all required and appropriate visas, work permits, business licenses and other documentation and clearances necessary for performance of the Services.
- 18.4 Subcontracting. Contractor will not itself, and will not permit any Person to, subcontract any Services, in whole or in part, without the State's prior written consent, which consent may be given or withheld in the State's sole discretion. Without limiting the foregoing:
- a) Contractor must ensure each Contractor subcontractor (including any subcontractor of a Contractor subcontractor, each, a "**Subcontractor**") complies with all relevant terms of this Contract, including all provisions relating to State Data or other Confidential Information of the State;
  - b) the State's consent to any such Subcontractor does not relieve Contractor of its representations, warranties or obligations under this Contract;
  - c) Contractor will remain responsible and liable for any and all: (i) performance required hereunder, including the proper supervision, coordination and performance of the Services; and (ii) acts and omissions of each Subcontractor (including, such Subcontractor's employees and agents, who, to the extent they are involved in providing any Services, are deemed Contractor Personnel) to the same extent as if such acts or omissions were by Contractor;
  - d) any noncompliance by any Subcontractor or its employees or agents with the provisions of this Contract or any Statement of Work will constitute a breach by Contractor;
  - e) prior to the provision of Services by any Subcontractor, Contractor must obtain from each such proposed Subcontractor:
    - (i) the identity of such Subcontractor and the location of all its data centers, if any, that will be used in Processing any State Data, which information Contractor will promptly disclose to the State in writing; and
    - (ii) a written confidentiality and restricted use agreement, giving the State rights at least equal to those set forth in **Section 24** (State Data), **Section 25** (Confidentiality), **Section L** (Security) and **Section H** (Disaster Recovery) and containing the Subcontractor's acknowledgment of, and agreement to, the provisions of **Section 18.5** (Contractor Personnel), a fully-executed copy of which agreement Contractor will promptly provide to the State upon the State's request.
  - f) In accordance with 45 CFR 164.502(e)(1)(ii) and 164.308(b)(2), if applicable, Contractor will ensure that any subcontractors that create, receive, maintain, or transmit protected health information on behalf of the business associate agree to the same restrictions, conditions, and requirements that apply to the business associate with respect to such information.
- 18.5 Contractor Personnel. Contractor will:
- a) subject to the prior written approval of the State, appoint: (i) a Contractor employee to serve as a primary contact with respect to the Services who will have the authority to act on behalf of Contractor in matters pertaining to the receipt and processing of support requests and the Support Services (the "**Contractor Service Manager**"); and (ii) a Contractor employee to respond to the State's inquiries regarding the security of the Contractor Systems who has sufficient knowledge of the security of the Contractor Systems and the authority to act on behalf of Contractor in matters pertaining thereto ("**Contractor Security Officer**"); and (iii) other Key Personnel, who will be suitably skilled, experienced and qualified to perform the Services;
  - b) provide names and contact information for Contractor's Key Personnel in the Statement of Work;
  - c) maintain the same Contractor Service Manager, Contractor Security Officer and other Key Personnel throughout the Term and such additional period, if any, as Contractor is required to perform the Services, except for changes in such personnel due to: (i) the State's request pursuant



- to **Section 18.5d**); or (ii) the death, disability, resignation or termination of such personnel or other circumstances outside Contractor's reasonable control; and
- d) upon the reasonable written request of the State, promptly replace any Key Personnel of Contractor.

**18.6 Management and Payment of Contractor Personnel.**

- a) Contractor is solely responsible for the payment of Contractor Personnel, including all fees, expenses and compensation to, by or on behalf of any Contractor Personnel and, if applicable, the withholding of income taxes and payment and withholding of social security and other payroll taxes, unemployment insurance, workers' compensation insurance payments and disability benefits.
- b) Contractor will ensure that no Person who has been convicted of a felony or any misdemeanor involving, in any way, theft, fraud, or bribery provides any Services or has access to any State Data, State Systems or State facilities. On a case-by-case basis, the State may request that Contractor initiate a background check on any Contractor Personnel before they may have access to State Data, State Systems or State facilities. Any request for a background check will be initiated by the State and must be reasonably related to the type of work requested. The scope of the background check is at the discretion of the State and the results will be used solely to determine the eligibility of Contractor Personnel to work with State Data, State Systems or in State facilities. If provided to the State, results of background checks will be promptly returned to Contractor, and will be treated as Confidential Information. All investigations will include a Michigan State Police Background check (ICHAT) and may include a National Crime Information Center (NCIC) Finger Print check pursuant to IRS Publication 1075. Contractor will present attestation of satisfactory completion of such tests. Contractor is responsible for all costs and expenses associated with such background checks.

**18.7 Time is of the Essence.** Contractor acknowledges and agrees that time is of the essence with respect to its obligations under this Contract and that prompt and timely performance of all such obligations, including all timetables and other requirements of this Contract and each Statement of Work, is strictly required.

**18.8 State Project Manager.** The State will appoint and, in its reasonable discretion, replace, a State employee to serve as the primary contact with respect to implementation of the Services (the "**State Project Manager**").

**19. Service Preparation, Testing and Acceptance.**

**19.1 Service Preparation.** Promptly upon the parties' execution of a Statement of Work, Contractor will take all steps necessary to make the Services procured thereunder ready and available for the State's use in accordance with the Statement of Work and this Contract, including any applicable milestone date or dates set forth in such Statement of Work.

**19.2 Testing and Acceptance.**

- a) When Contractor notifies the State in writing that the Hosted Services are ready for use in a production environment, the State will have thirty (30) days (or such other period as may be agreed upon by the Parties in writing) from receipt of the notice to test the Hosted Services to determine whether they comply in all material respects with the requirements of this Contract and the Specifications.
- b) Upon completion of the State's testing, the State will notify Contractor of its acceptance ("**Accept**" or "**Acceptance**") or, if it has identified any noncompliance with the Specifications, rejection ("**Reject**" or "**Rejection**") of the Hosted Services. If the State Rejects the Hosted Services, the

State will provide a written list of items that must be corrected. On receipt of the State's notice, Contractor will promptly commence, at no additional cost or charge to the State, all reasonable efforts to complete, as quickly as possible and in any event within twenty (20) days (or such other period as may be agreed upon by the Parties in writing) from receipt of the State's notice, such necessary corrections, repairs and modifications to the Hosted Services to bring them into full compliance with the Specifications.

- c) If any corrective measures are required under **Section 19.2b)**, upon completion of all such measures, Contractor will notify the State in writing and the process set forth in **Section 19.2a)** and **Section 19.2b)** will be repeated; provided that if the State determines that the Hosted Services, as revised, still do not comply in all material respects with the Specifications, the State may, in its sole discretion:
  - (i) require the Contractor to repeat the correction, repair and modification process set forth in **Section 19.2b)** at no additional cost or charge to the State; or
  - (ii) terminate any and all of the relevant Statement of Work, this Contract and any other Statements of Work hereunder.
- d) The parties will repeat the foregoing procedure until the State Accepts the Hosted Services or elects to terminate the relevant Statement of Work as provided in **Section 19.2c)(ii)** above. If the State so terminates the relevant Statement of Work, Contractor must refund to the State all sums previously paid to Contractor under such Statement of Work within ten (10) Business Days of the State's written notice of termination, and the State will be relieved of all obligations thereunder.

20. **Service Availability.** Contractor will make the Hosted Services available, as measured over the course of each calendar month during the Term, in accordance with the provisions set forth in the Service Level Agreement, attached as **Schedule C** to this Contract (the "**Availability Requirement**").

21. **Support and Maintenance Services.** Contractor will provide Hosted Service maintenance and support services (collectively, "**Support Services**") in accordance with the provisions set forth in the Service Level Agreement, attached as **Schedule C** to this Contract (the "**Support Service Level Requirement**").

## 22. **Termination and Expiration.**

22.1 Termination for Cause. In addition to any right of termination set forth elsewhere in this Contract:

- a) The State may terminate this Contract for cause, in whole or in part, if Contractor, as determined by the State: (i) endangers the value, integrity, or security of State Systems, State Data, or the State's facilities or personnel; (ii) becomes insolvent, petitions for bankruptcy court proceedings, or has an involuntary bankruptcy proceeding filed against it by any creditor; or (iii) breaches any of its material duties or obligations under this Contract. Any reference to specific breaches being material breaches within this Contract will not be construed to mean that other breaches are not material. Prior to terminating the Contract for cause, the State will provide Contractor with a reasonable opportunity to cure the event(s) of default, which cure period will be no less than thirty (30) days.
- b) If the State terminates this Contract under this **Section 22.1**, the State will issue a termination notice specifying whether Contractor must: (a) cease performance immediately, or (b) continue to perform for a specified period. If it is later determined that Contractor was not in breach of this Contract, the termination will be deemed to have been a termination for convenience, effective as of the same date, and the rights and obligations of the parties will be limited to those provided in **Section 22.2**.
- c) The State will only pay for amounts due to Contractor for Services accepted by the State on or before the date of termination, subject to the State's right to set off any amounts owed by the Contractor for the State's reasonable costs in terminating this Contract. Contractor must promptly reimburse to the State any Fees prepaid by the State prorated to the date of such termination.

Further, Contractor must pay all reasonable costs incurred by the State in terminating this Contract for cause, including administrative costs, attorneys' fees, court costs, transition costs, and any costs the State incurs to procure the Services from other sources.

- 22.2 Termination for Convenience. The State may immediately terminate this Contract in whole or in part, without penalty for appropriation or budget shortfalls. The State may terminate this Contract in whole or in part, without penalty for any reason, provided that (i) Contractor will receive at least thirty (30) days prior written notice before the effective date of termination, and (ii) in the event of a partial termination, Contractor will have the right to renegotiate the term pricing on the surviving portions of the Contract. The termination notice will specify whether Contractor must: (a) cease performance immediately, or (b) continue to perform in accordance with **Section 22.4**. If the State terminates this Contract for convenience, the State will pay for State approved Transition Responsibilities to the extent the funds are available. Additionally, if the State terminates this Contract for convenience (other than for appropriations or budget shortfalls) within five (5) years of the Effective Date of this Contract, the State will pay the reasonable unamortized costs (being Contractor's buildout costs for facilities due to this Contract) as determined by the State, that are reflected in the payments remaining under the Contract, but in no case will the payment of such costs exceed 10% of the previous year's contract price multiplied by the number of years remaining in the Initial Term and only to the extent the funds are available.
- 22.3 Stop Work Order. The State may, at any time, order the Services of Contractor fully or partially stopped for its own convenience for up to ninety (90) calendar days at no additional cost to the State. The State will provide Contractor a written notice detailing such suspension (a "Stop Work Order"). Contractor must comply with the Stop Work Order upon receipt. Within 90 days, or any longer period agreed to by Contractor, the State will either: (a) issue a notice authorizing Contractor to resume work, or (b) terminate this Contract. The State will not pay for any Services, Contractor's lost profits, or any additional compensation during a stop work period.
- 22.4 Effect of Termination. Upon and after the termination or expiration of this Contract or one or more Statements of Work for any or no reason:
- a) Contractor will be obligated to perform all Transition Responsibilities specified in **Section Error!**  
Reference source not found..
  - b) All licenses granted to Contractor in State Data will immediately and automatically also terminate. Contractor must promptly return to the State all State Data not required by Contractor for its Transition Responsibilities, if any.
  - c) Contractor will (i) return to the State all documents and tangible materials (and any copies) containing, reflecting, incorporating, or based on the State's Confidential Information; (ii) permanently erase the State's Confidential Information from its computer systems; and (iii) certify in writing to the State that it has complied with the requirements of this **Section 22.4c**), in each case to the extent such materials are not required by Contractor for Transition Responsibilities, if any.
  - d) Notwithstanding any provisions of this Contract or any Statement of Work to the contrary, upon the State's termination of this Contract or any Statement of Work for cause pursuant to **Section 22.1**, the State will have the right and option to continue to access and use the Services under each applicable Statement of Work, in whole and in part, for a period not to exceed one hundred and eighty (180) days from the effective date of such termination pursuant to the terms and conditions of this Contract and each applicable Statement of Work and at a reduced rate of fifty (50%) off the applicable Fees set forth in each such Statement of Work.

22.5 Survival. The rights, obligations and conditions set forth in this **Section 22.5** and **Section 1** (Definitions), **Section 22.4** (Effect of Termination; Data Retention), **Section 24** (State Data), **Section 25** (Confidentiality), **Section L** (Security), **Section 26.1** (Indemnification), **Section 27** (Limitations of Liability), **Section 28** (Representations and Warranties), **Section 29** (Insurance) and **Section 31** (Effect of Contractor Bankruptcy) and **Section 32** (General Provisions), and any right, obligation or condition that, by its express terms or nature and context is intended to survive the termination or expiration of this Contract, survives any such termination or expiration hereof.

## 23. Fees and Expenses.

23.1 Fees. Subject to the terms and conditions of this Contract, the applicable Statement of Work, and the Service Level Agreement, the State will pay the fees set forth in the applicable Statement of Work, subject to such increases and adjustments as may be permitted pursuant to **Section 23.2** ("Fees").

23.2 Fees during Option Years. Contractor's Fees are fixed during the initial period of the Term. Contractor may increase Fees for any renewal period by providing written notice to the State at least sixty (60) calendar days prior to the commencement of such renewal period. No increase in Fees is effective unless made in compliance with the provisions of this **Section 23.2**.

23.3 Responsibility for Costs. Contractor is responsible for all costs and expenses incurred in or incidental to the performance of Services, including all costs of any materials supplied by Contractor, all fees, fines, licenses, bonds, or taxes required of or imposed against Contractor, and all other of Contractor's costs of doing business.

23.4 Taxes. The State is exempt from State sales tax for direct purchases and may be exempt from federal excise tax, if Services purchased under this Contract are for the State's exclusive use. Notwithstanding the foregoing, all Fees are inclusive of taxes, and Contractor is responsible for all sales, use and excise taxes, and any other similar taxes, duties and charges of any kind imposed by any federal, state, or local governmental entity on any amounts payable by the State under this Contract.

23.5 Invoices. Contractor will invoice the State for Fees in accordance with the requirements set forth in the Statement of Work, including any requirements that condition the rendering of invoices and the payment of Fees upon the successful completion of Milestones. Contractor must submit each invoice in both hard copy and electronic format, via such delivery means and to such address as are specified by the State in the Statement of Work. Each separate invoice must:

- a) clearly identify the Contract and purchase order number to which it relates, in such manner as is required by the State;
- b) list each Fee item separately;
- c) include sufficient detail for each line item to enable the State to satisfy its accounting and charge-back requirements;
- d) for Fees determined on a time and materials basis, report details regarding the number of hours performed during the billing period, the skill or labor category for such Contractor Personnel and the applicable hourly billing rates;
- e) include such other information as may be required by the State as set forth in the Statement of Work; and
- f) Itemized invoices must be submitted to [DTMB-Accounts-Payable@michigan.gov](mailto:DTMB-Accounts-Payable@michigan.gov).

23.6 Payment Terms. Invoices are due and payable by the State, in accordance with the State's standard payment procedures as specified in 1984 Public Act no. 279, MCL 17.51, et seq., within forty-five (45) calendar days after receipt, provided the State determines that the invoice was properly rendered.

Contractor may only charge for Contract Activities performed as specified in Schedule A. Invoices must include an itemized statement of all charges. Notwithstanding the foregoing, all prices are inclusive of taxes, and Contractor is responsible for all sales, use and excise taxes, and any other similar taxes, duties and charges of any kind imposed by any federal, state, or local governmental entity on any amounts payable by the State under this Contract.

The State has the right to withhold payment of any disputed amounts until the parties agree as to the validity of the disputed amount. The State will notify Contractor of any dispute within a reasonable time. Payment by the State will not constitute a waiver of any rights as to Contractor's continuing obligations, including claims for deficiencies or substandard Contract Activities. Contractor's acceptance of final payment by the State constitutes a waiver of all claims by Contractor against the State for payment under this Contract, other than those claims previously filed in writing on a timely basis and still disputed.

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

#### **23.7 State Audits of Contractor.**

- a) During the Term, and for four (4) years after, Contractor must maintain complete and accurate books, records, documents and electronic records or media regarding its business operations relevant to the calculation of Fees and any other information relevant to Contractor's compliance with this **Section 23**. During the Term, and for four (4) years after, upon the State's request, Contractor must make such books, records, documents and electronic records or media and appropriate personnel, including all financial information, available during normal business hours for inspection and audit by the State or its authorized representative, provided that the State: (a) provides Contractor with at least fifteen (15) days prior notice of any audit, and (b) conducts or causes to be conducted such audit in a manner designed to minimize disruption of Contractor's normal business operations.
- b) For information systems audits, the Contractor agrees to make available documentation supporting the implementation, configuration, security, and maintenance of commercial or proprietary information systems the Contractor uses in conducting business related to the services provided. The Contractor will provide any reasonable assistance requested by the auditing party or their designee in conducting any such audit, including installing and operating audit software.
- c) The State may take copies and abstracts of materials audited. The State will pay the cost of such audits unless an audit reveals an overbilling or over-reporting of five percent (5%) or more, in which case Contractor will reimburse the State for the reasonable cost of the audit. Contractor must immediately upon written notice from the State pay the State the amount of any overpayment revealed by the audit, together with any reimbursement payable pursuant to the preceding sentence.
- d) The Contractor will be required to include this clause in all subcontracts.

#### **23.8 Payment Does Not Imply Acceptance.** The making of any payment or payments by the State, or the receipt thereof by Contractor, will in no way affect the responsibility of Contractor to perform the

Services in accordance with this Contract, and will not imply the State's Acceptance of any Services or the waiver of any warranties or requirements of this Contract, including any right to Service Credits.

- 23.9 Payment Disputes. The State may withhold from payment any and all payments and amounts the State disputes in good faith, pending resolution of such dispute, provided that the State:
- a) timely renders all payments and amounts that are not in dispute;
  - b) notifies Contractor of the dispute prior to the due date for payment, specifying in such notice:
    - (i) the amount in dispute; and
    - (ii) the reason for the dispute set out in sufficient detail to facilitate investigation by Contractor and resolution by the parties;
  - c) works with Contractor in good faith to resolve the dispute promptly; and
  - d) promptly pays any amount determined to be payable by resolution of the dispute.

Contractor will not withhold or delay any Hosted Services or Support Services or fail to perform any other Services or obligations hereunder by reason of the State's good faith withholding of any payment or amount in accordance with this **Section 23.9** or any dispute arising therefrom.

- 23.10 Service Level Credits. Contractor acknowledges and agrees that any credits assessed under the Service Level Agreement: (a) is a reasonable estimate of and compensation for the anticipated or actual harm to the State that may arise from not meeting the Service Level Requirements, which would be impossible or very difficult to accurately estimate; and (b) may, at the State's option, be credited or set off against any Fees or other charges payable to Contractor under this Contract or be payable to the State upon demand. Contractor's total aggregate monthly liability for credits may not exceed 50% of the Fees that would be payable for the relevant service period in which the credits are assessed. Additionally, service level failures will be excused in the following circumstances: (i) when changes in scope, direction, budget, or program funding are made at the request of the State, and such changes adversely affect Contractor's ability to perform in accordance with the service levels; (ii) when program processes are changes at the request of the State, and such changes adversely affect Contractor's ability to perform in accordance with the service levels; or (iii) when a failure is due to the acts or omissions of the State or third parties under the State's control.

- 23.11 Right of Set-off. Without prejudice to any other right or remedy it may have, the State reserves the right to set off at any time any amount then due and owing to it by Contractor against any amount payable by the State to Contractor under this Contract.

## 24. State Data.

- 24.1 Ownership. The State's data ("**State Data**," which will be treated by Contractor as Confidential Information) includes: (a) User Data; and (b) the State's data collected, used, processed, stored, or generated in connection with the Services, including but not limited to (i) personally identifiable information ("**PII**") collected, used, processed, stored, or generated as the result of the Services, including, without limitation, any information that identifies an individual, such as an individual's social security number or other government-issued identification number, date of birth, address, telephone number, biometric data, mother's maiden name, email address, credit card information, or an individual's name in combination with any other of the elements here listed; and (ii) personal health information ("**PHI**") collected, used, processed, stored, or generated as the result of the Services, which is defined under the Health Insurance Portability and Accountability Act ("**HIPAA**") and its related rules and regulations. State Data is and will remain the sole and exclusive property of the State and all right, title, and interest in the same is reserved by the State. This **Section 24.1** survives termination or expiration of this Contract.

**24.2 Contractor Use of State Data.** Contractor is provided a limited license to State Data for the sole and exclusive purpose of providing the Services, including a license to collect, process, store, generate, and display State Data only to the extent necessary in the provision of the Services. Contractor must: (a) keep and maintain State Data in strict confidence, using such degree of care as is appropriate and consistent with its obligations as further described in this Contract and applicable law to avoid unauthorized access, use, disclosure, or loss; (b) use and disclose State Data solely and exclusively for the purpose of providing the Services, such use and disclosure being in accordance with this Contract, any applicable Statement of Work, and applicable law; and (c) not use, sell, rent, transfer, distribute, or otherwise disclose or make available State Data for Contractor's own purposes or for the benefit of anyone other than the State without the State's prior written consent. This **Section 24.2** survives termination or expiration of this Contract.

**24.3 Discovery.** Contractor will immediately notify the State upon receipt of any requests which in any way might reasonably require access to State Data or the State's use of the Hosted Services. Contractor will notify the State Project Manager by the fastest means available and also in writing. In no event will Contractor provide such notification more than twenty-four (24) hours after Contractor receives the request. Contractor will not respond to subpoenas, service of process, FOIA requests, and other legal requests related to the State without first notifying the State and obtaining the State's prior approval of Contractor's proposed responses. Contractor agrees to provide its completed responses to the State with adequate time for State review, revision and approval.

**24.4 Loss or Compromise of Data.** In the event of any act, error or omission, negligence, misconduct, or breach on the part of Contractor that compromises or is suspected to compromise the security, confidentiality, or integrity of State Data or the physical, technical, administrative, or organizational safeguards put in place by Contractor that relate to the protection of the security, confidentiality, or integrity of State Data, Contractor must, as applicable: (a) notify the State as soon as practicable but no later than one (1) hour of becoming aware of such occurrence; (b) cooperate with the State in investigating the occurrence, including making available all relevant records, logs, files, data reporting, and other materials required to comply with applicable law or as otherwise required by the State; (c) in the case of PII or PHI, at the State's sole election, (i) with approval and assistance from the State, notify the affected individuals who comprise the PII or PHI as soon as practicable but no later than is required to comply with applicable law, or, in the absence of any legally required notification period, within five (5) calendar days of the occurrence; or (ii) reimburse the State for any costs in notifying the affected individuals; (d) in the case of PII, provide third-party credit and identity monitoring services to each of the affected individuals who comprise the PII for the period required to comply with applicable law, or, in the absence of any legally required monitoring services, for no less than twenty-four (24) months following the date of notification to such individuals; (e) perform or take any other actions required to comply with applicable law as a result of the occurrence; (f) pay for any costs associated with the occurrence, including but not limited to any costs incurred by the State in investigating and resolving the occurrence, including reasonable attorney's fees associated with such investigation and resolution; (g) without limiting Contractor's obligations of indemnification as further described in this Contract, indemnify, defend, and hold harmless the State for any and all claims, including reasonable attorneys' fees, costs, and incidental expenses, which may be suffered by, accrued against, charged to, or recoverable from the State in connection with the occurrence; (h) be responsible for recreating lost State Data in the manner and on the schedule set by the State without charge to the State; and (i) provide to the State a detailed plan within ten (10) calendar days of the occurrence describing the measures Contractor will undertake to prevent a future occurrence. Notification to affected individuals, as described above, must comply with applicable law, be written in plain language, not be tangentially

used for any solicitation purposes, and contain, at a minimum: name and contact information of Contractor's representative; a description of the nature of the loss; a list of the types of data involved; the known or approximate date of the loss; how such loss may affect the affected individual; what steps Contractor has taken to protect the affected individual; what steps the affected individual can take to protect himself or herself; contact information for major credit card reporting agencies; and, information regarding the credit and identity monitoring services to be provided by Contractor. The State will have the option to review and approve any notification sent to affected individuals prior to its delivery. Notification to any other party, including but not limited to public media outlets, must be reviewed and approved by the State in writing prior to its dissemination. This **Section 24.4** survives termination or expiration of this Contract.

**24.5 HIPAA Compliance.** If applicable, the State and Contractor must comply with all obligations under HIPAA and its accompanying regulations, including but not limited to entering into a business associate agreement, if reasonably necessary to keep the State and Contractor in compliance with HIPAA.

**24.6 ADA Compliance.** The State is required to comply with the Americans with Disabilities Act of 1990 (ADA), and has adopted a formal policy regarding accessibility requirements for websites and software applications. The State is requiring that Bidder's proposed Solution, where relevant, to level AA of the World Wide Web Consortium (W3C) Web Content Accessibility Guidelines (WCAG) 2.0. Bidder may consider, where relevant, the W3C's Guidance on Applying WCAG 2.0 to Non-Web Information and Communications Technologies (WCAG2ICT) for non-web software and content. The State may require that Bidder complete a Voluntary Product Accessibility Template for WCAG 2.0 (WCAG 2.0 VPAT) or other comparable document for the proposed Solution.

[http://www.michigan.gov/documents/dmb/1650.00\\_209567\\_7.pdf?20151026134621](http://www.michigan.gov/documents/dmb/1650.00_209567_7.pdf?20151026134621)

## **25. Confidentiality.**

**25.1 Meaning of Confidential Information.** The term "**Confidential Information**" means all information and documentation of a party that: (a) has been marked "confidential" or with words of similar meaning, at the time of disclosure by such party; (b) if disclosed orally or not marked "confidential" or with words of similar meaning, was subsequently summarized in writing by the disclosing party and marked "confidential" or with words of similar meaning; and, (c) should reasonably be recognized as confidential information of the disclosing party. The term "Confidential Information" does not include any information or documentation that was or is: (a) in the possession of the State and subject to disclosure under the Michigan Freedom of Information Act (FOIA); (b) already in the possession of the receiving party without an obligation of confidentiality; (c) developed independently by the receiving party, as demonstrated by the receiving party, without violating the disclosing party's proprietary rights; (d) obtained from a source other than the disclosing party without an obligation of confidentiality; or, (e) publicly available when received, or thereafter became publicly available (other than through any unauthorized disclosure by, through, or on behalf of, the receiving party). Notwithstanding the above, in all cases and for all matters, State Data is deemed to be Confidential Information.

**25.2 Obligation of Confidentiality.** The parties agree to hold all Confidential Information in strict confidence and not to copy, reproduce, sell, transfer, or otherwise dispose of, give or disclose such Confidential Information to third parties other than employees, agents, or subcontractors of a party who have a need to know in connection with this Contract or to use such Confidential Information for any purposes whatsoever other than the performance of this Contract. The parties agree to advise and require their respective employees, agents, and subcontractors of their obligations to keep all Confidential Information confidential. Disclosure to the Contractor's subcontractor is permissible where: (a) the subcontractor is a Permitted Subcontractor; (b) the disclosure is necessary or otherwise naturally



occurs in connection with work that is within the Permitted Subcontractor's responsibilities; and (c) Contractor obligates the Permitted Subcontractor in a written contract to maintain the State's Confidential Information in confidence. At the State's request, any of the Contractor's Representatives may be required to execute a separate agreement to be bound by the provisions of this **Section 25.2**.

25.3 Cooperation to Prevent Disclosure of Confidential Information. Each party must use its best efforts to assist the other party in identifying and preventing any unauthorized use or disclosure of any Confidential Information. Without limiting the foregoing, each party must advise the other party immediately in the event either party learns or has reason to believe that any person who has had access to Confidential Information has violated or intends to violate the terms of this Contract. Each party will cooperate with the other party in seeking injunctive or other equitable relief against any such person.

25.4 Remedies for Breach of Obligation of Confidentiality. Each party acknowledges that breach of its obligation of confidentiality may give rise to irreparable injury to the other party, which damage may be inadequately compensable in the form of monetary damages. Accordingly, a party may seek and obtain injunctive relief against the breach or threatened breach of the foregoing undertakings, in addition to any other legal remedies which may be available, to include, in the case of the State, at the sole election of the State, the immediate termination, without liability to the State, of this Contract or any Statement of Work corresponding to the breach or threatened breach.

25.5 Surrender of Confidential Information upon Termination. Upon termination or expiration of this Contract or a Statement of Work, in whole or in part, each party must, within five (5) Business Days from the date of termination, return to the other party any and all Confidential Information received from the other party, or created or received by a party on behalf of the other party, which are in such party's possession, custody, or control. If Contractor or the State determine that the return of any Confidential Information is not feasible, such party must destroy the Confidential Information and certify the same in writing within five (5) Business Days from the date of termination to the other party.

## 26. Indemnification.

26.1 General Indemnification. Contractor must defend, indemnify and hold harmless the State, and the State's agencies, departments, officers, directors, employees, agents, and contractors from and against all Losses arising out of or resulting from any third party claim, suit, action or proceeding (each, an "**Action**") that does or is alleged to arise out of or result from:

- a) the Contractor's breach of any representation, warranty, covenant or obligation of Contractor under this Contract (including, in the case of Contractor, any action or failure to act by any Contractor Personnel that, if taken or not taken by Contractor, would constitute such a breach by Contractor); or
- b) any negligence or more culpable act or omission (including recklessness or willful misconduct) in connection with the performance or nonperformance of any Services or other activity actually or required to be performed by or on behalf of, Contractor (including, in the case of Contractor, any Contractor Personnel) under this Contract, provided that, to the extent that any Action or Losses described in this **Section 26.1** arises out of, results from, or alleges a claim that any of the Services does or threatens to infringe, misappropriate or otherwise violate any Intellectual Property Rights or other rights of any third party, Contractor's obligations with respect to such Action and Losses, if any, will be subject to the terms and conditions of **Section 26.2a)** through **Section 26.3b)** and **Section 26.3**.

26.2 Infringement Indemnification by Contractor. Contractor must indemnify, defend and hold the State, and the State's agencies, departments, officers, directors, employees, agents, and contractors

harmless from and against all Losses arising out of or resulting from any Action that does or is alleged to arise out of or result from a claim that any of the Services, or the State's or any Authorized User's use thereof, actually does or threatens to infringe, misappropriate or otherwise violate any Intellectual Property Right or other right of a third party, provided however, that Contractor will have no liability or obligation for any Action or Loss to the extent that such Action or Loss arises out of or results from any:

- a) alteration or modification of the Hosted Services or Service Software by or on behalf of the State or any Authorized User without Contractor's authorization (each, a "**State Modification**"), provided that no infringement, misappropriation or other violation of third party rights would have occurred without such State Modification and provided further that any alteration or modification made by or for Contractor at the State's request will not be excluded from Contractor's indemnification obligations hereunder unless (i) such alteration or modification has been made pursuant to the State's written specifications and (ii) the Hosted Services, as altered or modified in accordance with the State's specifications, would not have violated such third party rights but for the manner in which the alteration or modification was implemented by or for Contractor; and
- b) use of the Hosted Services by the State or an Authorized User pursuant to this Contract in combination with any software or service not provided, authorized or approved by or on behalf of Contractor, if (i) no violation of third party rights would have occurred without such combination and (ii) such software or service is not commercially available and not standard in Contractor's or the State's industry and there are no Specifications, Documentation, or other materials indicating Contractor's specification, authorization or approval of the use of the Hosted Services in combination therewith.

#### 26.3 Mitigation.

- a) If Contractor receives or otherwise learns of any threat, warning or notice alleging that all, or any component or feature, of the Services violates a third party's rights, Contractor must promptly notify the State of such fact in writing, and take all commercially reasonable actions necessary to ensure the State's continued right to access and use such Services and otherwise protect the State from any Losses in connection therewith, including investigating such allegation and obtaining a credible opinion of counsel that it is without merit.
- b) Subject to the exclusions set forth in clauses (a) and (b) of **Section 26.2**, if any of the Services or any component or feature thereof is ruled to infringe or otherwise violate the rights of any third party by any court of competent jurisdiction, or if any use of any Services or any component thereof is threatened to be enjoined, or is likely to be enjoined or otherwise the subject of an infringement or misappropriation claim, Contractor must, at Contractor's sole cost and expense:
  - (i) procure for the State the right to continue to access and use the Services to the full extent contemplated by this Contract and the Specifications; or
  - (ii) modify or replace all components, features and operations of the Services that infringe or are alleged to infringe ("**Allegedly Infringing Features**") to make the Services non-infringing while providing equally or more suitable features and functionality, which modified and replacement services will constitute Services and be subject to the terms and conditions of this Contract.
- c) If neither of the remedies set forth in **Section 26.3b)** is reasonably available with respect to the Allegedly Infringing Features then Contractor may direct the State to cease any use of any materials that have been enjoined or finally adjudicated as infringing, provided that Contractor will:
  - (i) refund to the State any prepaid Fees for Services that have not been provided; and
  - (ii) in any case, at its sole cost and expense, secure the right for the State to continue using the Allegedly Infringing Features for a transition period of up to six (6) months to allow the State to replace the affected Services or Allegedly Infringing Features without disruption.

- d) The remedies set forth in this **Section 26.3** are in addition to, and not in lieu of, all other remedies that may be available to the State under this Contract or otherwise, including the State's right to be indemnified pursuant to **Section 26.1** and **Section 26.2**.

**26.4 Indemnification Procedure.** The State will notify Contractor in writing if indemnification is sought; however, failure to do so will not relieve Contractor, except to the extent that Contractor is materially prejudiced. Contractor must, to the satisfaction of the State, demonstrate its financial ability to carry out these obligations. The State is entitled to: (i) regular updates on proceeding status; (ii) participate in the defense of the proceeding; (iii) employ its own counsel; and to (iv) retain control of the defense, at its own expense, if the State deems necessary. Contractor will not, without the State's prior written consent (not to be unreasonably withheld), settle, compromise, or consent to the entry of any judgment in or otherwise seek to terminate any claim, action, or proceeding. Any litigation activity on behalf of the State or any of its subdivisions, under this **Section 26**, must be coordinated with the Department of Attorney General. An attorney designated to represent the State may not do so until approved by the Michigan Attorney General and appointed as a Special Assistant Attorney General.

## **27. Limitations of Liability.**

- a) **Disclaimer of Damages.** NEITHER PARTY TO THE CONTRACT WILL BE LIABLE TO THE OTHER, REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY OR BY STATUTE OR OTHERWISE, FOR ANY CLAIM RELATED TO OR ARISING UNDER THIS CONTRACT FOR CONSEQUENTIAL, INCIDENTAL, INDIRECT, OR SPECIAL DAMAGES, INCLUDING WITHOUT LIMITATION LOST PROFITS AND LOST BUSINESS OPPORTUNITIES.
- b) **Limitation of Liability.** IN NO EVENT WILL EITHER PARTY'S AGGREGATE LIABILITY TO THE OTHER UNDER THIS CONTRACT, REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY OR BY STATUTE OR OTHERWISE, FOR ANY CLAIM RELATED TO OR ARISING UNDER THIS CONTRACT, EXCEED A SUM EQUIVALENT TOTWO (2) TIMES THE AGGREGATE CONTRACT PRICE. As used in this clause, the term "Aggregate Contract Price" means the total price for the initial Term and all renewal terms of this Contract.
- c) **Exceptions.** Subsections (a) (Disclaimer of Damages) and (b) (Limitation of Liability) above, will not apply to: (i) Contractor's obligation to indemnify under Section 26 of this Contract; (ii) Contractor's obligations under Section 24.4 of this Contract (Loss or Compromise of State Data); (iii) any loss or claim to the extent the loss or claim is covered by a policy of insurance maintained, or required by this Contract to be maintained, by Contractor; and (iv) damages arising from either party's recklessness, bad faith, or intentional misconduct.

## **28. Contractor Representations and Warranties.**

**28.1 Authority and Bid Response.** Contractor represents and warrants to the State that:

- a) it is duly organized, validly existing, and in good standing as a corporation or other entity as represented under this Contract under the laws and regulations of its jurisdiction of incorporation, organization, or chartering;
- b) it has the full right, power, and authority to enter into this Contract, to grant the rights and licenses granted under this Contract, and to perform its contractual obligations;
- c) the execution of this Contract by its Representative has been duly authorized by all necessary organizational action;
- d) when executed and delivered by Contractor, this Contract will constitute the legal, valid, and binding obligation of Contractor, enforceable against Contractor in accordance with its terms;
- e) 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 to the RFP; 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;
- f) all written information furnished to the State by or for Contractor in connection with this Contract, including Contractor's bid response to the RFP, 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; and
  - g) Contractor 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 within the previous five (5) years for the reason that Contractor failed to perform or otherwise breached an obligation of the contract.

**28.2 Software and Service Warranties.** Contractor represents and warrants to the State that:

- a) Contractor has, and throughout the Term and any additional periods during which Contractor does or is required to perform the Services will have, the unconditional and irrevocable right, power and authority, including all permits and licenses required, to provide the Services and grant and perform all rights and licenses granted or required to be granted by it under this Contract;
- b) neither Contractor's grant of the rights or licenses hereunder nor its performance of any Services or other obligations under this Contract does or at any time will: (i) conflict with or violate any applicable Law, including any Law relating to data privacy, data security or personal information; (ii) require the consent, approval or authorization of any governmental or regulatory authority or other third party; or (iii) require the provision of any payment or other consideration by the State or any Authorized User to any third party, and Contractor will promptly notify the State in writing if it becomes aware of any change in any applicable Law that would preclude Contractor's performance of its material obligations hereunder;
- c) as accessed and used by the State or any Authorized User in accordance with this Contract and the Specifications, the Hosted Services, Documentation and all other Services and materials provided by Contractor under this Contract will not infringe, misappropriate or otherwise violate any Intellectual Property Right or other right of any third party;
- d) there is no settled, pending or, to Contractor's knowledge as of the Effective Date, threatened Action, and it has not received any written, oral or other notice of any Action (including in the form of any offer to obtain a license): (i) alleging that any access to or use of the Services or Service Software does or would infringe, misappropriate or otherwise violate any Intellectual Property Right of any third party; (ii) challenging Contractor's ownership of, or right to use or license, any software or other materials used or required to be used in connection with the performance or receipt of the Services, or alleging any adverse right, title or interest with respect thereto; or (iii) that, if decided unfavorably to Contractor, would reasonably be expected to have an actual or potential adverse effect on its ability to perform the Services or its other obligations under this Contract, and it has no knowledge after reasonable investigation of any factual, legal or other reasonable basis for any such litigation, claim or proceeding;
- e) the Service Software and Services will in all material respects conform to and perform in accordance with the Specifications and all requirements of this Contract, including the Availability and Availability Requirement provisions set forth in **Section 20**;
- f) all Specifications are, and will be continually updated and maintained so that they continue to be, current, complete and accurate and so that they do and will continue to fully describe the Hosted Services in all material respects such that at no time during the Term or any additional periods during which Contractor does or is required to perform the Services will the Hosted Services have any material undocumented feature;
- g) the Contractor Systems and Services are and will remain free of Harmful Code;

- h) Contractor will not advertise through the Hosted Services (whether with adware, banners, buttons or other forms of online advertising) or link to external web sites that are not approved in writing by the State;
- i) Contractor will perform all Services in a timely, professional and workmanlike manner with a level of care, skill, practice and judgment consistent with generally recognized industry standards and practices for similar services, using personnel with the requisite skill, experience and qualifications, and will devote adequate resources to meet Contractor's obligations (including the Availability Requirement and Support Service Level Requirements) under this Contract;
- j) During the term of this Contract, any audit rights contained in any third-party software license agreement or end user license agreement for third-party software incorporated in or otherwise used in conjunction with the Services, will apply solely to Contractor's (or its subcontractors) facilities and systems that host the Services (including any disaster recovery site), and regardless of anything to the contrary contained in any third-party software license agreement or end user license agreement, third-party software providers will have no audit rights whatsoever against State systems or networks; and
- k) Contractor acknowledges that the State cannot indemnify any third parties, including but not limited to any third-party software providers that provide software that will be incorporated in or otherwise used in conjunction with the Services, and that notwithstanding anything to the contrary contained in any third-party software license agreement or end user license agreement, the State will not indemnify any third party software provider for any reason whatsoever.

**28.3 DISCLAIMER.** EXCEPT FOR THE EXPRESS WARRANTIES IN THIS CONTRACT, CONTRACTOR HEREBY DISCLAIMS ALL WARRANTIES, WHETHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE UNDER OR IN CONNECTION WITH THIS CONTRACT OR ANY SUBJECT MATTER HEREOF.

## 29. Insurance.

### 29.1 Required Coverage.

- a) **Insurance Requirements.** Contractor must maintain the insurances identified below and is responsible for all deductibles. All required insurance must: (a) protect the State from claims that may arise out of, are alleged to arise out of, or result from Contractor's or a subcontractor's performance; (b) be primary and non-contributing to any comparable liability insurance (including self-insurance) carried by the State; and (c) be provided by an company with an A.M. Best rating of "A" or better and a financial size of VII or better.

Required Limits	Additional Requirements
<b>Commercial General Liability Insurance</b>	
<u>Minimal Limits:</u> \$1,000,000 Each Occurrence Limit \$1,000,000 Personal & Advertising Injury Limit \$2,000,000 General Aggregate Limit \$2,000,000 Products/Completed Operations  <u>Deductible Maximum:</u> \$50,000 Each Occurrence	Contractor must have their policy endorsed to add "the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees, and agents" as additional insureds using endorsement CG 20 10 11 85, or both CG 2010 07 04 and CG 2037 07 0.
<b>Umbrella or Excess Liability Insurance</b>	

<u>Minimal Limits:</u> \$5,000,000 General Aggregate	Contractor must have their policy endorsed to add "the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees, and agents" as additional insureds.
<b>Workers' Compensation Insurance</b>	
<u>Minimal Limits:</u> Coverage according to applicable laws governing work activities.	Waiver of subrogation, except where waiver is prohibited by law.
<b>Privacy and Security Liability (Cyber Liability) Insurance</b>	
<u>Minimal Limits:</u> \$1,000,000 Each Occurrence \$1,000,000 Annual Aggregate	Contractor must have their policy: (1) endorsed to add "the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees, and agents" as additional insureds; and (2) cover information security and privacy liability, privacy notification costs, regulatory defense and penalties, and website media content liability.
<b>Crime (Fidelity) Insurance</b>	
<u>Minimal Limits:</u> \$1,000,000 Employee Theft Per Loss	Contractor must have their policy: (1) cover forgery and alteration, theft of money and securities, robbery and safe burglary, computer fraud, funds transfer fraud, money order and counterfeit currency, and (2) endorsed to add "the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees, and agents" as Loss Payees.
<b>Professional Liability (Errors and Omissions) Insurance</b>	
<u>Minimal Limits:</u> \$3,000,000 Each Occurrence \$3,000,000 Annual Aggregate  <u>Deductible Maximum:</u> \$50,000 Per Loss	

- b) If Contractor's policy contains limits higher than the minimum limits, the State is entitled to coverage to the extent of the higher limits. The minimum limits are not intended, and may not be construed to limit any liability or indemnity of Contractor to any indemnified party or other persons.
- c) If any of the required policies provide **claim-made** coverage, the Contractor must: (a) provide coverage with a retroactive date before the effective date of the contract or the beginning of contract work; (b) maintain coverage and provide evidence of coverage for at least three (3) years after completion of the contract of work; and (c) if coverage is canceled or not renewed, and not replaced with another claims-made policy form with a retroactive date prior to the contract effective date, the Contractor must purchase extended reporting coverage for a minimum of three (3) years after completion of work.
- d) Contractor must: (a) provide insurance certificates to the Contract Administrator, containing the agreement or purchase order number, at Contract formation and within 20 calendar days of the

expiration date of the applicable policies; (b) require that subcontractors maintain the required insurances contained in this Section; (c) notify the Contract Administrator within 5 business days if any insurance is cancelled; and (d) waive all rights against the State for damages covered by insurance. Failure to maintain the required insurance does not limit this waiver.

29.2 Non-waiver. This **Section 29** is not intended to and is not be construed in any manner as waiving, restricting or limiting the liability of either party for any obligations under this Contract (including any provisions hereof requiring Contractor to indemnify, defend and hold harmless the State).

### 30. **Force Majeure.**

30.1 Force Majeure Events. Subject to **Section 30.2**, neither party will be liable or responsible to the other party, or be deemed to have defaulted under or breached this Contract, for any failure or delay in fulfilling or performing any term hereof, when and to the extent such failure or delay is caused by: acts of God, flood, fire or explosion, war, terrorism, invasion, riot or other civil unrest, embargoes or blockades in effect on or after the date of this Contract, national or regional emergency, or any passage of law or governmental order, rule, regulation or direction, or any action taken by a governmental or public authority, including imposing an embargo, export or import restriction, quota or other restriction or prohibition (each of the foregoing, a "**Force Majeure Event**"), in each case provided that: (a) such event is outside the reasonable control of the affected party; (b) the affected party gives prompt written notice to the other party, stating the period of time the occurrence is expected to continue; (c) the affected party uses diligent efforts to end the failure or delay and minimize the effects of such Force Majeure Event.

30.2 State Performance; Termination. In the event of a Force Majeure Event affecting Contractor's performance under this Contract, the State may suspend its performance hereunder until such time as Contractor resumes performance. The State may terminate this Contract by written notice to Contractor if a Force Majeure Event affecting Contractor's performance hereunder continues substantially uninterrupted for a period of five (5) Business Days or more. Unless the State terminates this Contract pursuant to the preceding sentence, any date specifically designated for Contractor's performance under this Contract will automatically be extended for a period up to the duration of the Force Majeure Event.

30.3 Exclusions; Non-suspended Obligations. Notwithstanding the foregoing or any other provisions of this Contract:

- a) in no event will any of the following be considered a Force Majeure Event:
  - (i) shutdowns, disruptions or malfunctions of the Contractor Systems or any of Contractor's telecommunication or internet services other than as a result of general and widespread internet or telecommunications failures that are not limited to the Contractor Systems; or
  - (ii) the delay or failure of any Contractor Personnel to perform any obligation of Contractor hereunder unless such delay or failure to perform is itself by reason of a Force Majeure Event; and
- b) no Force Majeure Event modifies or excuses Contractor's obligations under **Section 4** (Service Availability and Service Availability Credits), **Section 5.5** (Support Service Level Credits), **Section 24** (State Data), **Section 25** (Confidentiality), **Section L** (Security), **Section H** (Disaster Recovery) or **Section 26** (Indemnification), or any Availability Requirement or Support Service Level Requirement.

31. **Effect of Contractor Bankruptcy**. All rights and licenses granted by Contractor under this Contract are and will be deemed to be rights and licenses to "intellectual property," and the subject matter of this agreement, including the Services, is and will be deemed to be "embodiments" of "intellectual property" for

purposes of and as such terms are used in and interpreted under section 365(n) of the United States Bankruptcy Code (the “**Code**”) (11 U.S.C. § 365(n) (2010)). The State has the right to exercise all rights and elections under the Code and all other applicable bankruptcy, insolvency and similar laws with respect to this Contract (including all executory Statement of Works). Without limiting the generality of the foregoing, if Contractor or its estate becomes subject to any bankruptcy or similar proceeding, subject to the State’s rights of election, all rights and licenses granted to the State under this Contract will continue subject to the respective terms and conditions of this Contract, and will not be affected, even by Contractor’s rejection of this Contract.

### 32. General Provisions.

32.1 Further Assurances. Each party will, upon the reasonable request of the other party, execute such documents and perform such acts as may be necessary to give full effect to the terms of this Contract.

32.2 Relationship of the Parties. The relationship between the parties is that of independent contractors. Nothing contained in this Contract is to be construed as creating any agency, partnership, joint venture or other form of joint enterprise, employment or fiduciary relationship between the parties, and neither party has authority to contract for or bind the other party in any manner whatsoever.

32.3 Media Releases. News releases (including promotional literature and commercial advertisements) pertaining to this Contract or project to which it relates must not be made without the prior written approval of the State, and then only in accordance with the explicit written instructions of the State.

32.4 Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder, other than routine communications having no legal effect, must be in writing and addressed to the parties as follows (or as otherwise specified by a party in a notice given in accordance with this Section):

If to State:	If to Contractor:
Joy Nakfoor 525 W. Allegan St. Lansing, MI 48933 <a href="mailto:nakfoorj@michigan.gov">nakfoorj@michigan.gov</a> 517-249-0481	Kim Newsom Bridges 6739 Possum Street Mount Vernon, OH 43050 <a href="mailto:Kimberly.newsombridges@conduent.com">Kimberly.newsombridges@conduent.com</a> 740-644-0061

Notices sent in accordance with this **Section 32.4** will be deemed effectively given: (a) when received, if delivered by hand (with written confirmation of receipt); (b) when received, if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by e-mail (with confirmation of transmission), if sent during normal business hours of the recipient, and on the next business day, if sent after normal business hours of the recipient; or (d) on the fifth (5<sup>th</sup>) day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid.

32.5 Headings. The headings in this Contract are for reference only and do not affect the interpretation of this Contract.

32.6 Assignment. Contractor may not assign or otherwise transfer any of its rights, or delegate or otherwise transfer any of its obligations or performance, under this Contract, in each case whether voluntarily, involuntarily, by operation of law or otherwise, without the State’s prior written consent. The State has the right to terminate this Contract in its entirety or any Services or Statements of Work hereunder, pursuant to **Section 22.2**, if Contractor delegates or otherwise transfers any of its



obligations or performance hereunder, whether voluntarily, involuntarily, by operation of law or otherwise, and no such delegation or other transfer will relieve Contractor of any of such obligations or performance. For purposes of the preceding sentence, and without limiting its generality, any merger, consolidation or reorganization involving Contractor (regardless of whether Contractor is a surviving or disappearing entity) will be deemed to be a transfer of rights, obligations, or performance under this Contract for which the State's prior written consent is required. Any purported assignment, delegation, or transfer in violation of this **Section 32.6** is void.

32.7 No Third-party Beneficiaries. This Contract is for the sole benefit of the parties and nothing herein, express or implied, is intended to or will confer on any other person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Contract.

32.8 Amendment and Modification; Waiver. This Contract may only be amended, modified or supplemented by an agreement in writing signed by each party's Contract Administrator. No waiver by any party of any of the provisions hereof is effective unless explicitly set forth in writing and signed by the party so waiving. Except as otherwise set forth in this Contract, no failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Contract will operate or be construed as a waiver thereof; nor will any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

32.9 Severability. If any term or provision of this Contract is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other term or provision of this Contract or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the parties hereto will negotiate in good faith to modify this Contract so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

32.10 Governing Law. This Contract is governed, construed, and enforced in accordance with Michigan law, excluding choice-of-law principles, and all claims relating to or arising out of this Contract are governed by Michigan law, excluding choice-of-law principles. Any dispute arising from this Contract must be resolved in the Michigan Court of Claims. Complaints against the State must be initiated in Ingham County, Michigan. Contractor waives any objections, such as lack of personal jurisdiction or forum non conveniens. Contractor must appoint agents in Michigan to receive service of process.

32.11 Equitable Relief. Each party to this Contract acknowledges and agrees that (a) a breach or threatened breach by such party of any of its obligations under this Contract would give rise to irreparable harm to the other party for which monetary damages would not be an adequate remedy and (b) in the event of a breach or a threatened breach by such party of any such obligations, the other party hereto is, in addition to any and all other rights and remedies that may be available to such party at law, at equity or otherwise in respect of such breach, entitled to equitable relief, including a temporary restraining order, an injunction, specific performance and any other relief that may be available from a court of competent jurisdiction, without any requirement to post a bond or other security, and without any requirement to prove actual damages or that monetary damages will not afford an adequate remedy. Each party to this Contract agrees that such party will not oppose or otherwise challenge the appropriateness of equitable relief or the entry by a court of competent jurisdiction of an order granting equitable relief, in either case, consistent with the terms of this **Section 32.11**.

32.12 Nondiscrimination. Under the Elliott-Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101, *et seq.*, the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101, *et seq.*, and [Executive Directive 2019-09](#). Contractor and its subcontractors agree not to discriminate against an employee or applicant for employment with respect to hire, tenure, terms, conditions, or privileges of employment, or a matter directly or indirectly related to employment, because of race, color, religion, national origin, age, sex (as defined in Executive Directive 2019-09), height, weight, marital status, partisan considerations, any mental or physical disability, or genetic information that is unrelated to the person's ability to perform the duties of a particular job or position. Breach of this covenant is a material breach of this Contract.

32.13 Unfair Labor Practice. Under 1980 PA 278, MCL 423.321, *et seq.*, the State must not award a contract or subcontract to an employer whose name appears in the current register of employers failing to correct an unfair labor practice compiled under MCL 423.322. This information is compiled by the United States National Labor Relations Board. A contractor of the State, in relation to the contract, must not enter into a contract with a subcontractor, manufacturer, or supplier whose name appears in this register. Under MCL 423.324, the State may void any contract if, after award of the contract, the contractor as an employer or the name of the subcontractor, manufacturer or supplier of the contractor appears in the register.

32.14 Schedules. All Schedules and Exhibits that are referenced herein and attached hereto are hereby incorporated by reference.

32.15 Counterparts. This Contract may be executed in counterparts, each of which will be deemed an original, but all of which together are deemed to be one and the same agreement and will become effective and binding upon the parties as of the Effective Date at such time as all the signatories hereto have signed a counterpart of this Contract. A signed copy of this Contract delivered by facsimile, e-mail or other means of electronic transmission (to which a signed copy is attached) is deemed to have the same legal effect as delivery of an original signed copy of this Contract.

32.16 Entire Agreement. This Contract, including all Statements of Work and other Schedules and Exhibits, constitutes the sole and entire agreement of the parties to this Contract with respect to the subject matter contained herein, and supersedes all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. In the event of any conflict between the terms of this Contract and those of any Schedule, Exhibit or other document, the following order of precedence governs: (a) first, this Contract, excluding its Exhibits and Schedules; and (b) second, the Exhibits and Schedules to this Contract as of the Effective Date. NO TERMS ON CONTRACTORS INVOICES, WEBSITE, BROWSE-WRAP, SHRINK-WRAP, CLICK-WRAP, CLICK-THROUGH OR OTHER NON-NEGOTIATED TERMS AND CONDITIONS PROVIDED WITH ANY OF THE SERVICES, OR DOCUMENTATION HEREUNDER WILL CONSTITUTE A PART OR AMENDMENT OF THIS CONTRACT OR IS BINDING ON THE STATE OR ANY AUTHORIZED USER FOR ANY PURPOSE. ALL SUCH OTHER TERMS AND CONDITIONS HAVE NO FORCE AND EFFECT AND ARE DEEMED REJECTED BY THE STATE AND THE AUTHORIZED USER, EVEN IF ACCESS TO OR USE OF SUCH SERVICE OR DOCUMENTATION REQUIRES AFFIRMATIVE ACCEPTANCE OF SUCH TERMS AND CONDITIONS.

### **33. IT Specific Standards**

33.1 IT Policies, Standards and Procedures (PSP). Contractors are advised that the State has methods, policies, standards and procedures that have been developed over the years. Contractors are expected to provide proposals that conform to State IT policies and standards. All services and products provided as a result of this Contract must comply with all applicable State IT policies and

standards. Contractor is required to review all applicable links provided below and state compliance in their response.

Public IT Policies, Standards and Procedures (PSP):

[https://www.michigan.gov/dtmb/0,5552,7-358-82547\\_56579\\_56755---,00.html](https://www.michigan.gov/dtmb/0,5552,7-358-82547_56579_56755---,00.html)

**Note:** Not all applicable PSP's are available publicly. Controlled PSP's applicable to the Contract are available after signing and returning to the State the required Nondisclosure Agreement (NDA). Failure to return a signed NDA may be grounds for disqualification.

- 33.2 Acceptable Use Policy. To the extent that Contractor has access to the State's computer system, Contractor must comply with the State's Acceptable Use Policy, see [http://michigan.gov/dtmb/0,4568,7-150-56355\\_56579\\_56755---,00.html](http://michigan.gov/dtmb/0,4568,7-150-56355_56579_56755---,00.html). All Contractor Personnel will be required, in writing, to agree to the State's Acceptable Use Policy before accessing the State's system. The State reserves the right to terminate Contractor's access to the State's system if a violation occurs.
- 33.3 Mobile Responsiveness. The Bidder's Solution must utilize responsive design practices to ensure the application is accessible via a mobile device. Bidders must provide a list of all mobile devices that are compatible with the Solution. Additionally, Bidder must provide list of features that can be performed via a mobile device.
- 33.4 Look and Feel Standard. If applicable, all software items provided by the Contractor must adhere to the following Look and Feel Standards:  
[http://www.michigan.gov/documents/som/Look\\_and\\_Feel\\_Standards](http://www.michigan.gov/documents/som/Look_and_Feel_Standards).
- 33.5 Secure Web Application Standard. Contractor's solution must meet the State's Secure Application Development Standards as mandated by the State.
- 33.6 Secure Application Development Life Cycle (SADLC). Contractor is required to meet the States Secure Application Development Life Cycle requirements. Refer to Schedule D #7 for more information.
- 33.7 Additional Term. When providing the Contract Activities, Contractor may use or otherwise leverage certain proprietary applications or software systems (collectively referred to as "Service Software"). All Service Software produced prior to or independently of this Contract, including any customizations or enhancements thereof, shall continue to belong to Contractor. Contractor hereby grants to the State a non-exclusive and non-transferable license to use (in object form only) and access the functions, reports, output and other materials derived from or otherwise produced by the Software Service. The State may not modify, reverse engineer, decompile or otherwise disassemble the Service Software. Notwithstanding any other provision of the Contract, the State shall have no residual rights to the Service Software beyond the term of the Contract.

#### 34. Miscellaneous Federal Requirements

34.1 If applicable, Contractor will adhere to Privacy Act of 1974, Public Law 93-579.

34.2 If applicable, Contractor will adhere to the Gramm Leach Bliley Act (15 U.S Code 6802(a) et seq.)

34.3 If applicable, Contractor will adhere to the Social Security Number Protection Act of 2010, Public Law 111-68

34.4 If applicable, Contractor will adhere to the Social Security Act, Sec. 4548. [42 U.S.C. 654b] (Collection and Disbursement of Support Payments)

34.5 If applicable, Contractor will adhere to Title IV-D of the Social Security Act (42 United States (USC) 651, et seq.)

34.6 If applicable, Contractor will adhere to 45 CFR 307.13, Security and Confidentiality for computerized support enforcement systems in operation after Oct 1, 1997

34.7 If applicable, Contractor will adhere to Internal Revenue Code, Public Act 114-38

34.8 If applicable, Contractor will adhere to Internal Revenue Code (26 USC 6103)

# STATE OF MICHIGAN

Master Agreement No. 200000000771  
State Disbursement Unit for Child Support Payment Processing

## **DEFINITIONS**

The below definitions are for reference to the **Schedule A Statement of Work Contract Activities** section only.

**“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.

**“Allocation”** is a function within Michigan Child Support Enforcement System (MiCSES): A step in the payment application process immediately after receipting the non-custodial parent's payment that determines which case, and which debt within a case, to which the payment will be applied.

**“AT”** means Action Transmittals or IVD Memorandums. OCS has a Policy unit that publishes IVD Memorandums that guide the MiSDU. Most of these IVD Memorandums, and the IVD Memorandums referenced in the Contract are found on the public MDHHS website located at:  
<https://dhhs.michigan.gov/ChildSupport/policy/>

**“Attorney General Wire Transfers”** are monies transferred electronically to the MiSDU by the Michigan Office of the Attorney General, through a financial institution usually under critical timing requirements because the obligor is incarcerated and cannot be released until the MiSDU acknowledges receipt.

**“Bank”** is a banking relationship established as part of the MiSDU operations to provide for deposit and disbursement of all child support monies with appropriate reconciliation, oversight and management to assure proper execution of fiduciary responsibilities.

**“Master Agreement”** is an alternate term for Contract and is used in the States computer system.

**“Business Day”** whether capitalized or not, will mean any State of Michigan business day, from 8:00 a.m. EST through 5:00 p.m. EST unless otherwise stated. For Service Level Agreement purposes, the day of receipt, is business day zero, the next business day is business day one, the next business day is business day two, and so on (example: Address Change Form comes in on a Saturday, Monday would be business day zero, Tuesday is business day one, Wednesday is business day two).

**“Chargeback”** is a demand by a credit card provider for a merchant to make good the loss on a fraudulent or disputed transaction.

**“Collateral”** means the financial instruments that must be posted by the Contractor guaranteeing the security of child support monies on deposit in the MiSDU bank accounts and assuring make-whole to the State in the event of error or mismanagement on the part of the bank.

**“CP”** means Custodial Party. This is the person or entity having custody of a child governed by a docket and court order.

**“Customer”** is a MiSDU customer considered the Custodial Party (CP) or Non-Custodial Parent (NCP) in a child support case, or other private or public party, that has a stake or vested interest in the outcome of the child support enforcement service delivery or system implementation, such as employers, or financial institutions, etc.

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

**“Debt Recovery”** is an account that may be established within MiCSES to recover monies that have been disbursed to a recipient in error.

**“Deleted – Not applicable”** means that section is not applicable or included in this Contract. This is used as a placeholder to maintain consistent numbering.

**“Deliverable”** means services and/or physical goods and/or commodities as required or identified by a Statement of Work.

**“Direct Deposit”** means disbursement of child support monies into a custodial party’s bank account as authorized by the custodial party.

**“Disbursements”** means payments based on the MiCSES through the MiSDU either in the form of a paper check or direct deposit or debit card, domestically and internationally. Disbursements also go to agencies, returns to NCP, third parties, employers, etc.

**“Distribution”** means the application of a payment to reduce the balance owed by a non-custodial parent on the child support case either as current support or as arrears, as well as determining to whom the payment should disburse. Distribution is handled by MiCSES and includes both primary distribution (reducing the arrears categories under each obligation) and secondary distribution (reducing the amount of unreimbursed grant recorded for current and former public assistance recipients).

**“Docket”** means a court case for child support.

**“DTMB”** means Michigan Department Technology, Management & Budget. The DTMB is an executive department with responsibility and oversight of the business operations of state agencies through a variety of services, including centralized contracting and procurement, information technology, and budget and financial management, among others.

**“EFT/EDI”** means in-bound Electronic Funds Transfer/Electronic Data Interchange adhering to NACHA standards.

**“Escheats”** means a transfer of property to the state; this will include un-cashed checks, unidentified payments submitted to the MiSDU, or other items held in suspense within MiCSES, and they are transferred to the state as an escheat after the item is held in suspense for at least 365 days prior to July 15 of each state fiscal year. Public Act 29 of 1995, Uniform Unclaimed Property Act; Michigan Compiled Law (MCL) 567.221, MCL 567.224, and MCL 567.238.

**“FIDM”** means Financial Institution Data Match. This is the process by which a lien is placed upon the financial resources of an obligor that has arrears on a support case in MiCSES.

**“FOC”** means Friend of the Court. FOC is a part of the judicial branch of Michigan government, which represents a division or office within a Michigan Judicial Circuit Court and is the entity responsible for the enforcement of child support payment orders.

**“FTS”** means the File Transfer Service. FTS is a process operated by DTMB for facilitating the exchange of electronic files between the State intra-network and entities outside the State network.

**“Further Research”** as used in describing service activities, refers to activities related to the identification of problem receipts that have incomplete or incorrect identifiers and the acquisition of information that will allow the posting of those receipts. Other activities may relate to the identification of misapplied or misdirected payments and the actions taken to correct those transactions within MiCSES.

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

**“Implementation Phase”** means that period of the Contract term commencing upon Contract start date and continuing through satisfactory performance of the User Acceptance Test.

**“Incident”** means: 1) failure to meet any service level agreements, or 2) any interruption of normal MiSDU services/operations (even if they don't result in a failure to meet service level agreements), or 3) any positive action or activity of the Contractor that is deserving of note.

**“Income”** means any periodic form of payment due to an individual, regardless of source, including, but not limited to: wages, salaries, commissions, bonuses, workers' compensation, disability insurance payments, unemployment insurance payments, or payments pursuant to a pension or retirement program and interest income.

**“Income Withholding Notice”** means the notice sent to a source of income, directing it to withhold income in accordance with a support order. There is only one federally recognized withholding form: Income Withholding for Support, and that is the form that Michigan uses. Web sites and other material may use general terms such as "IWN," "IWO," "order," and "notice" in reference to this form.

**“Initiating State”** means a state that initiates an interstate child support case and requests another state to enforce the collection of child support.

**“Interstate Payment”** means a payment collected by another state (responding state) and forwarded to the State (initiating state) for distribution and disbursement, or a receipt from Michigan (responding state) transmitted to another state (initiating state).

**“IV-D Agency”** is a federal reference term identifying the state agency or department responsible for statewide child support program administration, established pursuant to Title IV-D of the Social Security Act. In Michigan, this is the Office of Child Support (OCS).

**“IVR”** means Office of Child Support IVR (Interactive Voice Response). IVR system is the system to be integrated with the MiSDU and MiCSES systems and established for supporting customer services telephone inquiries.

**“Key Personnel”** means any Personnel designated by the State as Key Personnel.

**“Lock Box”** is a term sometimes used to identify a single point of collection for either checks or electronic receipts from payers (obligors, employers, interstate, state tax offsets, federal tax offsets, lottery, unemployment benefits and others).

**“Make-whole (State)”** means the State make-whole reimbursements in those instances where monies have been disbursed based on the federal requirements and the underlying instrument or electronic transaction later proves to be nonnegotiable. The State may make-whole in other limited circumstances where monies may have been disbursed through error of the FOC or State.

**“Make-whole (Contractor)”** means the MiSDU Contractor is required to make-whole on any monies that are disbursed incorrectly due to a Contractor error. This may be due to a data entry error, a further research error, a duplicate file error or any other condition in which the Contractor had received correct information but failed to exercise due diligence which resulted in monies being disbursed incorrectly, or any situation where the Contractor disbursed money incorrectly because the contractor failed to follow approved business processes or checklist.

**“MDHHS”** means Michigan Department of Health and Human Services. DHHS is an executive state department that is responsible for public assistance and child and family welfare in Michigan.

**“MiCSES”** means Michigan Child Support Enforcement System. MiCSES is administered by Department of Technology, Management and Budget (DTMB) and is the federally required, statewide; standardized case management system developed and maintained by the State for child support enforcement activities.

**“Misapplied”** means monies that have been disbursed in error because the MiSDU Contractor mis-keyed a transaction, misinterpreted information, or failed to follow predefined business rules.

**“Misdirected”** means monies that have been disbursed in error because the payer provided incomplete or incorrect information with their payment or an agency other than the MiSDU such as the FOC or other State child support entity made an error in entry to MiCSES; or the Contractor followed established business rules, but an error resulted anyway.

**“MiSDU”** means Michigan State Disbursement Unit. The MiSDU is a division within OCS responsible for centralized collection and disbursement of child support in Michigan, in compliance with federal and state requirements. The MiSDU is established pursuant to the federal government’s Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) (P.L. 104-193).

**“MiSDU Incident Report”** (MIR report) means a report of an Incident (see incident) and detailed in this Contract.

**“MiSDU Customer Service”** means response, via telephone and other methods of communication, to customers, stakeholders, or partners (including CP’s and NCP’s, employers, Friend of the Court Offices, interstate and other various state agencies or departments), requiring assistance in determining status, providing information to, or assistance in understanding the financial and case conditions related to a child support case.



**“New Work”** means any Services/Deliverables outside the scope of the current 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. This work will be agreed to by the Contractor and state and may or may not require a contract change.

**“National Medical Support Notice (NMSN)”** The NMSN is a legal notice to an employer that its employee is ordered to provide health care coverage for the children identified in the notice.

**“Non-custodial parent”** means the party legally responsible for paying child support pursuant to court order.

**“Non-sufficient funds (NSF)”** means a payment received at the MiSDU that has been returned by a bank for non-sufficient funds, closed account, funds unavailable, etc.

**“Obligor”** means the party legally responsible for paying child support pursuant to court order.

**“OCS”** means Office of Child Support. OCS is the designated Michigan Title IV-D Agency and is a program office within the DHHS responsible for implementing a child support enforcement program in the State of Michigan.

**“OCS Partner”** means a governmental agency or other organization outside the executive branch of state government involved in, and with a legal obligation for, the provision of services related to child support in Michigan. This partnership includes, but is not limited to, the Michigan Circuit court – Friend of the Court Offices, Michigan County Prosecuting Attorneys, State Court Administrative Office, the Michigan Attorney General Office, Michigan Employers and the federal Office of Child Support Enforcement, and various contractors the OCS may engage in the delivery of services to its clients and customers.

**“OCS Stakeholder”** means a governmental agency or organization or individual outside the executive branch of state government involved in the provision of Title IV-D services, or involved with services related to child support enforcement, or with a vested interest in the process or implementation of, Michigan Title IV-D services (such as MiCSES, etc.).

**“OCS-WIT”** means OCS Work Improvement Team. OCS-WITs are groups initiated within OCS, and which includes multiple stakeholders and partners to review process improvement strategies and program priorities affecting customers and other end-users. Contractor staff typically participate in applicable WITs on a regular basis.

**“Operational phase”** means that period of the Contract term commencing upon satisfactory completion of User Acceptance Test during which child support payments are processed as required under the Contract and Contractor is paid for such processing.

**“Payer”** means any person or entity that makes child support payments either directly or through a payroll withholding process. The payer may or may not be the obligor.

**“Payment”** means both money and data and may be used interchangeably with the word receipt (see also receipt). The word payment is applicable to both receipts and disbursements. Payment is the act of paying or state of being paid. (Example an employer sends in a single EFT payment for 10 employees’ child support withholdings. This would be 1 payment and 10 receipts).

**“Positive pay”** means a file created by MiCSES (and/or the Contractor) and used by the MiSDU sub-contractor bank, at the time a party presents a MiCSES-MiSDU check, to verify the check is issued and has not been previously cashed, voided, or stop paid. This file is updated daily, generated and transmitted by MiCSES to the Contractor or bank along with voids and stop payments entered through banking software to maintain a comprehensive file that agrees with MiCSES regarding issued checks.

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

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

**“Posting criteria”** means business rules (approved by the State) for posting receipt transactions to MiCSES based on the use of a validation file to verify identifiers, variances in identifiers that are acceptable and research activities for acquiring additional information for the receipt to allow posting.

**“Processing”** means the workflow and activities involved from the receipt of mail from the US Post Office or electronic transactions from a Financial Institution until the payment is posted to MiCSES or refunded to a payer, and subsequent related activities in support of check and coupon printing, electronic disbursement, address update in MiCSES and suspense release, etc.

**“QDRO/EDRO”** means Qualified Domestic Relations Order/Eligible Domestic Relations Order - Child support withheld from pension plans and/or retirement accounts.

**“Receipt”** means a payment received from a non-custodial parent, employer and/or other source of income, state tax offset, federal tax offset, lottery, FIDM proceeds, Attorney General initiated electronic transfer, inter-state transfer and others. (Example an employer sends in a single EFT payment for 10 employees’ child support withholdings. This would be 1 payment and 10 receipts, regardless of how many child support cases each employee may have.)

**“Responding state”** means a state that agrees to provide enforcement of a child support case initiated by another state.

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

**“SSAE18”** means Statement on Standards for Attestation Engagements - an auditing standard developed by the American Institute of Certified Public Accountants (AICPA) and contains the rules for conducting an attestation of a service organization’s internal controls and issuing a System and Organization Controls’ (SOC) report. Service auditors are required to follow these rules when conducting a SSAE 18 engagement.

**“Services”** means any operational function performed per the statement of work in this contract.

**“SIGMA”** means the Statewide Integrated Governmental Management Applications. SIGMA is the State of Michigan’s electronic financial management and accounting system.

**“Special instruction payments”** means pursuant to Michigan Court Rule 3.208, these are payments the paying parent specifically identifies to a specific case or to support or non-support debts within a case.

**“State fiscal year”** means the State FY is from October 1 through September 30. Execution or continuation of any state Contractual agreement, and payment for state contract-service, during any given fiscal year is contingent upon enactment of legislative appropriations.

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

**“Stop pay”** means inbound Stop Payments are defined as payments that have been returned by a bank for reason of Stop Payment, Refer to Maker, or Unable to locate the account. Outbound stop payments are MiSDU checks that the State has requested be stopped.

**“Subcontractor”** means a company Contractor delegate’s performance of a portion of the Services to but does not include independent contractors engaged by Contractor solely in a staff augmentation role. Staff augmentation includes such functions as temporary workers, custodial staff, building and grounds maintenance, security, etc. Please note that anyone with entry access to IV-D areas must pass security review and sign appropriate security forms.

**“Support”** means the payment of money for a child or a spouse ordered by the circuit court and includes the payment of medical, dental, and other health care expenses, including medical insurance coverage, child care expenses, educational expenses, and surcharges assessed. Past due support is referred to as an arrearage.

**“Support order”** means a court order determines the requirements for a non-custodial parent/spouse to provide child support or spousal support payments.

**“Suspense”** means a variety of conditions within MiCSES that prevent the disbursement of monies. Some suspense conditions will result in automatic disbursement at some point in the future as MiCSES applies its systems logic. Other suspense conditions will require research by the FOC’s and/or the MiSDU Contractor and release action by the MiSDU Contractor based upon an FOC request.

**“Third parties”** means any agency or entity (other than the CP or NCP) that may receive disbursements from MiCSES. This may include fees to counties, refunds to employers, and refunds to other entities that may have submitted a payment in error to the MiSDU. A third party may also be a caller who is not a party to the case (a lawyer for example).

**“Transactions processed”** means a unit of measure for determining performance and defined as each individual unique payment item that may be included on a check or electronically that has been submitted by a payer and receipted for multiple payments.

**“Treasury”** means Michigan Department of Treasury. Treasury is an executive state department that is responsible for, and has authority over, all banking activities for the State’s Treasury Accounts. This is also the state department responsible for collections on NSF checks, state tax refund offsets for the collection of support, and the receipt of monies that are transferred to escheats based on Michigan statutory requirements.

**“UIA”** means Unemployment Insurance Agency. This is an agency within the state’s Department of Talent & Economic Development (TED) responsible for disbursing unemployment benefits and withholding child support monies based on having received an Income Withholding Notice (IWN).

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

**“Validation”** means a process of using the MiCSES Non-Custodial Parent (NCP) validation electronic file and other sources of information in conjunction with the information provided with a receipt by the payer to post the transaction correctly.

**“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 and in furtherance of performing the services required by the Contract.

**“Zero Balance Account (ZBA)”** A zero balance account (ZBA) is an account in which a balance of zero is maintained by automatically transferring funds from/to a master account.

# STATE OF MICHIGAN

Master Agreement No. 200000000771  
State Disbursement Unit for Child Support Payment Processing

## **SCHEDULE A STATEMENT OF WORK CONTRACT ACTIVITIES**

### **1. BACKGROUND**

In 1974, Congress enacted Title IV-D of the Social Security Act, creating the child support enforcement program and the Federal Office of Child Support Enforcement (OCSE). The program's purpose is to establish and enforce court-ordered support for children by non-custodial parents. OCSE oversees the way programs are administered at the state level.

The agency receives and distributes funds, establishes and maintains the child support program within federal requirements and regulations. The Michigan Department of Health and Human Services, Office of Child Support (MDHHS-OCS) is the Michigan IV-D agency. Although the MDHHS-OCS is the designated IV-D agency, Michigan IV-D child support establishment and enforcement responsibilities are shared between MDHHS-OCS, Circuit Court, Friend of the Court (FOC) offices, and county Prosecuting Attorney (PA) offices. The Michigan Child Support Enforcement System (MiCSES) has been implemented through the cooperative efforts of MDHHS, the Michigan Department Technology, Management & Budget (DTMB), the Prosecuting Attorneys (PA) and FOC. MiCSES is a comprehensive statewide child support system that meets all federal system requirements and has been installed in all components of the Michigan IV-D program. The system also provides necessary enforcement interfaces with both state and federal agencies. The project organization and inter-relationships with the multiple-agency composition of the child support program are reflected as follows:

#### **Michigan Department of Health and Human Services (MDHHS)**

MDHHS is responsible for the administration and strategic oversight of MiCSES, coordinating and overseeing the Michigan IV-D Child Support program. MDHHS enters into Cooperative Reimbursement Program (CRP) agreements with county governments for FOC and PA offices to enforce IV-D child support cases. The purpose of this program is to provide local offices with state and federal funding to enhance local efforts for child support enforcement services. In return, the local offices agree to abide by federal and state IV-D policies and regulations.

#### **Office of Child Support (OCS)**

OCS is the designated Michigan IV-D agency and administers the statewide child support program. OCS performs state agency enforcement, administrative, and policy functions. OCS includes the Michigan State Disbursement Unit (MiSDU) which is responsible for the centralized receipt and disbursement of child support payments in Michigan. There is also a unit of child support specialists whose primary functions are the delivery of parent locate and case initiation support throughout the state.

#### **State Court Administrative Office (SCAO)**

Michigan SCAO under the Michigan constitution has oversight responsibility for all trial courts throughout the state. They also have a Friend of the Court Bureau Division (FOCB), to provide assistance to local FOC offices. The SCAO, until 1996, provided primary deployment, operation and facility management for

the Child Support Enforcement System (CSES.) This was pursuant to an inter-agency agreement (Contract IA85-015) between SCAO and DHHS Services.

**Department of Technology, Management, & Budget (DTMB)**

DTMB is responsible for managing the State of Michigan's information technology resources. DTMB has had inter-agency agreements with MDHHS to provide data center, network, technical infrastructure services, and software application support for the MiCSES project. DTMB's primary role is responsibility for MiCSES hardware operations, connectivity and MiCSES software maintenance and support.

**Friend of the Court (FOC)**

The FOC was created by statute in 1919. Approximately 2,000 FOC staff work within Michigan's FOC offices serving 83 counties. The FOC is the child support and operational division of the circuit court and is appointed by the chief judge of that circuit. MDHHS contracts with local county governments for FOC IV-D child support services through CRP contracts. The FOC's are the primary users of MiCSES and are responsible for processing court orders; investigating and enforcing support custody and visitation orders. MiCSES is the single, statewide, child support case management system for Michigan.

**Michigan State Disbursement Unit (MiSDU)**

MiSDU is responsible for the receipt and disbursement of child support, spousal support, and fee payments. The division provides centralized receipt, validation, research and resolution, posting to MiCSES, related banking services, suspense resolution, check print and mailing, direct deposit to custodial party (CP) accounts, disbursement to a CP's debit card, coupon print and mailing, and customer services financial inquiries from clients/employers/interstate agencies/FOC's/debit card questions.

## **2. SCOPE**

The State of Michigan (State), MDHHS-OCS, through this Contract is procuring a qualified contractor who is required to assess, plan, provide, and install a seamless set of processes and systems to provide receipt and disbursement of child support monies, related banking services, research and resolution of problem payments, review and release of suspense monies within MiCSES, customer service to stakeholders and partners, other back office automation services, and interface with MiCSES. The Contractor will be responsible for providing staff, equipment, facilities, supplies and management, sufficient to meet all the operational needs of MiSDU. The Contractor is encouraged to consider solutions that improve MiSDU's current services and processes. The Contractor must provide State staff with workspace, operational training, access to observe operations and conduct quality assurance reviews. In addition, the Contractor must provide training to State staff each time software, procedures, hardware, and processes are updated and/or changed.

The activities included in the Contract include, but are not limited to, the following:

- a. Receiving/Receipting of payments including:
  - 1. Mail services (bonded courier delivering between the Post Office and MiSDU, utilization of tools and services to maximize discounts on postage, to maximize the accuracy of mailings, etc.).
  - 2. Payment and document imaging.
  - 3. Payment receipt validation.
  - 4. Payment receipt processing - categorizing and key-entering receipt data from payments.
  - 5. Payment receipt posting to MiCSES.
- b. Balance, Deposit, and Bank Reconciliation including:
  - 1. Banking and account reconciliation.

2. Depositing to an appropriate financial institution.
- c. Suspense/Research and Resolution Services including:
    1. MiCSES suspense resolution & release.
    2. Payment receipt research and resolution.
    3. Other automation and imaging services, such as OCS return mail processing, Form 1201 scanning, and NMSN processing.
  - d. Disbursement of funds, including:
    1. Actual disbursement to the correct account, including:
      - i. Disbursement to a debit card (stored value card) domestically and internationally,
        1. Debit Card Disbursement. Contractor will use the Go Program—Contractor's own debit card offering with EMV chipped cards issued through Comerica Bank.
      - ii. Disbursement to CP's bank account (Direct Deposit); and
      - iii. Check printing and mailing to appropriate party.
    2. Coupon issuance (printing and mailing)
  - e. Customer Service including, but not limited to:
    1. Contractor's Interactive Voice Response (IVR) system for customer service.
    2. A web-based source of payment images accessible to the FOCs (incoming payments, outgoing disbursements and cleared checks) within 24 hours of being processed at MiSDU or cleared by the bank as appropriate.
    3. A web-based way for FOCs to submit Suspense Adjustment Request (MDHHS-307).
    4. A web-based method to update FOCs on the status of their MDHHS-307 request.
    5. Escheats.
    6. Other forms of communication with various customers, partners, and stakeholders regarding the above-activities, as applicable.
  - f. Outreach for:
    1. Electronic receipt and disbursement of payments.
    2. Employer Advisory Committee meeting and newsletter.
    3. Contractor intends, in collaboration with the State, to perform specialized outreach efforts, in order to achieve 80 percent EFT at the MiSDU in three years.
  - g. Other System Enhancements, as needed:
    1. To maintain interface compatibility with MiCSES and its evolution.
    2. To automate processes within MiCSES and save the State money.
    3. To maintain compliance with future, additional federal or state requirements to the child support program or system.
    4. To address any external reviewer's or auditor's findings, as applicable.
  - h. Innovation:
    1. Innovative approach to maintaining the MiSDU data, conducting payment processing and services.
    2. Modify or replace equipment and processes as new approaches become available.
    3. Improvements to existing approaches and processes including but not limited to customer focused design and convenience.
    4. Maintain up-to-date and cutting-edge technology used for efficient and secure MiSDU operations.
    5. Section Redacted

6. Section Redacted
7. **MiSDU Roadmap.** Contractor will utilize the Contractor's proposed MiSDU Roadmap. The MiSDU Roadmap includes products and services that will continuously inject innovation, improvements to functionality, and added services into the MiSDU program.
8. **2021**, or a mutually agreeable time, Contractor will implement the following innovations:
  - a. Redacted
  - b. Temporary Card Freeze
  - c. Cardless ATM Transactions
9. **2022**, or a mutually agreeable time, Contractor will implement the following innovations:
  - a. Customer Notification System
  - b. Dreaming Session
10. **2023**, or a mutually agreeable time, Contractor will implement the following innovations:
  - a. MiSDU Business Intelligence - This MiSDU BI solution will bring the following benefits to the State:
    - 1) Easy to use.
    - 2) Integrates with existing applications. It integrates with the existing business environment allowing access to analytics and reporting capabilities from within the application.
    - 3) Tool for visualizing data. Users can see data organized visually on one screen instead of scattered across multiple spreadsheets, or software.
    - 4) Drilling into data. Users can drill down into specific rows of data.
    - 5) No memory or speed constraints: Hosting the BI system on the powerful cloud environment eliminates memory and speed constraints ensuring data is quickly retrievable and analyzed.
    - 6) Security over data access. Contractor can restrict access to dashboards, reports, and even data through features such as user security role profiles and role level
  - b. MiSDU Web Design Checkpoint
  - c. Redacted
11. Future Innovations - Contractor can provide a number of other innovations, including but not limited to those described below, that may benefit the operation of the MiSDU during the term of the contract. Implementation of any innovations will be upon mutual agreement of the parties.
  - a. Section Redacted
  - b. Section Redacted
  - c. Section Redacted
  - d. Section Redacted
  - e. Section Redacted
  - f. Section Redacted

### 3. REQUIREMENTS

#### 1. General Requirements

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

##### A. Mailroom Services

Contractor must provide a complete solution for the receiving and imaging of mail. The mail received consists of child support payments, spousal support, correspondence, National Medical Support Notices (NMSN), OCS Form 1201, Office of Child Support (OCS) returned mail and a small volume of misdirected mail.



1. Contractor must pick up mail from USPS and pick up internal mail from OCS located in Lansing, Michigan. The frequency of these mail pickups will be defined in the Contractor's solution. All available mail is required to be picked up no later than 8:30 am EST/EDT each day. MiSDU has P.O. Boxes used to receive incoming mail at USPS. The MiSDU P.O. Boxes are:

<b>P.O. Boxes located at zip code 48909</b>	<b>Description</b>
30350	Employer Payments
30351	Obligor Payments
30352	Interstate Payments
30353	Returned MiCSES checks
30354	Miscellaneous forms or Non-sufficient funds (NSF) returns
30355	FIDM, Lottery, Insurance, special projects

The Contractor will be responsible for maintenance, support, and payment of the fees of these P.O. Boxes. Current and on-going ownership of the P.O. Boxes will remain with the State.

2. Contractor must provide secure movement of MiSDU mail to/from USPS and to/from MiSDU. Verification is required showing couriers, if utilized, are bonded for a minimum of \$500,000.
3. Contractor may propose alternate methods for receiving mail. Any alternative must include and identify the cost of communicating changes to the stakeholders and partners that would need to transition their mailings to the MiSDU. Sufficient lead-time, successive notification mailings, forwarding of mail and other strategies need to be incorporated to ensure mail reaches the MiSDU timely. Alternate methods will require State approval prior to implementation.
4. Contractor must process all mail received on the day it is received. Perform 100% quality assurance inspections of previous day's payment source documents and checks. Payments may not be left in source documents, scanning machines, shred bins, trash cans, or elsewhere. The Contractor must provide electronic and physical monitoring of MiSDU receiving operations to ensure mail contents such as checks, money orders, cash and other documents are properly safeguarded and processed while avoiding risk of theft, disposal, being left in source documents and/or being lost. Contractor will use the OPEX FalconRED (OPEX) with its proven and highly reliable components, in Contractor's fully integrated system.
5. Contractor must use and maintain mail tracking logs for all mail received at MiSDU. The mail logs will include:
  - a. Date mail was received;
  - b. Items returned to payers or items forwarded to FOC's identifying the sender/payer (check number, check amount, reason for return, and where sent);
  - c. A count of mail items received with each delivery; and
  - d. A count of non-payment items forwarded.
  - e. The MiSDU Dashboard

The KidSTAR Dashboard will provide progress of the day's processing. This will give all authorized users a clear visual of how the process is advancing and facilitates the location of each piece of mail. Contractor will customize the dashboard, providing access to the State for a detailed view of payments in progress.

The State will periodically review the logs and operations to ensure support payments are not inappropriately returned or forwarded. Mail received, but not intended for MiSDU or meeting any of the criteria or requirements in this section must be returned to the sender by the next business day. See correspondence for mail intended for the FOCs in section 6 below.

Contractor will implement techniques, e.g. salting, to deter and detect internal fraud.

6. Contractor must capture images of all payment contents, front and back, all check, check stub, source documents, invoices, pieces of paper, the envelope, and any other items accompanying the payment unless the state approves otherwise. The Contractor must endorse all documents with an audit trail (that includes the date), all receipted payments, forms to be worked, 307s, correspondence documents received at MiSDU, special processing instructions as well as linking them to the original receipt image (example: FIDM posting instructions), and all other documents used in the processing of child support at the MiSDU. A list of items currently imaged are as follows:
  - a. County Correspondence
  - b. Faxes
  - c. Voided disbursement checks
  - d. Returned obligor coupons
  - e. Returned disbursement checks
  - f. Inbound financial instruments
  - g. Cash – payments financial instrument replacement document
  - h. Remits – all items included with the payment (example: the envelope)
  - i. Debit Card Requests
  - j. Direct Deposit Requests
  - k. Forgery Packet Requests
  - l. Stop Pay Affidavit Requests
  - m. PIN Change Form Requests
  - n. Escheatment Form Requests
  - o. Address Change Requests
  - p. SDU Research Correction Documents
  - q. Returned Research Forms (for bad address)
  - r. Cleared disbursement checks
  - s. Mocked up images of issued disbursement checks
  - t. NMSNs
  - u. Form 1201s
  - v. OCS returned mail

Images must be available for use in processing and posting of the transactions by Contractor staff (Payment Processors, CSRs, Research, authorized state & county staff etc.) as soon as feasible. The Contractor must maintain, in a searchable and retrievable format, the resultant electronic image and data files. The Contractor must retain images and data for a period of seven years (current plus six preceding years or current record retention requirement by the state). The Contractor must at the end of the contract turn over those images and data, making them available to the State and any new Contractor (current plus six preceding years or current record retention requirement by the state), in a searchable and retrievable format. Any data that cannot be captured electronically must then be key entered by Contractor's staff.

7. Contractor imaging must be searchable for all scanned work (Receipts, Disbursements, correspondence, 1201, NMSN etc.) and captured electronically at a minimum by the following data:

- a. Check amount,
- b. Bank account and routing number,
- c. Check number,
- d. Docket number(s) and/or IV-D number(s),
- e. Social security number(s),
- f. Obligor name,
- g. Federal employer identification number (FEIN),
- h. Employer name,
- i. Receipt date; and
- j. Check date.
- k. Other relevant fields based on the document imaged

As payments are posted, the images will become available for research and viewing through KidSTAR Image Viewer in a read-only instance for State and other authorized workers. Return disbursements and OCS form 1201 are also scanned and retained for viewing in KidSTAR.

8. Contractor must retain original imaged documents by batch identity for 90 calendar days and disposed of in compliance with IRS Publication 1075 requirements. All original documents must be free of any live payments and be quality checked before disposal. Contractor will use on-site shredding by using an IRS Pub 1075 compliant shredder for all paper documents containing not only FTI, but also Personally Identifiable Information (PII).
9. The State expects contractor to process all of the day's received payments (paper and electronic) the same day, without any carryover. Contractor must report to the State any payment not processed (to MiCSES or Pre-MiCSES research) by the end of the day and must be reported to the State in a detailed level carryover report the next business day. The carryover report must include dollar amount and number of checks/transactions not processed the previous day. Mail not opened or electronic receipt files carried over to the following day must be reported showing the number of unprocessed items. Mail not picked up at the post office must be treated as carryover and reported.
10. Contractor must ensure electronic delivery is maintained for correspondence intended for FOCs or PAs. Contractor must mail correspondence within two (2) business days for counties not electing to receive correspondence electronically. Mail intended for any State agency may be sent by State's Interdepartmental (ID) mail, if available, within two (2) business days. Correspondence intended for MiSDU State staff will be delivered daily (expected same day as receipt). Contractor must confirm with the State on how to proceed if there is a questionable piece of correspondence. Incoming mail directed to the State Project Director is an exception to mail opening and must not be opened.

This correspondence needs to be forwarded to the proper recipient so that the appropriate action can be taken in the necessary timeframe. KidSTAR will not only image all of these documents and store them for easy retrieval, but also electronically forward the correspondence to the intended recipient. Contractor will implement a workflow with correspondence that allows the recipients to flag items as “complete” or “resolved.”

KidSTAR can “flag” any correspondence that is determined to be time sensitive. This could be legal documents, threats of violence, or any correspondence type identified as time-sensitive by MDHHS-OCS. When correspondence is flagged as time sensitive, KidSTAR will immediately send an email to designated FOC or PA email or distribution list. The email will contain a link to the time-sensitive correspondence image for immediate viewing.

11. The Contractor must offer scanning services to all county offices for the purpose of uploading images to MiCSES. The state will work with the Contractor on an agreeable solution for this process.

## **B. Collect/Receive Child Support Services**

Currently the MiSDU receives payments through PayNearMe, MoneyGram, electronic EFT payments, credit card payments (both web and IVR), and paper payments. Contractor will maintain these payment methods and use ExpertPay as the proposed electronic payment platform. The platform also currently includes PayPal. The Contractor will continue to add other relevant receipt sources and methods, such as GooglePay, ApplePay, Kiosks and others when available and feasible.

1. Contractor must process electronic payments from obligors, employers, interstate, international, and cost recovery states using methods and formats prescribed by the Bankers EDI (Electronic Data Interchange) Council and NACHA (National Automated Clearing House Association), using either NACHA CCD+ or CTX formats through the banking system. Employers will be able to upload a payment file into ExpertPay in a standard Comma Separated Values (CSV) format and make a payment without additional data entry.
2. Contractor must process a non-standard electronic payment method used for the State payroll and UIA where electronic withholding data files are provided separately from money included in an EFT file.
3. Contractor must receive electronic bank transfers of monies receipted by the FOC's and balance with data loaded by the county on the county receipt screen in MiCSES (the PBAT screen). Reconciliation with MiCSES is required prior to processing. Applicable FOC office must be contacted for prompt resolution of any balancing issues prior to release or rejection. Contractor must also balance state and federal tax files which appear on the PBAT screen and approve for release and processing by MiCSES. Federal tax files may require identification of needed supplementary state transfers for adjustments (e.g. negative tax offsets and fees). The State will retain this responsibility for oversight of State funds to make whole in a timely manner. The State will also have the option of collecting these payments at the local office locations and entering them directly into KidSTAR through Contractor's County Walk-In solution. KidSTAR Remote Image Capture enables a county user to capture an image of a check payment received locally and post the payment to the appropriate case. The scanned image is attached to the payment in KidSTAR, and is included in the Electronic Cash Letter file to the bank. It is then searchable and viewable just like a paper check payment processed at the MiSDU. Remote Image Capture

requires the use of a scanner at each county location to create the Electronic Cash Letter quality images.

4. Contractor must provide a web-based employer debit authorization process for withholdings, which also allows the employer to maintain a database of withholdings that can be easily changed each payroll cycle by the employer as withholdings or employer-employee conditions change and are validated. Contractor must accomplish this migration with tight security preventing fraud. For this contract, bank debit (ACH) payments to the MiSDU from ExpertPay will be transaction fee-free to employers, obligors, and other users.
5. Contractor must process credit/debit card (with credit card logo) payments from both obligors and employers. The State requires, at a minimum, Visa, MasterCard, Discover, and AMEX to be acceptable payment methods. Contractor has proposed fees with lower and/or no more than the current fees associated with these payment methods. As additional methods are added the State expects Contractor to negotiate in good faith the lowest possible fees available for those methods.
6. The Contractor will maintain processes to eliminate or minimize fraudulent payments by payers. The Contractor will offer secure web-based obligor and employer bank debit (ACH) processes as well.
7. Contractor will process paper payments from all sources. Monitor check dates to ensure checks older than 180 business days in the past or dated more than two (2) business days in the future are not processed (see exceptions below). Federal checks dated five (5) business days in the future are acceptable.
  - a. Checks received dated two (2) business days or less in the future will be processed on the date received;
  - b. Any checks dated more than two (2) business days in the future will be processed per contractor's banking partner rules ensuring that the state is not held liable;
  - c. Any federal checks dated more than five (5) business days in the future will be reviewed by Contractor and the State.

The Contractor's approval of checks dated more than two (2) business days in the future will be at the discretion and risk of the Contractor and its banking partner. The State discourages holding physical unprocessed checks on site to the extent feasible.

8. Receipt types may be added during the contract period to the receipting responsibilities mentioned in this Contract. The following examples of receipt types are currently the responsibility of the FOC's - *QDRO*, *EDRO*, *Special Instruction*, etc.
9. Contractor must convert foreign currency payments the day of receipt to the current US dollar exchange rate and process using the US dollar equivalency provided by their banking partner.
10. Contractor must provide an interactive interface with the state provided validation file to authenticate by using two (2) identifiers for paper and electronic payments (also see the most recent General State Posting Rules). The validation file is updated by MiCSES and currently sent to the MiSDU through the File Transfer Service (FTS) three (3) times per week.
11. Contractor must Process 100 percent of each day's receipts, with proper identifiers, into MiCSES the day of receipt. Exceptions are expected to consist of items withheld for further research due to

incorrect or incomplete identifiers supplied by the payer, or other approved payment types that need to be held for special handling.

12. Contractor must monitor the Attorney General (AG) Wire State mailbox daily for payment information. Electronic transfers for collections on arrears must be processed within 24 hours of being received. Contractor must notify AG via e-mail within eight (8) business hours of wire processing.
13. Contractor must support a process for the receipt of FIDM payments. These will originate from financial institutions as a result of a lien and will generally be accompanied by a coupon but may not be. The coupon, if sent by the payer, will identify the type of payments and limited posting identifiers. If no coupon is sent or if the payment is electronic, the Contractor must make reasonable efforts to identify the payment as FIDM by type of check and dollar amount. Those efforts are to be described in detail in the bid response. Paper check monies and electronic monies are required to be held for FIDM payments. Posting of FIDM payments will be upon the direction of the state. The state will provide the disbursement information for the monies that are released for posting from FIDM collections. There will be interaction between the state and the MiSDU in which the MiSDU will inform state of the arrival of the money. The state will provide the disbursement information for the monies that are to be released for posting. Similarly, contractor must support a process for the receipt of Insurance Claims Data Match (ICDM) payments.
14. Contractor must obtain approval from the state for all proposed business rule changes. Deployment plans including identification of dates, participants (MiCSES, OCS, FOC and MiSDU), contingency plans, benchmarks, systems and user acceptance testing, training and quality assurance must be completed prior to implementation.
15. Contractor must establish a seamless transition of PayNearMe and MoneyGram payments for the receipting of cash child support payments nationwide. Contractor must work with PayNearMe and MoneyGram to establish receipt files, validation of payers, and timing of payments. Contractor will accept payments made at PayNearMe and MoneyGram locations, receive an EFT file from them and process it through KidSTAR. Contractor has proposed fees with lower and/or no more than the current fees associated with these payment methods. As additional methods are added, the State expects Contractor to negotiate in good faith the lowest possible fees available for those methods.
16. The Contractor must have processes to identify if a large employer missed their usual payment date and proactively follow up with the employer.

### **C. Suspense/Research and Resolution Services**

Contractor must provide complete research services to resolve payment posting issues, form processing and adjustment requests including, but not limited to, the following:

1. Contractor must maintain adequate staff to research and resolve posting of receipts that have incorrect, incomplete, or contradicting information. If the level of researched payments exceeds 1.5% (on average) of total payments, over the course of one (1) calendar month, the State and the Contractor will review the problem and determine if targeted outreach services to improve the quality of payment submissions are appropriate. For the months where the average exceeds 2%, a report (see reports section) needs to be provided to the State identifying the issue(s) that caused research to exceed 2%. In addition, contractor will provide proposals to explain how the Contractor will reduce the number of payments sent to research, by various in-

stream processes, so that fewer payments are delayed to properly identifiable customers. Research transactions should be cost-effective, either through posting to MiCSES unidentified (UNID) hold and working within MiCSES, and/or using a Contractor provided payment pre-MiCSES research system and process. If the Contractor proposes the use of its own software and processes, there must be the ability for MiSDU customer services representatives to access the resultant database and search for payments in process in response to customer (employer, NCP, FOC, etc.) inquiries same day.

2. Contractor must use the MiCSES database, the data warehouse and other Contractor research sources (also see the most recent General State Posting Rules). The Contractor will record research contacts in the customer services tracking database and MiCSES. With formal approval by State MiSDU staff, the Contractor may apply additional posting business rules to further research items in order to post payments and prevent payment delays. As part of the research effort, the Contractor will provide information to payers that submit incorrect information to assist them in future payment submissions. The Contractor must provide notice of correct information to employers or obligors that submitted incorrect or incomplete information to be used in the future.
3. Contractor must deploy business processes that use phone calls, mailing letters, and other electronic means or best practices to appropriately disburse payments instead of the payments going to MiCSES unidentified (UNID). All pre-MiCSES research items (if a pre-MiCSES research database is chosen by the Contractor) are to be resolved within 10 business days following the date of receipt. Regardless of which option is chosen, the Contractor must act upon any information provided such that payments to families are not delayed after research information is discovered. By the close of the 10th business day, it is expected that this work activity will reduce or eliminate the amount of the initial day's research transaction. On average about 1.5% of the total days receipt volumes go into pre-MiCSES research. About 1.3% of these pre-MiCSES research items go on further to UNID hold in MiCSES. If volume of the initial day's research transactions, ending up in MiCSES UNID, exceeds 1.5% monthly average, the Contractor will review the problem and determine a solution to bring the volume back in line or reduce the volume further. If the Contractor moves payments to MiCSES UNID to be manually posted, they must be posted within two (2) business days. The exceptions to the rule for further research payments are items such as FIDM, Insurance Claims Data Match, NSF Recoupment, Bank adjustments, and refunds that go to MiCSES UNID will be worked per the Contractor's processes. The Contractor may also contact the FOC for additional information, especially related to those orders that are not yet on the system, but only as a last resort.

If no responses are received within 10 business days of receipt, the Contractor must post the payment to MiCSES applying the appropriate hold codes. Alternatively, the Contractor may refund through MiCSES payments that should not have been received by MiSDU. Refunds or returns of payments incorrectly receipted, but not intended for MiSDU are to be done by the Contractor using MiCSES third party functions. State to approve all refunds/returns (if the Contractor proposes any other approach, it must be clearly described with emphasis on how the Contractor intends to assure financial integrity).

Contractor's solution, KidSTAR, has the capability to refund unidentified suspense payments directly rather than forwarding to the State as UNID to be refunded from MiCSES. It tracks a transaction from the time it enters the MiSDU through the resolution, which may include a refund. Payments are already linked in KidSTAR. KidSTAR monitors all suspense payments and alerts when the payments are aged past the 10 days.

4. The FOC's or State may view MiCSES UNID entries, obtain images of the related documents, and aid the Contractor in the correct posting of these UNID transactions. The Contractor must capture, and link correction documents received from payers to original payment images. The Contractor will have to coordinate with the OCS Central Operations and the FOC on customer services functions. MiSDU will provide information on items in research pursuant to search requests from Central Operations.
5. CP requests for direct deposit or debit card disbursements are to be received and updated to MiCSES by the Contractor. Contractor will follow-up on unreadable information with submitter if possible or return it if the information is either incorrect or required information is missing. Direct deposit and debit card authorizations will be entered to MiCSES by the Contractor. Contractor will offer an electronic direct deposit and debit card application through the MiSDU website.

Paragraph Redacted.

6. The Contractor must include a process for issuing debit card disbursements using an electronic disbursement notification file from MiCSES. MiCSES will provide a flag to identify disbursement checks that need an insert (see Disbursements). The Contractor will process these debit card setups in MiCSES and with the banking partner. The Contractor will work each day's debit card setups and the resultant debit cards will be issued to the CP, not to exceed 10 business days (see Research SLAs).
7. Contractor must process returned MiCSES checks and coupon packages as follows:
  - a. Void all checks and update end dates of the address in MiCSES;
  - b. If USPS has identified an address change, enter action to MiCSES case notes and notify affected FOC for interstate corrections;
  - c. In cases of incorrect disbursement checks generated by a Social Security Administration (SSA) submission, the Contractor will need to contact the SSA and direct them to the FOC for an SSA income holding termination; and
  - d. Retain returned mail for 90 calendar days, dispose of original documents and reissue a check if a correct address exists. Checks may not be reissued until a correct address is entered into MiCSES.
8. Contractor must review stale dated checks to find instances where payments may be reissued on a quarterly basis.
9. Contractor must as a last resort, post payments with invalid identifiers to the MiCSES UNID hold. The State may authorize the return of payments that were not intended for MiSDU, payments where the payer has not provided adequate information and has not responded to documented telephone and mail contacts, or where a return address is available with no other identifiers. The Contractor will retrieve the payment out of MiCSES UNID if FOC or other entity provides more information and the Contractor needs to plan to continue to work as more data is received or found in MiCSES. See UNID report for SLAs and imposed fines around this requirement section 3I. Contractor will offer the capability with State approval to make these refunds directly out of KidSTAR.
10. If a party outside the MiSDU initiates the resolution of an UNID payment, the Contractor must process the MiCSES Suspense Adjustment Request (DHS-307 process below). The processing of the 307 is reimbursable, but since the Contractor did not resolve the UNID payment, the Contractor does not get paid for resolution of the UNID payment. Contractor must follow the steps



outlined for addressing FOC Requests for Adjustment, Release and Reposting DHS-307 as follows:

- a. Research and verify requests received from FOC's (DHS-307 form) and electronic notification to the FOC of current status of request (electronic DHS-307);
- b. Apply OCS and Federal Personal Responsibility and Work Opportunity Act (PRWORA) policy guidelines when resolving requests. For non-standard requests involving a court order, Contractor must obtain the court order from the FOC and escalate to the State for resolution;
- c. Enter transactions into MiCSES to complete the request;
- d. Report to the State items being backed out and reposted back to a debt type so no funding is required; and
- e. Contractor will follow existing OCS policy for Suspense management and resolution.

Contractor's KidSTAR has the ability for payments to be assigned to State and FOC users for research. The assigned users can review and update information directly into KidSTAR and the actions are directly traceable to the user. Contractor will implement this functionality only upon State approval.

11. Contractor must update MiCSES notes for suspense and adjustment actions. Any note or action entered into the Contractor's call management and tracking system must also be entered into the appropriate docket case notes within MiCSES.
12. Per current schedules, MiCSES production is available certain extended times, Saturdays and Wednesday evening each month; the Contractor may take advantage of the extra MiCSES time to work items in Research.
13. Contractor must process National Medical Support Notices (NMSN) forms to be received, scanned, researched, processed and tracked within 28 days to avoid duplicate employer notices and backlogs impacting service. The Contractor is to provide enough tracking and reporting to support claimed work completed for invoicing and for the state to monitor workflow. For more info about NMSNs and NMSN processing, refer to 6.06 Medical Support of the IV-D Michigan Child Support, located on the public website: <https://dhhs.michigan.gov/ChildSupport/policy/>
14. Contractor must process OCS return mail to be received, end-date addresses and update addresses in MiCSES per SLAs identified in the Reporting section. Contractor will use their developed, tested, and implemented process for managing the returned mail process, called "Returns, Stops, Pulls, and Voids." Using a dual-screen array, data entry staff view the image of the presented image of the returned envelope and enter the data on the appropriate screens and into the appropriate fields in MiCSES.

#### **D. Disbursement Services**

Contractor must disburse payments via check, debit card, and most preferably, direct deposit. Contractor must disburse payments as cost effectively as possible. Debit Cards must be distributed domestically and internationally. Sentence Redacted. Disbursement services include, but are not limited to, the following:

1. Contractor must provide check printing and mailing services each business day using a MiCSES electronic file which MiCSES must deliver to the Contractor daily through the State's File Transfer Service (FTS) by 9:00 a.m. Contractor proposed technology must be used to expedite mail handling. In the event the USPS raises the postal rates during the effective period of the Contract,

the Contractor will be entitled to an equitable adjustment to revise its postage unit rates accordingly. Rate calculations are to be provided to, and approved by, the State prior to any rate adjustment. The Contractor must complete the following:

- a. Print checks;
  - b. Stuff envelopes;
  - c. Insert electronic disbursement notices to recipients receiving printed checks when needed;
  - d. Affix postage; and
  - e. Deliver to a regional USPS for mailing by 5:00 p.m. each business day.
2. Contractor must provide USPS technology (examples are Address Change Service or National Change of Address or other) used to reduce the amount of undeliverable mail returned from the USPS. The Contractor is expected to utilize methods, processes, or information from an accredited source to ensure that addresses as provided by MiCSES comply with then-current USPS address regulations such that maximum postage discounts are available. Further, the Contractor is expected to use methods, processes, or information from an accredited source to identify addresses known to have been changed by the customer. Current state procedures do not permit these addresses to be automatically changed in stream. Therefore, checks identified as no longer accurate for a given customer are to be printed, voided, and the address is to be manually (until and unless automatic procedures are accepted by MiCSES) updated in MiCSES. Given that these checks are not mailed, and no postage cost exists, the state includes in the cost model an entry for checks printed but not mailed. As an alternative, the Contractor may propose a method whereby checks have printing suppressed, but an output report generated that is used to ensure that appropriate updates to MiCSES are completed and describe how such a process might generate additional savings. The Contractor will verify suppression of the Social Security Number on all disbursement checks. The Contractor will have the ability to suppress check stubs on selected checks as requested from partners or the state. The Contractor will generate a check print confirmation file for transmission to MiCSES through the FTS no later than MiCSES required timeframe (currently 6:00 p.m.) each business day following check printing. The Contractor will transmit a cleared check file to MiCSES through the FTS each business day by MiCSES required timeframe (currently 6:00 p.m.) which is used to verify against MiCSES controls to assure correct disbursement files are being used and transmits to subcontractors if a subcontractor is used to meet required deadlines.
3. Contractor must accept electronic direct deposit transaction files from MiCSES for application through the banking network. The Contractor must provide the successful receipt and processing of the disbursement file daily with the bank. Sentence Redacted.
4. Contractor must provide comprehensive debit card services including, but not limited to, the following:
- a. Transition services from the previous Contractor, possible transition services to the State and/or a new Contractor selected by the State upon Contract termination;
  - b. Insertion of electronic disbursement notices to recipients receiving checks;
  - c. Debit card exception tracking (state allows certain debit card opt-out exceptions);
  - d. Removing CP from exception process;
  - e. Issuing branded (Visa, Master Card, other) debit cards both domestically and internationally using an electronic disbursement output file from MiCSES;
  - f. Provide a quarterly report of debit cards which have not been activated and debit cards returned as undeliverable. Notification must be sent to counties regarding debit cards that have money deposited to them but have not been activated by the CP. The counties are responsible for notifying the CP of the debit card. The notification must be encrypted, and password protected;

- g. Debit cards must be branded (Visa, Master Card, other) and accepted everywhere the branding is accepted. Contractor to detail the scope of this service, both domestically and internationally;
  - h. All debit card account numbers must be truncated on all communications, hard copy and electronic transmissions, including but not limited to reports and any on-line access provided to the state;
  - i. Interest from a debit card account goes to support additional services for customers of the debit card and/or is to be paid to the customer and is to be detailed within the proposal; and
  - j. The Contractor must propose a plan to transition from one debit card Contractor to another without customers moving to checks in the interim (see transition section). These services include, but are not limited to, providing available and allowable demographic files from accessible sources (KidSTAR, debit card bank, MiCSES, etc.) of all debit card recipients to include name, address, SSN, dollar balance, and other information needed for transition.
  - k. MiSDU Debit Card Program cardholder will get personalized assistance 24/7/365 through secure, redundant, and scalable cloud-based IVR and customer service centers, including the primary center with Contractor's partner Crusecom, in Oscoda, Michigan.
  - l. Cardholders will never be charged a monthly or annual account fee and most cardholder services are free, including:
    - a. ATM in-network withdrawals
    - b. ATM balance inquiries
    - c. Card replacement
    - d. CSR, IVR, Way2Go portal, and Way2Go mobile app access
    - e. Phone, email, and text message account alerts and notifications
    - f. One time and recurring funds transfer
    - g. Companion cards
5. Contractor must provide coupon printing and mailing services using a MiCSES electronic file delivered through the FTS between the 5th and 9th of each month. The coupons must be printed, stuffed in envelopes, postmarked and mailed by the 21<sup>st</sup> of each month. A coupon package consists of a statement, monthly coupon, and four (4) weekly coupons two (2) pages in length. Contractor must utilize the current format of the coupon and as described by OCS. Coupons identified as having an address no longer accurate for the given customer are to have the address updated and must be printed & mailed with the new postal service provided address. The Contractor is to encourage NCPs to use the electronic coupon solution available on the State's website.

Paragraph Redacted.

6. All demographic information from all subcontractors is the property of the State and the Contractor is to provide this information in a file to the State upon request. The State will work with the Contractor on an agreeable file format for this information.

## **E. Customer Service**

Customer service calls are critical to the success of the MiSDU. Calls to the MiSDU come from many sources including NCPs and CPs, FOCs, Employers, other states, debit card customers, and special projects. Contractor will provide a full-featured call center co-located with the MiSDU to handle all payment receipting and employer, FOC, or State staff inquiries.

1. Contractor must obtain all necessary information from the caller in the initial call and follow-up with resolution within two (2) business days if more time is needed. State approval is required if research is expected to exceed two (2) business days; The State's recent experience is that approximately 3% of the calls will need follow-up resolution. The Contractor is to work with the state if follow-up resolution exceeds this level.
2. Contractor must install and maintain an automated system for tracking, managing, and reporting inquiries that cannot be resolved within three (3) minutes and/or require further action or research. No calls should be unreasonably limited to three (3) minutes simply to comply with the three (3) minute estimation tool;
3. Contractor must record and transfer notes from calls into MiCSES.
4. Contractor must provide metrics on total call volumes, categorized by call type, closure times and results, and escalation of calls that require management intervention or reporting of emergency conditions.
5. Contractor must safeguard IV-D information by verifying the caller's identity by following OCS Policy for verification requirements.
6. Contractor must provide call management and ticket tracking which includes:
  - a. Text entry option for logging discussions with customers, which can later be entered into MiCSES if a specific case or docket is referenced;
  - b. Tracks time spent on documentation outside the three (3) minute targeted time for resolving customer inquiries without extended research;
  - c. Use identifiers within the notes that are common to those used in MiCSES such as social security, docket, IV-D case numbers, name, SDU ID Number and other identifiers found in MiCSES (use the current version of the Child Support Note Hand document provided by OCS);
  - d. Categorize calls by type to provide metrics (e.g. payment questions, form requests) to be established during implementation. Types of metrics captured may change due to questions asked by callers;
  - e. Easy access and ability to modify tickets as additional contacts are made with the customer;
  - f. Assure complete information is available to staff on contacts with a customer same day;
  - g. Ability to identify calls which have not received the required follow-up or closure beyond two (2) business days;
  - h. Ability to place notes directly into MiCSES;
  - i. Ability to record customer calls, both incoming and outgoing calls, to allow for further actions in the event of threats or other problematic discussions, and to assist in QA, audit and improving service. The Contractor to propose what volume of calls will be retained. Recordings must be kept for a minimum of six (6) months and provided to the State upon request.
  - j. A time-saving feature of the CCM case documentation process is an index of common documentation shortcuts that the CSR can enter by just entering a letter or two and having the system fill in the remainder of the term or sentence. Contractor will use this functionality to adopt the terminology used by MiCSES for updating and documenting case records such as shortcut terminology for Social Security or IV-D case number. Contractor will test the use of these identifier shortcuts during the implementation phase to ensure complete alignment with the MiCSES terminology.
7. Contractor must respond in writing to mail inquiries within 10 business days of receipt.

8. Contractor must keep call wait times and/or volumes of calls less than five (5) minutes. Alternative methods, such as voicemail or other solutions may be proposed if wait times exceed five (5) minutes.
9. Contractor's customer services hours will be 8:00 a.m. to 6:00 p.m. Monday through Friday and will not be governed by or follow State of Michigan holidays. The State and the Contractor will determine customer service availability on holidays when majority of FOCs and/or MiCSES are not available.
10. Contractor must provide at a minimum translation services for Spanish and Arabic languages, and accommodations for hearing-impaired individuals. Contractor will configure the IVR with an English, Spanish, and Arabic call flow.
11. Contractor must utilize internal MiSDU and MiCSES information resources prior to contacting the FOC for assistance.
12. Contractor must provide financial forms (direct deposit applications and debit card applications), sample coupons, and other explanatory printed materials in response to inquiries.
13. Contractor must provide a client escalation process. Customers must be able to escalate their calls to a supervisor upon request.
14. Contractor must provide an IVR solution for the MiSDU which must be integrated with the Office of Child Support IVR system and if the State desires, in the future, directly with MiCSES. The MiSDU IVR solution proposed must have the ability to place messages on the front end to inform customers of special information before the caller reaches a customer service representative, with the ability to be changed anytime without additional costs to the State.
15. Contractor must maintain the existing toll-free telephone numbers unless a change is approved by the State. NCP/CP, Employers, FOC, and debit card customers each have separate toll-free telephone lines. The State may choose to, with notice to and coordination with Contractor, consolidate, cancel, or change any of these lines as business needs evolve. There may be calls from other state child support agencies on the FOC line. The abandonment rate must not exceed five percent (5%).
16. Contractor's responses to employer inquiries must be provided within two (2) business days regarding:
  - a. Research of transactions delayed by mail processing;
  - b. Assigned to research due to incorrect/incomplete information, or misdirected;
  - c. Employer requests for information on mailings or other communications that may originate from OCS or MiCSES;
  - d. Employer NSF or employer-initiated stop pay actions and an effort to prompt employer payment;
  - e. Coupon requests for use in submitting withholding payments;
  - f. Employer contact information changes or updates. Updates to an employer's FEIN, address, or phone number must be requested in writing to MiSDU via fax or by mail. The contractor will complete a DHS-2011 Request for New Entry, Merge or Modification of Other Party Information (OTHP) and submit it to OCS.

17. Contractor must monitor MiCSES status board, hotline messages and updates including special mailings. Contractor must contribute implications or feedback for the services being provided for special project mailings and keep MiSDU involved in development.
18. Contractor must respond to FOC inquiries within two (2) business days regarding:
  - a. Research on the status of a receipt;
  - b. Information on prior contacts between a party on a docket and the MiSDU;
  - c. Clarification of notes entered to MiCSES by MiSDU;
  - d. Escalation of customer inquiries;
  - e. Information on MiSDU policies and practices;
  - f. Image requests should the FOC be unable to gain access to the MiSDU web-based images; and,
  - g. Education on MiSDU processes.
19. Contractor must expect to receive client inquiries resulting from automated annual mailings from MiCSES as final contact is made before the escheatment of unclaimed monies proceeds. The demand on previously disbursed checks for stop pays, as well as, research and address changes may increase during this time.
20. Contractor must, at the request of the State, participate in FOCA (Friend of the Court Association), Family Support Council conferences, and others, as required, to advance the cause of child support.
21. Contractor must provide status and/or system/process presentations to OCS, FOC, PA, OCSE, American Payroll Association (APA), and/or other program partners. Contractor must collaboratively develop requirements for changes impacting partners through workgroups, e.g. MiCSES JADs and meetings.
22. Contractor must participate in FOC user group monthly meetings upon invitation.
23. Contractor must conduct periodic tours of MiSDU upon request of the State.
24. Contractor must lead the Employer Advisory Committee meetings (or alternative employer outreach meetings) to include at a minimum:
  - a. Preparation of materials;
  - b. Scheduling; and
  - c. Providing a meeting location, agenda, and meeting notes.
25. Contractor must purchase the Secure Sockets Layer (SSL) certificate required for "MiSDU.com" and any other SSL certificates required for the purposes of the contract. Ownership of all SSLs will remain with the state.
26. Contractor must review internal and external provided websites for obsolete or incorrect information and maintain current and accurate information. Contractor must provide a monthly report detailing updates and changes to all internal and/or external websites. Contractor must develop a process to be used and managed by the State to place emergency ad hoc messages onto the web page without the need for Contractor intervention, and/or for Contractor proposed changes outside any update cycles.
27. Contractor must provide and maintain a website designed with user-centered design principles and focused on ease of use. On-going design and content updates to the website are highly

encouraged to keep the website content relevant and consistent with DTMB standards and other Michigan child support related websites, e.g. MiChildSupport. Contractor will engage user interface design experts within Contractor's organization to create an innovative and easy-to-navigate website that addresses all of the State's requirements and provides additional value for both the State and MiSDU.com users through features not available to users today.

28. Contractor must establish secured areas of the website applying the following standards to assure information is kept confidential and secure for exclusive use by the various customers:
  - a. Any user should be able to view frequently asked questions (FAQ's);
  - b. Industry standard secure access to allow credit card payment, one-time debit authorization, or recurring authorized withholding by payers, or the use of credit and debit cards as an alternative to employers and obligors using the payment website. The Contractor is responsible for any chargebacks as a result of a payment received/accepted through the Contractor's payment website;
  - c. Receive and process credit card payments generated via IVR and the internet. Any fees incurred as a result of a payment received/accepted through the Contractor's IVR solution will be covered by the Contractor;
  - d. Credit card payments must be processed through a Payment Card Industry (PCI) compliant merchant credit card vendor (Section 9 of Schedule D Data Security requirements);
  - e. All credit card payments will be processed on the vendors systems, using the vendors merchant account. At no time will "full" card data be transmitted, processed, stored or viewed on State of Michigan or MiSDU networks/infrastructure.
  - f. All fees to be charged to the payor as a result of debit/credit card fees must be disclosed and available to payers before they make a payment. Fee notice to customers must explain that the fee is not charged by the state, but by the credit card company. Contractor must include description of fee rate structure for this solution in their proposal;
  - g. Password protected access for employers to establish a withholding database which is updateable by the employer periodically, to reflect employee turnover, and authorize account debits from each payroll cycle;
  - h. Password protected access for the FOC's to view payment images to initiate, view, and respond to research or suspense adjustment requests to/from MiSDU;
  - i. Provide public access for general individual or employer information and forms;
  - j. Include links to MDHHS – OCS and related websites;
  - k. Include directory of MiSDU telephone contacts;
  - l. Website must have responsive design to be used on multiple devices and screen sizes; (please see Section 33.3 Mobile Responsiveness)
  - m. Include business rules and operating practices of the MiSDU as appropriate for the audience;
  - n. Website must be ADA compliant; and,
  - o. Updates to the MiSDU website require prior State review and approval.
29. Contractor must engage in special projects based on program needs to leverage existing capacity and expertise as needed. Special projects will be initiated based on a Statement of Work describing the tasks, timeframes, and costs as agreed upon by the State and the Contractor.
30. Contractor must respond to requests from the bank and respond to image requests from the FOC's or law enforcement agencies as determined by the State.
31. Contractor must provide outreach to employers, state and other disbursement units in the use of submitting EFT/EDI payments to the MiSDU or receiving EFT/EDI payments from the MiSDU with an objective to continuously increase the number of EFT/EDI payments. Contractor will team with

Michigan-based Public Sector Consultants (PSC) who bring considerable outreach experience to the MiSDU project.

32. Contractor must monitor incoming paper receipts in such a manner as to identify the top paper payers to target for EFT. Once a top priority employer refuses to submit payments EFT, new priority employers should be contacted. The Contractor will re-contact employers who refuse EFT every 6 months. The Contractor must not charge employers for any paper or electronic payments, except debit/credit card fee if applicable. Any intent to charge other payers is to be explained in detail and will require state approval. The Contractor must develop an EFT/EDI payments improvement plan, providing milestones, for state approval. The Contractor must define the process intended to ensure that the MiSDU continues to receive electronic payments from employers currently submitting electronic payments without interruption.
33. Contractor must serve as the point of contact for other state disbursement units providing assistance in:
  - a. Problem resolution in receipting MiCSES generated payments;
  - b. Problem resolution or instruction on submitting payments to MiSDU through EFT;
  - c. Problem resolution for MiCSES payments which are unable to post;
  - d. Correction of interstate payments receipted by MiSDU posted incorrectly;
  - e. Providing notification to FOC's of information updates regarding other state disbursement units;
  - f. Researching and correcting MiCSES where possible, or notifying FOC's of needed corrections required within their MiCSES roles; and,
  - g. Maintaining EFT inbound and outbound transactions from MiSDU and other state disbursement units.
34. The Contractor is required to certify any new employer or other SDU EFT/EDI submissions to the MiSDU. The Contractor will provide for EFT outreach and certification support. The objective is to increase employers' use of EFT/EDI or other approved electronic methods for submitting support-withholding payments. Other media strategies may include publication of news articles and advertisements in trade and professional media, with approval from the state.:
  - a. Make initial employer and other state disbursement unit contacts to prompt transition to EFT;
  - b. Develop the certification process;
  - c. Receive and edit EFT file test transmissions and contact employers regarding results of test transmissions;
  - d. Assist other states and employers in the data cleansing of information as part of the certification process;
  - e. Develop a process to reject non-certified EFT transmissions; and,
  - f. Notify employers they have met the state disbursement unit EFT child support information requirements for processing their payments and are properly certified to submit EFTs to state disbursement units. The State will pursue coordination of OCS' e-IWN certification with the bidder's EFT certification process to minimize duplication.
35. Contractor must identify the toll-free MiSDU Employer Assistance Line as the point of contact for resolution of any payment issues and provide outreach to encourage the use of electronic methods of disbursement to customers, including agencies.
36. The State is interested in achieving significantly higher levels of electronic (particularly EFT/EDI) use by employers (inbound), interstate agencies (inbound and outbound), obligors (inbound) and custodial parties (outbound). The benefits include potentially lower cost to the State and the Contractor, enhanced security, more accurate processing and timely disbursement. This is



viewed by the State as a critical process for positioning the State to provide significantly improved service to the stakeholders.

37. The Contractor is to develop a plan for how to increase electronic inbound receipts, as well as maintaining and/or increasing electronic outbound disbursements. The contractor intends to achieve an 80% EFT receipts level within 3 years in collaboration with the State. The plan is to provide milestones expected and include ongoing reporting of activities, successes, barriers, and processes for addressing those barriers.
38. Additional Future Services:
  - a. Customer Notification System (CNS) is Contractor's technology that allows CPs, NCPs, and employers to sign up for customized notification about the posting of a payment or issuance of a disbursement. These customers can choose whether to receive their notification via email or texts to their mobile phones. With State approval Contractor will implement this system in the second year of contract operations. Further down the road, potential exists to extend this functionality to establishment or enforcement hearings, scheduled meetings with FOC staff, or potentially forthcoming special mailings to one of these three customer groups.
  - b. Section Redacted.

## **F. Financial Services**

Contractor must provide a complete finance solution including, but not limited to, the following:

1. Contractor must provide a seamless financial operation allowing the State to provide oversight and periodic sampling to ensure the existence of audit trails, internal controls, accuracy and reliability.
2. Contractor must provide summarized and detailed financial information to the State to substantiate figures in reporting. The State will perform daily bank reconciliation which will provide the State oversight to verify financials efficiently.
3. Contractor must provide daily and monthly balanced reconciliations and resolution of all banking transactions and activity. Contractor will use their automated bank-to-book reconciliation in KidSTAR using a BAI2 file from Fifth Third Bank to identify each transaction in KidSTAR that corresponds to the bank item.
4. Contractor must provide daily financial reports including information from the previous day, and a system balance report showing that all remit data received was transmitted to MiCSES or sent for further research. These reports are due no later than 9:00 am each business day or as agreed upon by the state.
5. Contractor must provide receipts reconciliation showing that receipts received at MiSDU reconcile to the receipts received per the bank statement for ACH credits and cash deposits accounts.
6. Contractor must report outstanding items to the State daily using a detailed aged account payable report. The bank reconciliation must be prepared daily for the further research account, showing the balance per the bank statements reconciles to the balance per an aged account payable report.
7. Contractor must utilize Electronic Cash Letter (ECL also known as check 21) depositing. Deposit all child and spousal support monies to a state MiSDU account the day of receipt. Any proposed

alternate form of deposits must be clearly described by the Contractor and included with their proposal.

8. Contractor must provide disbursement reconciliation showing electronic disbursements reconciled to the state disbursement accounts. Outstanding items must be reported to the State daily using an aged account payable report at the detailed level. Receipts and disbursements in the cash concentration account (excluding state MiSDU zero balance account transfers) must be tracked and resolved.
9. Contractor must resolve all bank adjustments with the bank and provide both, a summarized and detailed aged report showing bank adjustments outstanding to the State daily. The report must be available on both the summary and detailed levels.
10. Contractor must provide to the State both, summarized and detailed financial ad hoc reports upon request from the State and must have a system to track all payment types by date, account and amount.
11. Contractor must identify and resolve out-of-balance conditions related to any banking or system activities.
12. Contractor must notify the bank of stop-pay requests to be established by the bank and enter corresponding actions into MiCSES. Contractor must submit stop-pay requests to the financial institution within two (2) business days of receipt of the request from the customer and enter into MiCSES within five (5) business days. Submission into MiCSES must come after verification that the check did not clear the financial institution prior to submission of the stop-pay.
13. Contractor must provide stolen check reporting showing recovery of monies from the bank and disbursement to the appropriate party.
14. The Contractor must provide research and resolution of instances where MiSDU checks are rejected by the bank. The Contractor will reconcile all data elements and address instances where the cleared check file and the positive pay file do not agree. Any MiSDU checks not completely cleared but still in some type of pending condition within the bank must not be applied against the account nor appear on the statements.
15. Contractor must transition existing bank accounts currently owned by the State. In the event a different bank is chosen, the existing banking relationship is required to remain active for up to seven (7) months to allow for all bank transactions to clear. All bank accounts are owned by the State but paid for and maintained by the Contractor. Contractor intends to take over the existing MiSDU bank accounts with the existing MiSDU banking partner, Fifth Third Bank (the Bank).
16. Contractor must reconcile bank accounts daily and resolve any discrepancies within 24-hours. Bank actions or discrepancies may include NSF, lost/stolen, rejected check, and stop-pay issues to closure in a timely manner. Contractors must describe their processes and time frames in their proposal identifying how they will comply with this requirement.
17. Contractor must negotiate banking rate structures to minimize fees, maximize return on account float, and assure a seamless transition. No fees are to be charged for client redemption of MiSDU checks. A positive pay file generated by MiCSES for use by the bank eliminates risk to the bank. Fees for stop pay, image requests and any other fees that will affect the State or a customer must be:

- a. Separately and specifically identified in Schedule B –Pricing Sheet; and,
  - b. Must be competitive and subject to renegotiation.
18. Contractor's banking services must offer online review of bank statements, current day activity and the status of the accounts throughout a business day. All MiSDU accounts regardless of size must have this capability and must have secure connectivity to allow daily transmission of electronic positive pay files to the bank and the transmission of cleared check redemption files to MiCSES directly, or to MiCSES through the Contractor. Electronic disbursements must be released on the date of issue contained in the MiCSES file. Under Michigan law, MCL 400.238(2), interest that accrues on a payment after its receipt and before its disbursement is to offset program costs. Interest should be shown on the invoice as an offset to the monthly invoice total. The State retains the option of sweeping its accounts of uncommitted funds daily for purposes of obtaining a better earnings return.
19. Contractor's banking services must comply with Article 9, Section 20 of the Michigan Constitution concerning State deposits in Michigan:
- a. No State money will be deposited in banks, saving and loans associations or credit unions other than those organized under the laws of this state or federal law;
  - b. No money will be deposited in any banks, saving and loans associations, or credit unions in excess of 50 percent of the net worth of the banks saving and loans associations or credit unions; and,
  - c. Any banks saving and loans associations or credit unions receiving deposits of money must show the amount of money so deposited in all published statements.
20. Contractor must track and report on NSF, stop payment collections and losses, both in detail and summary, as well as, other activities as follows:
- a. Send a letter to the payer with notification of NSF condition and request payer to make a payment of principle and fees;
  - b. Return all future personal or business checks received from the obligor or employer unless the State approves removal of NSF flags in the Contractor's system and MiCSES, or after the current NSF(s) are paid;
  - c. Refer NSF's to the Michigan Department of Treasury (Treasury), Collection Division, for collections at the agreed upon time approved by the State;
  - d. Respond to information requests from Treasury's Collections Division, and if an adjustment is requested, submit to the State for approval;
  - e. Make-whole on any additional checks accepted from an NSF payer.
  - f. Process Contractor NSF collections or Treasury NSF collections and apply against state or Contractor recovery accounts in MiCSES. Avoid the payer receiving credit for additional support payments or apply against employer accounts receivable;
  - g. Back out (correct) receipts in MiCSES for NSF and stop payment checks;
  - h. Maintain NSF indicators for payers in Contractor's system and MiCSES; and,
  - i. Escalate requests to make-whole (reimburse) the state where the Contractor is not the cause of the error using a defined procedure and criteria.
  - j. A complete debit block must be placed on MiSDU accounts to prevent any reversals.
21. Contractor must explain how they will ensure monies are applied to debt recovery and not applied as current support if the payer makes whole.
22. Contractor must resolve issues where other banks reject MiSDU checks and report results daily (see reporting section) to the State. Interact with banks to establish stop-pays, report stolen

checks, and as applicable, identify fraudulent use (through defined business procedures, also see security section) of MiSDU checks and documents and immediately notify the state.

23. Contractor must maintain a positive pay file, reconcile all data elements of the file to MiCSES and track and resolve differences between cleared checks and dollars removed by the bank.
24. Contractor must provide the State with aged accounts payable reports daily. Reports must be available at detail, exception, and summary levels. Timing of reports to be agreed upon by the state.
25. The Contractor is responsible for paying for any state recovery adjustments created without state approval. The Contractor must establish a similar make whole account. Resultant recovery accounts established for the Contractor make-wholes to be closed at the completion of the contract with no future payouts to the Contractor on residual amounts owed from those recovery accounts after Contract termination. Following OCS case closure rules, there will be some portion of Contractor make-wholes that the contractor will not be able to collect. The Contractor must develop a state make whole process to ensure that payers making whole are accounted for and processed to the state make whole account instead of current support. These costs must be included in the base rate.
26. MiCSES transmits a check positive pay file through the FTS each business day by approximately 8 p.m., the Contractor must transmit this file daily to its subcontractor bank or provide for direct, secured transmission by MiCSES to the Contractor's subcontractor bank nightly in time for the subcontractor bank to have it in use by start of business the next business day. If this timing is not sufficient for the financial institution, the Contractor will need to transfer a preliminary file to the financial institution after check printing, then reconcile with the MiCSES file and send any additions or corrections the next business day. All exceptions except voids are to be detailed in a MIR report and brought to the state's attention immediately.
27. The Contractor is to invoice based upon resolved services (completely processed forms for example). The Contractor must provide documentation adequate to support their contention of resolved service in the event of audit and adequate to permit the state to approve the invoice (example: a summary of NMSNs processed in the month). Contractor will invoice for items resolved by contractor and any items resolved by FOCs, the State or others, will not be billable. Contractors are to define their intended documentation in their proposal. Services invoice must be received no later than 15 calendar days following the close of each month. Invoice received by the state by 12 pm EST will be considered as received on that business day.
28. Contractor must be able to transfer monies to Treasury given MiCSES identification of monies qualified for escheatment.
29. Contractor must allow audits and verification of all processes, work methods, transactions, and information systems as described in 24.7 of the Standard Contract Terms. In addition, Contractor must annually provide, at contractor's expense, a Service Organization Control (SOC) 2 Type II report by a qualified independent auditor in accordance with standards (currently SSAE18) issued by American Institute of CPA's (AICPA). The SOC 2 provides reporting on internal controls at a service organization relevant to security, availability, processing integrity, confidentiality, and privacy. The Contractor must additionally also provide annually a SOC 1 Type II report performed by an independent auditor using the same applicable standards.

30. Contractor must pledge adequate collateral to secure the deposit of all MiSDU funds. The amount of collateral required for demand account balances is based on the market value of the collateral pledged. Contractor and/or Contractor's banking partner must provide an initial listing of proposed collateral to the Michigan Department of Treasury for approval. Pledged collateral will be held in a Federal Reserve custodial account and held in the name of the State of Michigan. Acceptable forms of collateral include U.S. Treasuries (bonds, notes, and bills), municipal General Obligation Bonds, and Federal Home Loan Bank Letters of Credit. Further details can be found in the Treasury Bulletin BT-10001 or by e-mailing [MIFI@michigan.gov](mailto:MIFI@michigan.gov) for questions or copies of the bulletin.
31. Contractor must not switch collateral at any time without approval from the State Treasurer administrator of short-term investments. Switching collateral at any time without approval from the Department of Treasury may terminate this contract and disqualify the Contractor from receiving future contracts with the state.
32. Contractor must develop a process to prevent loss due to NSF payments. This process should not result in receipts being held from processing for more than 10 business days. The goal is to improve the chances of preventing NSF payments from NCPs before MiCSES disburses the payment to the CP. The Contractor is to propose a process and associated criteria suitable to help identify NSF payments and prevent make whole situations. When NSF payment is identified then back outs would be performed preventing the disbursement.

## **G. Quality Assurance**

Contractor must provide a complete quality assurance (QA) solution including, but not limited to, the following:

1. Contractor must provide QA practices that will be implemented and maintained throughout the life of the contract. Operational areas to be reviewed for quality assurance include, but are not limited to; Receiving, Payment Processing, Pre-MiCSES Research, Disbursements, and Customer Service.
  - a. Contractor must provide QA of receiving operations to ensure processes and procedures comply with the requirements of this contract. Receiving QA procedures will be re-evaluated on an annual basis and shared with the State. Security and controls must be in place and periodically assessed to assure all mail received is accounted for, and ensure items being returned by the MiSDU are to the correct sender. Proposals are to describe how and how often assessments and reviews will be performed.
  - b. Develop improvement of posted payment information accuracy and completeness and the actions taken by Contractor staff in the use of that information. Expose the daily payments to random QA and report to the state daily the times of each sample, volume of each sample, the number of errors in each sample, the time payment processing completed, and the time of the last random sample. Provide a sample size daily of the random sampling to the state with a 99% confidence level that the random sample represents the day's work. Perform QA on payments being sent for further research to ensure payments were appropriately sent for further research per approved business rules. A payment may be sent for further research that will increase accuracy in payment processing outside the business rules with state approval. Any duplicate receipts reviewed during the quality assurance process may not be counted as reviewed samples.
2. Provide QA practices when handling payment errors such as:

- a. Research and correct errors of misapplied payments or MiSDU Contractor errors identified by an FOC, custodial party, non-custodial party, employer, state, Contractor, or other person or entity. Must make whole from the Contractor's account and transfer funds into the appropriate MiSDU account, reports occurrence levels and amounts made whole to the state, establishes recovery account in MiCSES, 307 activity and above will be at the Contractor's expense, and reports provided by the Contractor will verify this separation of charges. All Contractor posting or subcontractor errors resulting in incorrect or inappropriate disbursements must be made whole by the Contractor.
  - b. Research and correct errors of misdirected payments for FOC or state errors identified by FOC, custodial party, non-custodial party, employer, state, Contractor, or other person or entity. Escalate findings to state for decision and make whole if approved.
  - c. Initiate and complete MiCSES transactions to correct make-whole requests from state account, report occurrence levels, source of error and amounts made whole by the state. Amounts reported should be reduced by items reapplied to the debt types as part of the back out process.
  - d. Establish a recovery account in MiCSES.
  - e. The 307 activity and above misdirected payment steps (2.b. through 2.e) will be at state's expense.
  - f. Research and verify misdirected payments or payer errors may identified by a FOC custodial party, non-custodial party, employer, state, Contractor, or other person or entity. Neither the Contractor nor state will make-whole. Make-whole activities will be governed by applicable state policy. The initiator of the request will be advised of the findings and the Contractor reports occurrence levels, source of error, and amounts.
3. Perform QA of forms processed, set up of electronic receipts and disbursements, processing of electronic payments, and all other services provided.
  4. Perform QA of disbursement activities to include, but not limited to:
    - a. QA of checks printed and mailed to insure they are being sent to the intended recipient.
    - b. Coupons printed and mailed to insure they are being sent to the intended recipient.
    - c. Check stock, forms printed and mailed to insure they are being sent to the intended recipient.
    - d. Other disbursement activities deemed to needed QA review.
    - e. The Contractor's Print and Mail center will be co-located with the Pennsylvania SDU, and segregated with access and other relevant controls to ensure the security and integrity of the operation.
  5. Ensure QA is performed independent of the Disbursement Department to prevent the Disbursements department from hiding fraud.
  6. Manage call center QA practices to assure consistent, complete, and accurate responses to customers, which is to include:
    - a. The ability of the state to periodically listen in on customer calls in real-time monitor mode without contractor intervention or prior CSR knowledge. The Contractor is to describe their solution and processes that will meet the above requirement.
    - b. Call center customer service representatives (CSR) will have QA at a level of no less than three calls monitored from each CSR per day.
    - c. Review the note entries in MiCSES, call recordings, tracking, and management system for completeness and accuracy.

7. The Contractor may propose additional QA processes that would enhance the overall QA practices.

## H. Disaster Recovery

The MiSDU seeks a comprehensive disaster recovery solution that will have in place continuity of business and hard disaster recovery procedures, daily system software and file storage off-site, test plans and periodic testing protocols. Please describe your business solutions and best practices for disaster recovery and how those business solutions will address the following.

1. Provide a disaster recovery plan which will meet or exceed the federal statutory and regulatory authority requirements 42 USC 654A (d) and 45 CFR 307.10(b) (11).
  - a. Initial draft of the disaster recovery plan must be included with proposal and must address how testing will be accomplished every year (annual testing).
  - b. Final draft due no less than 60 calendar days prior to implementation. The State will review and provide comments within 30 days of such submission.
  - c. A final plan that can be approved by, and delivered to, the state is required no less than 20 calendar days prior to planned implementation.
  - d. First DR/BC test will occur 6 months after go-live.
2. Provide back-up generator(s) in the event of an electrical power failure to keep the MiSDU fully functional without the loss of data until power is restored. Contractors must define how long the backup power supply can maintain full operations.

Contractor will use the Microsoft Azure Commercial Cloud East US region in Virginia as the primary data center for supporting production operations. The Azure West US region in California serves as the secondary, backup data center.

3. Propose disaster recovery precautions and processes as follows:

Term	Definition
Continuation of Business	Deemed any situation, in which communication, data/software, or units of equipment are lost, but can quickly be restored or replaced. This situation should take no more than 48 hours to remedy (subject to OCS management, MiSDU management, or proper authority discretion).
Hard Disaster	Deemed any interruption in the functions of the MiSDU anticipated taking at least 72 hours to resolve (subject to OCS management, MiSDU management, or proper authority discretion).
Local Disaster	Service interruption will exceed 72 hours, but the causes are limited to the SDU or the area immediately surrounding the SDU.
Regional Disaster	Service interruption will exceed 72 hours and the causes extend over such a wide geographical area that it is not feasible to maintain operations near to the SDU.

- a. In the event of Continuation of Business, and site and infrastructure are still usable and can be recovered in the same day:
  1. Back-up files of databases and image files are to be stored off-site at least daily.
  2. Plans must be in place for retrieval, installation and reinitiating of full operations within one-hour following restoration of power or occupancy of building is allowed.

b. In the event of Hard Disaster, and site is not usable, will require relocation of operations:

1. Designated off-site location(s) with hardware and software that emulates MiSDU operations to be available within required time frames.
2. Retain trained staff when feasible which may require the location to be close to the original SDU site, but outside the disaster area.
3. Have a plan for reinitiating operations within 24-hours at the off-site location(s) in the event of a decision to initiate hard disaster activities.
4. Off-site operations will need to be initiated by the Contractor and must be available 24-hours a day, 7-days a week, and 365-days a year.
5. Customer Services must be operational at the chosen backup site within 24-hours from the date and time the existing facility is determined unusable, with MiCSES and voice connectivity ported to the new location. The decision that the original facility is unavailable will be made by the disaster recovery executive management team. Members to be proposed in the draft and will include state and Contractor staff.
6. Receipting operations need to resume operation within 48-hours from the date and time the existing facility is determined unusable, with ability to transmit receipt files to the FTS.
7. Research and suspense operations must be operational within 72-hours from the date and time the existing facility is determined unusable, with MiCSES and voice connectivity ported to the new location.
8. Check print operations must be operational within 24-hours from the date and time the existing facility is determined unusable, with the ability to receive from and transmit electronic files to the FTS.
9. Coupon print operations must be operational within 120-hours from the date and time the existing facility is determined unusable, with ability to receive electronic files from the FTS.
10. All banking functions will need to continue without interruption.
11. All QA functions must be operational at the same time each operation area becomes operational (i.e. QA of receipting operation must be operational within 48-hours).

c. In the event of a local or regional disaster:

1. State staff must be relocated at state's expense and discretion, and office space and work surfaces for state staff must be provided as required for regular operations.
2. Customer services will be included in the relocation plan.
3. Disaster provisions must be initiated within 24 hours of a disaster being declared by the OCS Executive Management Team. Contractors are to supply a matrix expressing their understanding of the required service levels as described in this Contract..
4. E-mail and voice/fax communication between Customer Service (or similar research unit) and the counties must be maintained.
5. Pre-determined designated off-site location(s) with hardware and software that emulates MiSDU operations must be available to meet the required time frames.
6. Necessary equipment for production and customer services needs to be provided at the disaster recovery (DR) site in the event of a disaster.
7. Electronic inbound and outbound transactions must be processed within required time frames. DR site will successfully gain connection to the State of Michigan systems,



including connectivity to Office of Child Support IVR, MiCSES, and Contractor tools necessary to support customer services, MiSDU research, and any other necessary services. Connectivity to state infrastructure to include FTS, FOC research web solution, and phones. Data connections to the DR site for all necessary incoming/outgoing files and processes (coupon & check print, FTS, banking, MiCSES, etc.) will need to be established and tested.

8. Relocation of the Contractor's accounting operations will occur if needed.
  9. Relocation of Employer Outreach will occur if needed.
  10. MiSDU is required to deposit checks during a disaster as it would on any normal processing day.
  11. Daily backup files will be stored offsite in fire safe facilities to help aid in the recovery of data if necessary (see reporting section for SLAs).
  12. Uninterruptible power supplies (UPS) and backup generators will be utilized to avoid continuation of business and other types of disasters.
  13. If subcontractor(s) provide any aspect of service to the Contract, separate plans for Contractor and subcontractor must be developed and submitted to the state for approval. Any changes to plan must also be submitted for review and approval by the state.
4. Contractors must identify disaster recovery precautions and processes in use, or proposed, regarding critical components of the system that are vulnerable and essential to daily operations, and also provide remote diagnostics on hardware and software to facilitate identification and resolution of problems.

## **I. Reporting and Operational Service Level Agreements**

Provide all reports identified in this section. Meet Service Level Agreement for each report as defined below. Failure to meet the identified requirement for each report will result in the enforcement of penalties as detailed below. All failures to meet the service level agreements (SLAs) in this section will be reported using the MiSDU Incident Report (MIR). On all reports with day counts, the day of receipt is business day zero. The State may choose to add or remove the required reports based on evolving business needs or implemented technology, such as dashboards and on-demand querying capability.

### **1. Receipting**

#### **a. Receiving payments**

Report Purpose: Tracks the work volumes of receiving and monitors any instances when mail is not opened and scanned or when returns are not processed timely.

Report Requirement:

- Report the weekday, date, the number of checks returned to the sender, number of envelopes received per mail pickup, total picked up that day, and indicate if 100% of mail was opened and imaged.
- Include five columns: a yes or no quality check (QA) 100% completed, the number of source documents and checks QA, the number of payment instruments found as a result of the QA, the time and date the QA was completed, and a yes or no column of returned mail logged and returned by the next business day.

- Must QA inspect 100% of previous day's source documents and checks each day for any missed payment instruments.
- All mail must be opened every day and all electronic receipt files processed. A MIR report is required to document the circumstances if all receipts were not processed. It is expected that all mail to be returned will be logged and returned by next business day, except under exceptional circumstances. Failure to log or return mail when appropriate must be explained by MIR report.

Metric:

Insure 100% of mail envelopes intended for the MiSDU are opened and the contents imaged each day of operation and mail not intended for the MiSDU is logged and returned day of receipt or next business day.

Service Level Agreement:

The penalties for failure to meet the "Report Requirement" are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week.
- \$500 for each failure to perform 100% quality assurance inspection of previous day's source documents and checks for missed payment instruments.
- \$500 for up to 5% of envelopes not opened and contents not imaged, intended for MiSDU.
- \$1,000 for up to the next 5% of envelopes not opened and contents not imaged, intended for MiSDU.
- \$10,000 for when more than 10% of envelopes intended for the MiSDU are not opened and contents not imaged.

Exception:

If the exception is caused by failure of a State system directly related to this service, or as approved in advance by the State, or if not pre-approved by the State, a MIR report provides adequate justification, including remedial plans to prevent recurrence, for State approval.

Report Frequency:

Calculated daily, reported weekly and monthly.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

b. Payment Processing:

Report Purpose: Tracks the volumes of payments processed by method of receipt.

Report Requirement:

- Report the weekday, date, type of receipt (paper and each type of electronic transaction), transaction count and dollar amounts, and the percentage of the total for each.

- Include verification that 100% of the payment receipts were processed to MiCSES or Pre-MiCSES Research (this can be a yes/no).
- Provide a MIR report for any instances where the total does not equal 100%.

Metric:

Report to confirm 100% of payment receipts were processed and sent to MiCSES in a daily receipt file, or sent for further research, no payments left unaccounted for.

Service Level Agreement:

The penalties for failure to meet the “Report Requirement” are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week.
- \$500 for up to the first 5% of paper payment receipts not sent to MiCSES by 6 p.m. same day or further research.
- \$1,000 for up to the next 5% of paper payment receipts not sent to MiCSES by 6 p.m. same day or further research.
- \$20,000 for paper payment receipts not sent to MiCSES by 6 p.m. same day or further research above 10% (see glossary for definition of payments).
- \$5,000 for failure to process any electronic receipt files (EFT/ACH/credit card/etc. files) same day.

Exception:

If the exception is caused by failure of a State system directly related to this service, or as approved in advance by the State, or if not pre-approved by the State, a MIR report provides adequate justification, including remedial plans to prevent recurrence, for State approval.

Report Frequency:

Calculated daily, reported weekly and monthly

Report Medium:

Electronic: PDF, Word, or other State accepted format.

c. Receipt Source Report:

Report Purpose: Tracks the volumes of payment receipts by type, a living report which will grow as more receipt sources are added.

Report Requirement:

- Report the weekday, date, payment sources (employer, FIDM, PayNearMe, MoneyGram, interstate, obligor, unemployment, or any others added over time), transaction counts, dollar amounts, total payment count, percentages, dollar amount, and total included in the receipt file to MiCSES

Metric:

The report information is to provide information and totals that must balance with Payment Processing Report.

Service Level Agreement:

The penalties for failure to meet the “Report Requirement” are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week.
- \$500 a month for failure to add new receipt sources to this report.

Exception:

If the exception is caused by failure of a State system directly related to this service, or as approved in advance by the State, or if not pre-approved by the State, a MIR report provides adequate justification, including remedial plans to prevent recurrence, for State approval.

Report Frequency:

Calculated daily, reported weekly and monthly

Report Medium:

Electronic: PDF, Word, or other State accepted format.

## 2. Research

### a. Extended Research Exceptions:

Report Purpose: Document those instances a customer contact could not be answered on the phone and if additional research is needed. Additional research should be completed within 2 business days, and a response provided to the customer. Exceptions might include documented instances where message left were not returned within the 2 business days, or research outside the control of the Contractor delayed the response. The contact would be tracked until resolved.

Report Requirement:

- Provides date received, time received, a count of the number of calls which must be forwarded to research for completion.
- Calls that are exceptions more than 2 business days old.
- Count of the number of calls which are in compliance with the 2 business days metric.
- Identification of each call, number of business days to resolve for each call, the resolved date and time of each call, and a note explaining the call.
- Indication of what caused calls to be out of compliance with the two-day metric must be documented.

Metric:

All calls pending to extended research must be resolved within 2 business days.

Service Level Agreement:

The penalties for failure to meet the “Report Requirement” are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week.
- \$500 for each extended research call not completed within 2 business days except as described below.

Exception:

Exceptions include failure of a State system directly related to this service, or as approved in advance by the State, or if not pre-approved by the State, a MIR report provides adequate justification. Remedial plans to prevent recurrence are to be explained where appropriate. The State understands that some items may not be closed within 2 business days because a non-Contractor entity has not yet responded. The Contractor is to list this as an exception to the compliance count and include in the exception a note of the status of the incident and the reason for the failure to resolve in 2 business days.

Report Frequency:

Calculated daily, reported weekly and monthly

Report Medium:

Electronic: PDF, Word, or other State accepted format.

b. Address Change Form and Payment Coupon Address Change Exceptions:

Report Purpose: Ensure address change forms and coupons address changes are processed timely and completely and exceptions are tracked and addressed.

Report Requirement:

- Tracks the number and timeliness of Contractor responses to SDU address change forms or payment coupons requiring address changes.
- Report the date, time, incident identification, member ID, number of business days to resolve, resolved date, total count of address changes, number of address change exceptions to metric, summary reasons for exceptions, number of address changes within compliance with metric, and identification of each address change action.

Metric:

The Contractor has 2 business days to process address change form requests.

Service Level Agreement:

The penalties for failure to meet the “Report Requirement” are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week.
- \$500 for each item that extends beyond 2 business days.

Exception:

Include failure of a State system directly related to this service, or as approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

Report Frequency:

Calculated daily and reported weekly.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

c. Direct Deposit Applications, Debit Card Applications and Direct Deposit Applications with Address Change

Report Purpose: measures the number and timeliness of Contractor responses to SDU direct deposit applications with address changes and debit card applications.

Report Requirement:

- Report the date, time, incident identification, member ID, number of business days to resolve, number of days to enter applications in MiCSES, resolved date, total count of address changes, number of address change exceptions to metric, summary reasons for exceptions, number of address changes within compliance with metric, and identification of each address change action.

Metric:

The Contractor has 2 business days to process applications and to stop a current direct deposit or debit card in MiCSES when an application has been received to change the routing and account number to a new routing and account number or a form has been received to change the disbursement method.

Service Level Agreement:

The penalties for failure to meet the "Report Requirement" are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week.
- \$500 for each response beyond 2 business day.
- \$500 for failure to stop a current direct deposit or debit card in MiCSES within 2 business days, when an application has been received to change the routing and account number to a new routing and account number or a form has been received to change the disbursement method.
- \$500 for failure to process direct deposit and debit card applications within 2 business days.

Exception:

Include failure of a State system directly related to this service, or as approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

Report Frequency:

Calculated daily and reported weekly.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

d. PIN Change Exceptions:

Report Purpose: Ensure all PIN change requests are processed timely, and exceptions are identified and corrected.

Report Requirement:

- Report the date received, time received, incident identification, Member ID, number of business days to resolve, resolved date, number of PIN Change requests, number of exceptions to metric, summary reason for exception, number in compliance with metric.

Metric:

Must resolve PIN change requests within 2 business days.

Service Level Agreement:

The penalties for failure to meet the “Report Requirement” are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week.
- \$500 for each item that extends beyond 2 business days.

Exception:

Include failure of a State system directly related to this service, or as approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

Report Frequency:

Calculated daily and reported weekly.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

e. 307 Aging Report:

Report Purpose: Ensure that county DHS-307s are processed in a timely manner.

Report Requirement:

- 307 form aging business days, date item was received, 307 resolved count, 307 resolved percentage of total 307s, 307 outstanding count, 307 outstanding percentage of total 307s, and total outstanding balance.

Metric:

Ensure all 307 requests to adjust receipts or release suspense items are completed (process, reject appropriately, etc.) within 7 business days.

Service Level Agreement:

The penalties for failure to meet the “Report Requirement” are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week.
- \$500 per 307 not resolved in 7 business days without State approval.

Exception:

Include failure of a State system directly related to this service, or as approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

Report Frequency:

Calculated daily and reported weekly.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

f. 307 Received by Requested Action:

Report Purpose: Track number of 307s by requested action.

Report Requirement:

- Report 307 request type, daily total for each day of the week, totals for each day, and total for the week.

Metric:

Workflow of 307s by requested action.

Service Level Agreement:

The penalties for failure to meet the “Report Requirement” are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week

Exception:

Include failure of a State system directly related to this service, or as approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

Report Frequency:

Calculated daily and reported weekly.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

g. 307s Received by Suspense Hold Code:

Report Purpose: Track the number of 307s by MiCSES hold code.

Report Requirement:

- Report shows 307 requests based on MiCSES hold code, daily volumes by day of the week, total by day, and total by hold code.

Metric:

Workflow of 307s by hold code.

Service Level Agreement:

The penalties for failure to meet the “Report Requirement” are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week.

Exception:

Include failure of a State system directly related to this service, or as approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

Report Frequency:

Calculated daily and reported weekly.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

h. 307 Exception Detail Report:

Report Purpose: Ensure that county DHS-307 exceptions are tracked and justified.

Report Requirement:

- Report shows 307 requests 7 business day exceptions.



Metric:

Ensure that all requests to adjust receipts or release suspense items not completed within 7 business days are tracked with the appropriate reason.

Service Level Agreement:

The penalties for failure to meet the "Report Requirement" are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week.
- \$500 per 307 not resolved in 7 business days without State approval.

Exception:

Include failure of a State system directly related to this service, or as approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

Report Frequency:

Calculated daily and reported weekly and monthly.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

i. Stop Payment Requests:

Report Purpose: Ensure stop payment requests are received and processed timely.

Report Requirement:

- For workflow purposes report requests for stop payment checks by work date, stop payment requests received, stop payment requests resolved, stop payment returned to sender, number of stop pays performed in MiCSES, number of stale dated checks, checks cleared forgery packets sent to customers.
- The following tasks within this report (stop payment forwarded to the financial institution, stop payments activities to MiCSES, and re-issued checks upon approval from the financial institution, forgery packets sent to the customer) must be completed within 2 business days of the respective triggering event. A "Y" (for yes) or "N" (for no) is adequate for this report. All "no" responses require explanation and a MIR report.

Metric:

Workflow tracking of customer requested for stop payment, stop payment requests resolved, returned to sender, performed in MiCSES, stale dated checks, and forgery packets sent to the customer.

Service Level Agreement:

The penalties for failure to meet the "Report Requirement" are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week.
- \$100 for each stop payment check request not forwarded to the financial institution within 2 business days of receipt.
- \$100 for each check not reissued within 2 business days upon receipt of the approval letter from the financial institution.
- \$100 for each stop payment check request not processed in MiCSES within 5 business days of request received at the MiSDU from the customer.
- \$100 for each forgery packet not sent to the customer within 2 business days of request received at the MiSDU from the customer.

Exception:

Include failure of a State system directly related to this service, or as approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate

justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

Report Frequency:

Calculated daily and reported weekly.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

j. Lost-Stolen Checks Exceptions:

Report Purpose: Ensure that lost and stolen check requests are processed in a timely manner.

Report Requirement:

- Report lost and stolen check and escheatment form incidents by date and time received, tracking incident ID, docket ID, member ID, number of business days to resolve, result of request, action notes, summary reason for exceptions, total number for the week, number of exceptions outside the 5 business days, and number in compliance.

Metric:

Ensure lost and stolen check requests are resolved within 5 business days of the date that a lost check affidavit is returned by the customer.

Service Level Agreement:

The penalties for failure to meet the "Report Requirement" are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week.
- \$500 for each item that extends beyond 5 business days.
- \$100 per check or escheatment form not processed in 2 business days.

Exception:

Include failure of a State system directly related to this service, or as approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

Report Frequency:

Calculated daily and reported weekly.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

k. Forgery Packets:

Report Purpose: Ensure forgery packets and checks reissued are processed in a timely manner.

Report Requirement:

- Report work date, forgery packets received, forgery packets returned to sender, forgery packet sent to bank within 2 business days (yes or no), check was reissued within 2 business days of bank approval letter and funds received (yes or no), and number of checks reissued.

Metric:

Forgery packets should be forwarded to the bank within 2 business days and checks should be reissued within 2 business days of receiving both the approval letter and funds from the bank.

Service Level Agreement:

The penalties for failure to meet the "Report Requirement" are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week.
- \$500 per forgery packet not forwarded to the bank within two business days or check not reissued within two business days of receiving the approval letter from the bank.

Exception:

Include failure of a State system directly related to this service, or as approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

Report Frequency:

Calculated daily and reported weekly.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

I. UNID Payment Report:

Report Purpose: Ensure detail tracking of unidentified payments received.

Report Requirement:

- Report unidentified payments by source including: week day, date, employer count and dollar amount, FIDM count and dollar amount, interstate count and dollar amount, obligor count and dollar amount, unemployment count and dollar amount, lottery count and dollar amount, total unidentified remits count and dollar amount, total count and dollar amount by source, and percentage of source by total unidentified remits.
- Report unidentified payment by type including: week day, date, paper count and dollar amount, EFT count and dollar amount, cash count and dollar amount, wire count and dollar amount, credit card count and dollar amount, ACH count and dollar amount, total unidentified payment count and dollar amount, total by type, and percentage of type by total unidentified payments.
- Report unidentified payment summary including: week day, date, unidentifieds created count and dollar amount, unidentifieds resolved count and dollar amount, unidentifieds outstanding balance count and dollar amount, oldest unidentified outstanding by date, FIDM unidentifieds balance count and dollar amount, and total count and dollar amounts of created and resolved.

Metric:

Reports 1 and 2 are workflow. Report 3 is workflow and ensures all pre-MiCSES research items (if pre-MiCSES research is chosen by the Contractor) are to be resolved in 10 business days following the date of receipt. Regardless of which option is chosen, the Contractor must act upon any information provided such that payments to families are not delayed after research information is discovered. If the Contractor moves payments to MiCSES (UNID) to be manually posted, they must be posted the payment within 2 business days of moving it to MiCSES UNID.

Service Level Agreement:

The penalties for failure to meet the "Report Requirement" are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week.
- \$500 per item for all pre-MiCSES research items (if pre-MiCSES research is chosen by the Contractor) not resolved in 10 business days following the date of receipt.

- \$1,000 for payments sent to MiCSES (UNID or other hold) to be manually posted, but not posted within 2 business days.

Exception:

Include failure of a State system directly related to this service, or as approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

Report Frequency:

Calculated daily and reported weekly.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

m. Monthly UNID Source Report:

Report Purpose: Monthly tracking of source of unidentified payments received.

Report Requirement:

- Report shows week day, date, the source (employer, FIDM, interstate, obligor, unemployment, lottery), count, and dollar amount of items going into further research by day, percentage of each source as compared to total remits going into further research, and this is a monthly report.

Metric:

Workflow and all items by source going into further research.

Service Level Agreement:

The penalties for failure to meet the "Report Requirement" are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting month.

Exception:

Include failure of a State system directly related to this service, or as approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

Report Frequency:

Calculated daily and reported Monthly.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

n. SDU Void-Reissue Check Exceptions:

Report Purpose: Ensure void and reissue check process is performed timely. Checks printed but not mailed for bad address per the USPS address verification process are to be voided in MiCSES within 3 business days and reissued within 2 business days of the void. The other process is for all other checks to be voided in 2 business days and reissued (if necessary) within 2 business days of the void.

Report Requirement:

- Report void-reissue check incidents by date and time received, tracking incident ID, check number, number of business days to resolve, result of request, action notes, total number for the week, number of exceptions outside the 2 business days, summary reason for exceptions, and number in compliance.

Metric:

Ensure void-reissue check requests are resolved within 4 or 5 business days of the date of notification or returned check as described in the report purpose above.

Service Level Agreement:

The penalties for failure to meet the “Report Requirement” are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week.
- \$500 per bad address check, per USPS address verification process, not voided in MiCSES within 3 business days and reissued within 2 business days of the void.
- \$500 per all other checks not voided within 2 business days and reissue not done within 2 business days of the void.

Exception:

Include failure of a State system directly related to this service, or as approved in advance by the

State and if not pre-approved by the State, a MIR report will provide adequate justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

Report Frequency:

Calculated daily and reported weekly.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

o. SDU Escheatment Forms with Address Changes Exceptions:

Report Purpose: Ensure that escheatment forms with address change are processed timely.

Report Requirement:

Report escheatment forms with address change incidents by date and time received, tracking incident ID, check number, number of business days to resolve, member ID, result of request, action notes, total number for the week, number of exceptions outside the 2 business days, summary reason for exceptions, and number in compliance.

Metric:

Ensure escheatment forms with address change requests are resolved within 2 business days of the date of notification or returned check.

Service Level Agreement:

The penalties for failure to meet the “Report Requirement” are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week.
- \$500 per escheatment form with address change not done within 2 business days.

Exception:

Include failure of a State system directly related to this service, or as approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

Report Frequency:

Calculated daily and reported weekly.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

**3. Disbursements**

a. Disbursement Report:

Report Purpose: Detail of all disbursements.

Report Requirement:

- Report the week day, date, type of disbursement (including transaction count and dollar amount), total disbursements (including paper), percentage of disbursements by transactions and dollar amount.

Metric:

Workflow of disbursements.

Service Level Agreement:

The penalties for failure to meet the “Report Requirement” are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week.

Exception:

Include failure of a State system directly related to this service, or as approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

Report Frequency:

Calculated daily, reported weekly and monthly.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

b. Paper Disbursement Activity Report:

Report Purpose: Detail of paper check disbursements.

Report Requirement:

- Report the week day, date, each type of check (including check count and dollar amount), total checks (including check count and dollar amount), auto and manually inserted check count, checks printed count, checks not mailed count (checks not mailed should not be included in the transaction count and dollar amount of checks disbursed, track checks not mailed separately), checks mailed count, check confirmation file check count, all checks (in the check print file provided by MiCSES) are printed. The State would like added to this report a count of any special inserts added to disbursement envelopes (example: the debit card inserts) and a yes/no to confirm all checks were mailed.

Metric:

100% of MiCSES checks are printed and mailed by the next post office mailing cut off time.

Service Level Agreement:

The penalties for failure to meet the “Report Requirement” are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week.
- \$1,000 for up to 5% of checks not printed and mailed by the next post office mailing cut off time.
- \$5,000 for up to the next 5% of checks not printed and mailed by the next post office mailing cut off time.
- \$10,000 if over 10% of checks are not printed and mailed by the next post office mailing cut off time.

Exception:

Include failure of a State system directly related to this service, or as approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate

justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

Report Frequency:

Calculated daily, reported weekly and monthly.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

c. Correspondence Report:

Report Purpose: Ensure that daily correspondence is processed timely.

Report Requirement:

- Report the weekday, date, county correspondence count, yes or no county correspondence was forwarded by express mail in 2 business days of receipt, SDU forms mailed by count, and any comments.
- Add a yes or no field that shows customer service SDU forms were sent in 2 business days of request. Add a yes or no field that shows all written responses to mail inquiries were sent within 10 business days of receipt.

Metric:

Ensures 100% of each day's correspondence is mailed within 2 business days, both county correspondence by express mail and customer service requested SDU forms.

Service Level Agreement:

The penalties for failure to meet the "Report Requirement" are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week.
- \$100 per correspondence item not mailed in 2 business days.

Exception:

Include failure of a State system directly related to this service, or as approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

Report Frequency:

Calculated daily, reported weekly and monthly.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

4. **Customer Service**

a. Call Center Report(s):

Report Purpose: Ensure customer calls are being addressed as required.

Report Requirement:

- Report the weekday, date and the following for each phone line:
  - Custodial Party (CP)/Obligor line (NCP), (MiCSES line)
  - Employer line
  - FOC line
  - Debit card line
- SLA's will be applied for each of the above four lines individually and applied to the line in total rather than to any individual line breakouts more detailed than these four lines. The SLA's will be monitored with MIR reports as necessary based upon this review.

- Report count of: calls presented to be answered, calls dropped in 30 seconds, calls that should be answered per contract, calls actually answered, percent answered by Contractor, calls abandoned by Contractor after 30 seconds.
- Report average time of: abandon calls, talk time, after call work time, average wait to answer, number of calls by day waiting over five minutes and maximum wait to answer time.
- Report the created call center incidents, resolved call center incidents, resolved with provided information, resolved with referred to FOC, pending to extended research, other, percentage of calls resolved internally, and percentage of calls referred to the FOC.

Metric:

Workflow Report of customer service calls.

Service Level Agreement:

The SLA's will be applied to the lines as the lines are described above. The penalties for failure to meet the "Report Requirement" are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week;
- \$5,000 per percent above 5% abandoned for the month.

*Note: calls not accepted by Contractor processes due to Contractor decision or errors are to be treated like abandoned calls over 30 seconds. If no metrics are available on calls not accepted when Contractor system is not accepting calls, State will use the average daily volume for the most recent complete month.*

Exception:

Include failure of a State system directly related to this service, or as approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

Report Frequency:

Calculated daily, reported weekly and monthly.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

b. Top Six Communication Types Report:

Report Purpose: Ensure all customer inquiries are being processed and the volumes of each.

Report Requirement:

- Report each week on all incident types, top five incidents per type, percent of incident type compared to total calls, total number created, total percent, and percent in decreasing order.
- Include phone calls, web inquiries, mail inquiries, e-mail inquiries, voicemail (if used), and fax inquiries.

Metric:

Top communication types.

Service Level Agreement:

The penalties for failure to meet the "Report Requirement" are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week

Exception:



Include failure of a State system directly related to this service, or as approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

Report Frequency:

Calculated daily, reported weekly and monthly.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

c. All Internal and External Websites Monthly Review:

Report Purpose: Ensure customer service efforts to keep all internal and external websites updated.

Report Requirement:

- Report shows week day, date, website reviewed, website items reviewed, and website items updated.

Metric:

Website updating efforts.

Service Level Agreement:

The penalties for failure to meet the "Report Requirement" are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week.
- \$500 per outdated information item found on a contractor provided internal or external website

Exception:

Include failure of a State system directly related to this service, or as approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

Report Frequency:

Reported monthly.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

d. Customer Outreach Marketing Report:

Report Purpose: Monitor outreach efforts to increase electronics.

Report Requirement:

Report date of initial contact with employer, convert to EFT (yes or no), was the EFT payment option refused (yes or no), date of refusal, employer names in alphabetical order, and reason for refusal.

Metric:

Outreach marketing efforts.

Service Level Agreement:

The penalties for failure to meet the "Report Requirement" are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week.
- Failure to increase electronic receipts by 2% in a state fiscal year. will trigger state review of the Contractor's marketing strategy.

Exception:

Include failure of a State system directly related to this service, or as approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate justification for State approval or disapproval. Remedial plans are to be explained where appropriate. Report Frequency:

Calculated daily and reported monthly.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

e. Outreach New Certification Report:

Report Purpose: Ensure outreach efforts to increase electronics.

Report Requirement:

Report certification date of new employers on EFT, initial contact date, number of withholdings the employer has, remitter type, and entity converted (name).

Metric:

Outreach marketing efforts.

Service Level Agreement:

The penalties for failure to meet the "Report Requirement" are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week

Exception:

Include failure of a State system directly related to this service, or as approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

Report Frequency:

Calculated daily and reported monthly.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

f. Employer Marketing Summary:

Report Purpose: Ensure outreach efforts to increase electronics.

Report Requirement:

Report employer certified count and percentage, certifications in progress count and percentage, EFT refused count and percentage.

Metric:

Outreach marketing efforts summary.

Service Level Agreement:

The penalties for failure to meet the "Report Requirement" are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week

Exception:

Include failure of a State system directly related to this service, or as approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

Report Frequency:

Calculated daily and reported monthly.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

g. Employer EFT Certification and WEB Activity:

Report Purpose: Ensure outreach efforts to increase electronic payments.

Report Requirement:

Report shows week day, date, EFT in progress, Employers certified, number of withholdings, Obligor Registrations, number of WEB users, number of WEB visitors, and number of page views. Page views are defined as: a person looking at eight pages equals eight pages viewed.

Metric:

Outreach marketing efforts.

Service Level Agreement:

The penalties for failure to meet the "Report Requirement" are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week

Exception:

Include failure of a State system directly related to this service, or as approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

Report Frequency:

Calculated daily and reported monthly.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

5. **MISDU Finance:**

a. Finance Report:

Report Purpose: Ensure Contractor finance department addresses reconciliation, misapplied funding, and misapplied recovered timely.

Report Requirement:

- Report the weekday, date, receipts and disbursements reconciled by day (yes or no), receipt date reconciled, misapplies funded within 2 business days (yes or no), date misapplied funded, amount of misapplied recovered, dollar and count of misapplied funding, total of misapplied recovered, percent of misapplied funded amount to payment dollars received, and finance comments.

Metric:

Ensure all bank accounts are reconciled in 1 business day. Ensure Contractor make wholes are done within 2 business days of the report or identification of the error.

Service Level Agreement:

The penalties for failure to meet the "Report Requirement" are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week.
- \$1,000 per Contractor make whole not performed within 2 business days of the report or identification of the error.
- \$10,000 per incident that the bank accounts are not reconciled within 1 business day.

Exception:

Include failure of a State system directly related to this service, or as approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

Report Frequency:

Calculated daily, reported weekly and monthly.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

b. Bank Deposit Report:

Report Purpose: Ensure bank deposit is made timely.

Report Requirement:

- Report the weekday, date, daily deposit check count and dollar amount, yes or no daily deposit was sent to the bank, State account deposit dollar amount, Contractor make whole deposit dollar amount, other types of deposits, and total deposit to the bank.

Metric:

100% of each day's checks and cash are deposited with the bank before close of bank's posting business day.

Service Level Agreement:

The penalties for failure to meet the "Report Requirement" are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week.
- \$5,000 for the first day deposits are not made to the bank for that days processing, same day.
- \$10,000 for each additional day's deposit not made to the bank for that days processing, same day.

Exception:

Include failure of a State system directly related to this service, or as approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

Report Frequency:

Calculated daily and reported weekly and monthly.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

6. **Quality Assurance:**

a. Quality Assurance Reporting:

Report Purpose: Ensure the Contractor is performing quality assurance per Contract requirements.

Report Requirement:

- Report QA of Payment Processing by: weekday, date, total payments, payments sampled, percent sampled, misapplied errors found, misapplied errors corrected, items sent to Pre-MiCSES Research inappropriately and accuracy percentage.
- Report QA of Disbursements by: weekday, date, checks printed, checks sampled, address errors, amount errors, and name errors.
- Report QA of Call Center by: weekday, date, CSR's available, CSR's monitored, calls monitored, highest score, lowest score, and average score.

- Report Random Sample times by day, date, # of errors found per sample, payment processing completion time, last random sample draw time, and yes/no all of the day's payments were subject to random sampling.
- Add to Report: QA of electronic disbursement setups on MiCSES by: weekday, date, total setups, 100% of setups sampled (yes/no), errors found, errors corrected, accuracy percentage.

Metric:

Show that Payments were processed at a 99.9% accuracy level. Payment Processing QA at a 99% confidence level sampling.  $100\% - ((\text{error} / \text{the sample size}) \times 100) = \text{Accuracy Rate Percentage}$ .

Show that checks were printed at a 99.9% accuracy level. QA of checks will follow this same 99% confidence level sampling.  $100 \text{ percent} - ((\text{error} / \text{the sample size}) \times 100) = \text{Accuracy Rate Percentage}$ .

Call Center CSR QA will be at a level of no less than three calls monitored from each CSR per day.

QA 100% of electronic payment setups in MiCSES and have an accuracy level of electronic payment setups of 99.9%, based on errors discovered outside the MiSDU 100% QA process.

Service Level Agreement:

The penalties for failure to meet the "Report Requirement" are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week.
- \$500 for failure to maintain the required level of QA in the report requirement metric.
- For errors in electronic payment setups discovered outside the MiSDU 100% QA process, that drop the accuracy level below 99.9% for any single calendar month as a whole, is subject to a penalty of \$1,000 for up to 1% below the required accuracy level, \$5,000 for up to each 1% additionally.

Exception:

Include failure of a State system directly related to this service, or as approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

Report Frequency:

Calculated daily, reported weekly and monthly.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

## 7. Systems:

### a. IT Operational Report:

Report Purpose: Ensure all required files are backed up and moved timely and completely.

Report Requirement:

- Report the weekday, date, receipt file was sent (time & file size), check confirmation file was sent (time & file size), positive pay file was sent (time & file size), electronic disbursement file was sent (time & file size), other operational files were sent (time & file size), and verification that payment files were processed 100 percent (including EFT, ACH, Credit Card, and any others).
- Report identifies any system outages that affect any of the required file schedules in a comment field at bottom of report. Report identifies that all system backups were completed successfully.

Metric:

Ensures that receipt file is transmitted to the States FTS by 6 p.m. Monday through Friday (and Saturday if Contractor chooses to work Saturday in order to process all payments timely).

The report ensures that the check print, check confirmation and the positive pay processes occur such that Financial Institution (bank) obtains the positive pay file in sufficient time to approve checks presented by customers the next banking day.

The report ensures that electronic disbursement files are received from the FTS and sent to the Financial Institution. 100% of each day's files are processed successfully. System backups are completed successfully.

Service Level Agreement:

The penalties for failure to meet the "Report Requirement" are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting week.
- \$1,000 per day complete system backups are not Daily backed up offsite in fire safe and IRS PUB 1075 security compliant facilities to help aid in the recovery of data if necessary.
- \$10,000 per file not transmitted successfully, on required day.
- \$20,000 per payment file not processed 100% (including EFT, ACH, Credit Card, and any others).

Exception:

Include failure of a State system directly related to this service, or as approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

Report Frequency:

Calculated daily, reported weekly and monthly.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

**8. Other:**

a. Contractor Data Dump:

Report/File Purpose: Provide detail processing statistics in a format acceptable to the State (currently MS Access database) that state staff can use to provide additional reporting to OCS Program Management.

Report Requirement:

Excel file of SDU monthly statistics to include but not limited to:

Field Name	Field Type	Field Format
Field Date	Date/Time	MM/DD/YYYY
Web Visitors	Number	
Paper Trans	Number	
Paper Amt	Currency	
Inbound EFT Trans	Number	
Inbound EFT Amt	Currency	
Cash Trans	Number	
Cash Amt	Currency	
Wire Trans	Number	
Wire Amt	Currency	
Emp CC Trans	Number	

Emp CC Amt	Currency	
Obligor CC Trans	Number	
Obligor CC Amt	Currency	
Emp ACH Trans	Number	
Emp ACH Amt	Currency	
Employer Trans	Number	
Employer Amt	Currency	
Insurance Trans	Number	
Insurance Amt	Currency	
FIDM Trans	Number	
FIDM Amt	Currency	
Interstate Trans	Number	
Interstate Amt	Currency	
Obligor Trans	Number	
Obligor Amt	Currency	
Unemployment Trans	Number	
Unemployment Amt	Currency	
Pre-MiCSES Trans Cr	Number	
Pre-MiCSES Amt Cr	Number	
Resolved Pre-MiCSES Trans	Number	
Resolved Pre-MiCSES Amt	Number	
Check Trans	Number	
Check Amt	Number	
Debit Card Trans	Number	
Debit Card Amt	Number	
EFT Disb Trans	Number	
EFT Disb Amt	Number	
Employer	Number	Calls
Employer Outreach	Number	Calls
FOC	Number	Calls
MiCSES	Number	Calls
MiCSES Spanish	Number	Calls
Research FOC	Number	Calls
Debit Card	Number	Calls
Debit Card Spanish	Number	Calls
Abandoned	Number	Calls

#### Metric

#### Data

#### Service Level Agreement

The penalties for failure to meet the “Report Requirement” are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting month

#### Exception:

As approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

#### Report Frequency:

Calculated daily and delivered monthly.

Report Medium:

Electronic: Microsoft Excel or other State accepted format.

b. MiSDU Incident Report (MIR):

Report Purpose: Ensure written tracking of all activities, anomalies, or influences that affect MiSDU operations in any way.

Report Requirement:

- Tracks all Contractor MIR reports by: tracking number, occurrence date, description, and date delivered to the State. Sorted in occurrence date order.

Metric:

Workflow

Service Level Agreement:

The penalties for failure to meet the “Report Requirement” are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting month.

Exception:

Include failure of a State system directly related to this service, or as approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

Report Frequency:

Calculated daily, reported upon state request.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

c. NMSN/OCS Return Mail and Other:

Report Purpose: Ensure written tracking of all activities and monitoring of work flow.

Report Requirement:

- Report requirements to be proposed by the Bidder and will be reviewed and approved by OCS.

Metric:

Workflow

Service Level Agreement:

The penalties for failure to meet the “Report Requirement” are as follows:

- \$500 for failure to provide the report within 3 business days of the end of the reporting cycle.

Exception:

Include failure of a State system directly related to this service, or as approved in advance by the State and if not pre-approved by the State, a MIR report will provide adequate justification for State approval or disapproval. Remedial plans are to be explained where appropriate.

Report Frequency:

Calculated daily, reported upon state request.

Report Medium:

Electronic: PDF, Word, or other State accepted format.

9. Maintain all documentation to verify reporting. The state reserves the right to audit any of the Contractor’s reporting and metric claims.



10. Monitor and report monthly, hours of physical staff access, areas of access, and persons with access to MiSDU areas.
11. Any, internal or external, event influencing the normal functioning of the MiSDU and/or the accomplishment of its performance requirements must be reported to the state within 5 business days after discovery. MIR reports are required anytime the MiSDU operation is impacted no matter the source of the impact (be it the State, DTMB, DHS, OCS, etc....). MIR reports are required anytime the state requests a report. The MIR report may include, but not be limited to, mail delivery delays, loss of voice or data connectivity, loss of MiCSES, loss of internet, loss of phone calls, hardware or software failure, staffing issues, missing images, etc. The MIR report must indicate the issue, impacts, cause (if known at the time of the report), and expected time for restoration of the services. Updates to MIR reports are allowed as more facts surface. Similarly, if there are developments (example: record number of inbound electronic receipts or paper receipts processed, record number of call volumes successfully addressed, excellent customer service provided, etc., a MIR report should be made to assure state awareness of accomplishments. Verbal reporting to designated state staff of any issues that affect customers, partners, stakeholders, etc. must be completed as soon as the issue is identified to facilitate a collaborative effort to assess and resolve the problem and must be followed by a MIR.

Contractors must describe how they will track anomalies within their system and how they will report to assure that they meet all Contract requirements surrounding anomalies. Contractors must describe how they can appropriately identify when anomalies are recurrences of previously reported anomalies.

12. Provide monthly status meetings with the state staff and the contractors leadership staff.
13. The state will use the following process for invoking penalties on SLAs:
  - a. Inadequate performance will be presented to the Contractor, by the state or identified by the Contractor. Upon consultation with the Contractor, if the state concludes that these anomalies were the result of excusable circumstances; this Incident will not be held against the Contractor. Excusable circumstances may be, but are not limited to, state system outages, inclement weather-related closures, or any other instance in which the outcome would be beyond the Contractor's control. Failure to perform by any subcontractor is not considered an excusable failure.
14. Areas of operations that will be monitored for performance include:
  - a. Performance Criteria as defined by the contract.
  - b. Reporting and Service Level Agreements section.
  - c. Tasks to be performed as outlined in the Contractor's proposal.
  - d. Any other factors that the state identifies as necessary to completing the mission of the program.
15. An Incident would include but is not limited to the following:
  - a. Performance indicator did not meet the level required by the contract.

- b. Task was not performed as required by the contract.
  - c. Task was not performed as proposed by the Contractor's proposal.
16. Some anomalies will influence more than one contractual requirement. For example: A major system failure could cause the Contractor to not only fail to process all receipts same day, but also not allow them to prepare and submit a receipt file to MiCSES by 6PM same day. In this situation one event is directly related to the other. If an SLA were directly related to another, the penalty assessed would be the highest penalty assessable for any of the performance indicators, once the SLA penalty level is reached.
17. For unrelated inadequate anomalies, all applicable penalties would be assessed.
18. Repeated anomalies for the same Contract requirement will start the assessment scale at level 2 and the state will determine if the Incident needs to be escalated to level 3. Repeated anomalies are defined as the same contract requirement exceeded more than once in the past 6 months and/or an Incident that is not corrected in one business day.
19. Service Level Agreement Assessment Scale

Level 1	The first time a Contract requirement is exceeded, the Contractor will provide a MIR report and a general corrective action plan to the state showing how they are going to address the failure. The state will review the failure to determine if the failure requires escalation to the next assessment level.
Level 2	The second time a contract requirement is exceeded; the Contractor will provide a MIR report and a corrective action plan, with milestones and dates, to the state showing how they are going to address the failure. The state will then review this corrective action plan and determine if the failure requires escalation to the next assessment level. The state will respond to the Contractor's corrective action plan.
Level 3	The third time a contract requirement is exceeded, the Contractor will provide a MIR report, a corrective action plan to the state showing how they are going to address the failure and pay the related liquidated damage. The state will respond to the Contractor's corrective action plan. The Contract Administrator within the DTMB will be the final authority to determine the assessment level and imposing the liquidated damage.

## J. Staff and Training

Requires completely trained Contractor's staff to perform the operations outlined in this Contract.:

1. Assure staff is trained to perform functions necessary to operate a successful SDU including all aspects of SDU operations and services according to this statement of work. Training must be reviewed and approved by the state prior to being used by the Contractor for training staff. Contractors must include with their response, a detailed plan showing how they intend to assure that initial training, new hire training, and ongoing maintenance training will be implemented such that staff will be able to provide exemplary service to all SDU customers (CP's, NCP's, Friends of the Court, Employers, etc.).

Training must include:

- a. Knowledge of content and ability to navigate between screens within MiCSES. The State will provide MiCSES training to the Contractor's trainer during the transition period.
- b. Knowledge of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) and state guidelines and policies on child support financials.
- c. Knowledge of content and ability to navigate within Contractor provided systems, use of any call tracking and management software provided by the Contractor.
- d. Knowledge of Michigan security and confidentiality requirements, effective & efficient interaction with customers, stakeholders, and partners with consistent and accurate responses, MiSDU Security, IV-D information security, IRS information security, location security, PC Security, laptop security, flash drive (thumb drive or jump drive) and all other data and physical security topics relating to the MiSDU, obtain information from customers on the effectiveness and responsiveness of the customer services representatives to allow identification for improved training and reinforcement, and provide for supervisory participation in a call to provide training through example where there is conflict that needs resolution.

2. The Contractor must identify the Key Personnel, indicate where they will be physically located, and describe the functions they will perform:

Title	Name	Role	Location	Functions
<b>Implementation Manager</b>	<b>John Knych</b>	Accountable – delegates work and is the last one to review the task or deliverable before it's deemed complete	Michigan for Implementation	<ul style="list-style-type: none"> <li>• Single point of contact for transition</li> <li>• Primary interface with MiSDU and Conduent management</li> <li>• Provides oversight and monitors team performance</li> <li>• Oversees transition resources</li> <li>• Supplies problem and conflict resolution management</li> <li>• Manages risk and issues</li> <li>• Manages implementation cutover</li> </ul>
<b>Implementation Training Manager</b>	<b>Michelle Le Feve, PMP</b>	Accountable – delegates work and is the last one to review the task or deliverable before it's deemed complete	Michigan	<ul style="list-style-type: none"> <li>• Develops the Training Plan</li> <li>• Acquires, updates, modifies, and develops both internal and external training curriculums</li> <li>• Manages, directs, and monitors MiSDU training</li> <li>• Works with MDHHS-OCS on State users' MiSDU training needs</li> <li>• Directs Conduent staff on the completion of training videos</li> <li>• Confirms schedule and executes training</li> </ul>

<b>Implementation IT Manager</b>	<b>Richard Darlington</b>	Accountable – delegates work and is the last one to review the task or deliverable before it's deemed complete	South Carolina; travel to MiSDU as required	<ul style="list-style-type: none"> <li>• Works with MDHHS-OCS on all MiSDU technical requirements to ensure that all systems and interfaces function as expected</li> <li>• Coordinates and communicates all relevant information and activities for proper deployment of system solution</li> <li>• Supports technical issues/actions/risk management</li> <li>• Interfaces with MDHHS-OCS technical resources as necessary to ensure proper deployment of the MiSDU network and infrastructure</li> </ul>
<b>Operational Project Manager</b>	<b>Alex Camacho</b>	Accountable – delegates work and is the last one to review the task or deliverable before it's deemed complete	Michigan	<ul style="list-style-type: none"> <li>• Accountable for the delivery of all MiSDU services</li> <li>• Formulates and implements procedures on operational processes; ensures achievement of operational objectives</li> <li>• Prepares related reports and audits current procedures to monitor efficiency of operations</li> <li>• Selects, develops, and evaluates personnel ensuring efficient operation of the function</li> <li>• Deploys resources to meet schedules and goals</li> <li>• Acts as advisor to subordinates to meet schedules and/or resolve technical issues</li> </ul>

<b>Operational Customer Service Manager</b>	<b>Arlena Craven</b>	Accountable – delegates work and is the last one to review the task or deliverable before it's deemed complete	Michigan	<ul style="list-style-type: none"> <li>• Manages customer service representatives and daily call center activities</li> <li>• Provides oversight and quality assurance for customer service team</li> <li>• Implements customer service procedures</li> <li>• Implements changes to procedures to increase customer service performance</li> <li>• Trains customer service representatives</li> <li>• Responsible for workload management and resource allocation</li> <li>• Monitors unit statistics to ensure contract compliance</li> <li>• Handles escalated stakeholder calls</li> </ul>
<b>Operational IT Manager</b>	TBD	Accountable – delegates work and is the last one to review the task or deliverable before it's deemed complete	Michigan	<ul style="list-style-type: none"> <li>• Manages and supports the technical environment of the SDU operation</li> <li>• Monitors, diagnoses, and resolves all file transfer control verification issues to ensure compliance with State deadlines</li> <li>• Responsible for system administration, application development and testing, disaster recovery support, facility security, and system security</li> <li>• Ensures critical processes are functioning normally</li> <li>• Responsible for all desktop support and user account maintenance</li> <li>• Manages multiple daily, weekly, and monthly backups and file transfers</li> </ul>

<b>Operational Finance Manager</b>	<b>Shafeen Hooda</b>	Accountable – delegates work and is the last one to review the task or deliverable before it's deemed complete	Virginia	<ul style="list-style-type: none"> <li>• Provides accounting support for site operations</li> <li>• Provides monthly, quarterly, and annual financial reporting and budgeting</li> <li>• Prepares monthly invoices to clients</li> <li>• Prepares bank account reconciliations</li> </ul>
<b>Operational Outreach Manager</b>	<b>Brian Leonard</b>	Accountable – delegates work and is the last one to review the task or deliverable before it's deemed complete	Ohio; travel to MiSDU as required	<ul style="list-style-type: none"> <li>• Manages EFT/employer outreach activities, including quality control and customer service for the purpose of increasing the MiSDU electronic remittance rate</li> <li>• Carefully monitors the electronic remittance rate and devises strategies to increase the rate and resolve any issues that arise</li> <li>• Acts as the point of contact for Michigan employers with questions about remitting payments electronically</li> <li>• Contacts employers and resolves issues</li> <li>• Promotes electronic options to employers</li> </ul>
<b>Operations Manager</b>	TBD	Accountable – Delegates work and is the last one to review the task or deliverable before it's deemed complete.	Michigan	<ul style="list-style-type: none"> <li>• Manages daily mail scan and data entry activities</li> <li>• Provides oversight and quality assurance for data entry and mail scan teams</li> <li>• Provides coverage for site if Operational Project Manager is off site</li> <li>• Implements mail and data entry procedures and continually monitors for improvement opportunities</li> <li>• Trains mail and data entry operators</li> <li>• Responsible for workload management and resource allocation</li> </ul>

				<ul style="list-style-type: none"> <li>Monitors performance statistics to ensure contract compliance</li> </ul>
<b>Service Manager</b>	Ganesh Venkat	Accountable – delegates work and is the last one to review the task or deliverable before it's deemed complete	Texas; travel to MiSDU as required	<ul style="list-style-type: none"> <li>Serve as primary contact with respect to the MiSDU solution</li> <li>Validates enterprise architecture for implementation</li> <li>Directs the processing of Support Requests and the Software Support Services</li> </ul>
<b>Information Security Officer</b>	ChanakyaDev Alapati	Accountable – delegates work and is the last one to review the task or deliverable before it's deemed complete	Missouri, travel to MiSDU as required	<ul style="list-style-type: none"> <li>Provides oversight for implementation of NIST compliant solution</li> <li>Monitors ongoing information security compliance with applicable standards</li> </ul>

3. If a Contractor intends to combine any of these key personnel, must explain which positions are combined and how they will meet the requirements of multiple positions. A service level agreement penalty of \$500 per day will be charged if position of key personnel is vacant for more than 20 business days.
4. The state reserves the right to refuse, at its sole discretion and notwithstanding any previous approval, any personnel of the prime contractor or a subcontractor providing services in the performance of a contract resulting from this Contract.
5. **Subcontractors.** The Contractor will be using the following subcontractors:
  - a. **Courtland Consulting, Inc.** – Provide local resources for MiSDU training and implementation services.  
1500 Watertower Pl, Suite 200  
East Lansing, MI 48823
  - b. **Comerica Bank** – Provide banking services and BIN sponsorship for the MiSDU program.  
Comerica Tower at Detroit Center  
500 Woodward Avenue  
Detroit, MI 48226
  - c. **Crusecom Technology Consultants** – Provide call center services for MiSDU debit card program.  
6080 Jet Street  
Oscoda, MI 48750
  - d. **Fiserv Solutions, LLC** – Provide card production, personalization, and mailing services.  
255 Fiserv Drive  
Brookfield, WI 53045

- e. **Public Sector Consultants, Inc.** – Provide outreach services for MiSDU to assist with transition and operations outreach activities to improve the use of electronic payments and disbursements, including assistance in rolling out the Contractor's debit card Go Program.  
230 North Washington Square, Suite 300  
Lansing, MI 48933
  - f. **Fifth Third Bank** – Provide MiSDU banking services  
38 Fountain Square Plaza  
Cincinnati, OH 45263
6. **Disclosure of Subcontractors.** If the Contractor intends to utilize additional subcontractors during the term of the Contract, the Contractor must disclose the following:
- a. The legal business name; address; telephone number; a description of the subcontractor's organization and the services it will provide; and information concerning subcontractor's ability to provide the services.
  - b. The relationship of the subcontractor to the Contractor.
  - c. Whether the Contractor has a previous working experience with the subcontractor. If yes, provide the details of that previous relationship.
  - d. A complete description of the services that will be performed by the subcontractor.

## K. Information Technology

A complete Information Technology solution is required. Contractor's business solutions and best practices for information technology will address the following with timing agreed upon by the Contractor and State.

- 1. Transmit a receipts file daily by 6:00 p.m. EST, 5 or 6 days per week to MiCSES Monday through Friday (and Saturday if Contractor chooses to work Saturday in order to process all payments timely), excluding postal holidays (however, if electronic receipts are available to be processed on a holiday, the Contractor will process them and transmit a receipt file to MiCSES by 6:00 p.m. EST).
- 2. Contractors are to provide a solution that prevents duplicate files from being processed: from the MiSDU to MiCSES, MiCSES to the MiSDU, to/from the MiSDU and any of its vendors/subcontractors, etc. A duplicate file is defined as having 95% or more matching records with a previously provided file. The Contractor will be responsible for duplicate files, resultant correction and make whole when created in error by the Contractor or subcontractor(s). This includes duplicate full or partial bank transfers. The Contractor is responsible for all penalties, recovery, and reimbursement costs.
- 3. Propose a solution to prevent payment processing errors caused by a single identical payment being processed more than once and show how the solution will prevent this occurrence from happening within the same day, a week, a month, or a year. The proposal offered must detail anticipated impacts on payment processing, any anticipated delays in processing created by the proposed process, costs, and the feasibility of the solution in Michigan. If this solution is in place in another SDU already, the Contractor is to provide information based on that experience. If this solution has not yet been implemented elsewhere, the Contractor is to provide explanations of how they arrived at their cost and feasibility conclusion.
- 4. All software and any changes to the software being used for the accomplishment of the MiSDU functions must be escrowed timely with an independent third party. The timing is to be described



in the proposal. Pursuant to an escrow agreement, the state must have access to use the software solely to operate the MiSDU, but only in the event the Contractor operations are aborted due to work stoppage, bankruptcy, ceases to support the software and does not make adequate provision for continued support of the software, Contract cancellation for cause or other event. The state would be offered the opportunity to assume the building lease, equipment leases, and other activities required to continue all MiSDU operations if the Contractor should be incapable of doing the work. Under those conditions, the state may occupy and staff the MiSDU facility using the existing hardware, software, connectivity, and may retain existing maintenance agreements and staff who wish to stay. The state would need to contact the staff and would require information regarding pay rates and benefits. The Contractor is to describe how this transition to state operations could be accomplished.

5. Establish and maintain an image database for use by state staff and FOC's through controlled and secured web access. The database must capture images the same day, of all checks accepted for processing. Capture images of all payment contents, front and back, all check, check stub, source documents, invoices, pieces of paper, the envelope, and any other items accompanying the payment unless the state approves otherwise. Payment images will be available no later than the business day following day of receipt. All imaged contents of a receipt item will be linked to the payment within the image database. The index created for the imaged documents must contain the date, batch number, and sequence number (known as the SDU ID) for the documents to facilitate retrieval.
6. Provide database searches by amount, check number, member ID, bank account & routing numbers, IV-D number, check date, SDU ID number, docket number, social security number, obligor name, employer name and/or FEIN, pre-MiCSES research items by date, selected date range, and date of receipt. Propose the time span of images that they will request from the current Contractor. The size of this request must be sufficient to meet the needs of the call center representatives without delaying responses to customers. The exact length of that request is to be identified within the proposal.
7. The Contractor will maintain a documentation library of Contractor policies, Contractor business procedures, Contractor business rules, and practices. Each such document must be dated with version identified. The library must be accessible by the state (and authorized designees, such as auditors) on a daily and hourly basis or other equal/superior solution approved by the state. All items in the documentation library must be approved by the appropriate state SDU staff prior to use and prior to appearing in the documentation library. The library must be kept up to date daily with no obsolete or outdated documents.
8. Files coming from the MiCSES through the FTS will be in zipped format to save the MiSDU cost of moving files. All files to/from the FTS must be transmitted via SFTP.
9. Adhere to all existing computer, network, server, etc. standards as described by DTMB in the State of Michigan Administrative Guide to State Government, section 1300 - Information Standards and Planning. The guide is currently available at ([https://www.michigan.gov/dtmb/0,5552,7-358-82547\\_56579\\_56755---,00.html](https://www.michigan.gov/dtmb/0,5552,7-358-82547_56579_56755---,00.html)). At least quarterly the contractor will review DTMB standards and verify all Contractor systems are meeting those standards.
10. Conduct bi-annual forensic reviews (or as otherwise deemed necessary by the state) of its security procedures, technologies, firewalls, servers, routers, switches, etc. to ensure that the most recent and up-to-date technologies are being utilized for the MiSDU network, disaster

recovery, computers, hardware, systems, i.e. all MiSDU operations. Both a detail and summary report of the forensic review are due to the state 2 weeks after the conclusion of the review. State IT will review and provide feedback to the Contractor as needed.

11. Provide system operations, which include updates, patches and repairs; defect resolution; software upgrades; enhancements; and technical support during the term of the Contract, including all renewals of it.
12. Update, patch, and repair the application components in appropriate environments and package software changes for promotion to production. All updates, patches, and repairs must be fully and successfully tested before migration to production. For implementation of updates, patches, and repairs the Contractor must work with the state to coordinate the release of the updates, patches, and repairs with regularly scheduled maintenance releases.
13. Run security vulnerability scans of their entire infrastructure (network, communications, servers, firewalls, switches, PC's, etc., every 6 months. The software used to perform these scans must meet or exceed the current version being used by the Internal Revenue Service. No later than 2 weeks after the scan a detailed and summary report must be submitted to the state for review.
14. Provide solutions and best practices for real-time information availability, e.g dashboards etc.

## **L. Security**

Comprehensive data and physical security of the MiSDU operation is needed. Contractor's business solutions and best practices for security will address the following.

1. Evaluate and prevent the potential for employee fraud through access to different MiSDU areas, MiSDU systems, and the MiCSES by restricting physical access to areas, system user access to certain systems, and fraud that may be caused by who an employee reports to or what roles they can perform at any given time. Provide to the State for review/approval, background check procedures and internal forms to meet all security requirements of this Contract.
2. Provide a security plan describing the systems and procedures to ensure the physical and systems security of the operations where confidential child support and Federal Tax Information (FTI) is maintained or accessible, and complies with Internal Revenue Service, Publication 1075 and applicable OCS and DTMB policies. The plan must be approved by the State, and submitted within 20 calendar days following the inception of the contract and will include the following:
  - a. Describe the security systems and procedures in place to protect the hardware, network, software and data utilized in performance of this Contract.
  - b. Show how all computer systems (hardware, software, networks, routers, switches, servers, VPNs, etc.) will be maintained with the most up-to-date patches and updates and meet all DTMB computer standards.
  - c. Review the plan annually and submit any changes to the State for approval.
3. Policies and practices must be in place controlling access to any operational or information systems and networks. Adopt and adhere to all state security policies for access to and use of the MiCSES and the related email, intranet and network policies (1340.00.130.02 Acceptable Use of Information Technology). Must have equivalent capabilities, policies and practices for Contractor's infrastructure.

4. Electronic facilities security capabilities, policies, and practices must be in place controlling access into the MiSDU facility, restricting access within and between critical areas to assure financial and operational integrity, video monitoring, review and storage of video for oversight of access and critical operations areas. Contractors are to explain their processes and retention schedules in detail.
5. The State Project Director and those identified by the Director should have 24/7 access. For all other building access should be proposed by the Contractor and approved by the State Project Director.
6. In the course of the contractual period, there will be state review of data integrity, facility security, and Contractor's security policies and procedures.
7. Security breach plan to be included and times for notification. In the event of a breach of IV-D information, the Contractor needs to follow IV-D Policy, state law, federal law, or other pertinent regulations. This may require contacting all parties impacted via letter and providing any remedies as identified by applicable laws.

## **M. Transition**

A complete and seamless transition from the old Contractor to the new Contractor and the future Contractor is required. Contractor's business solutions and best practices for MiSDU transition will address the following.

1. All transition, enhancement activities, work improvements, and testing will be preceded by the transition plan, to be prepared by the Contractor and concurred to by the state assuring the identification of the participants, timelines, tasks and responsibilities. The State expects transition activities to last no more than 6 months from contract effective date or a mutually agreed upon date. The awarded Contractor's Final Transition Plan is due 5 business days after the Contract execution. Any significant deviations from the draft plan, particularly involving dates or state staff resources must be explained in detail and approved by the state.
2. At the time of transition from the current Contractor to the awarded Contractor or new processes, the Contractor should understand that the state may elect to delay processing receipts, coupons, and disbursements for a limited time period in order to perform a quality assurance review of the receipts before entering them into MiCSES. The length and extent of the QA process will be determined by the state based upon the progress of testing and the results of initial review.
3. The transition plan must show tasks, staffing, hours, milestones, decision points, bar and critical path charts demonstrating understanding on the part of the Contractor with regard to the scope, complexity and time criticality of the project. The plan must identify when and for what purposes the Contractor requires participation by the old or future Contractor and subcontractors, critical task dependencies and mitigation efforts to assure timely transition. The Contractor's transition plan must describe:
  - a. Transition of inbound electronic payments.
  - b. Outreach, notices, and other communications.
  - c. Transition of outbound electronic payments.
  - d. All factors, communications, timelines, milestones, etc. involved with the transition.

4. Transition plan must include steps for connecting to MiCSES, FTS, and MI-Support and must provide for connectivity to the state communications infrastructure to include access to:
  - a. MiCSES for customer services, suspense and payment research works.
  - b. FTS for exchange of electronic files between MiCSES, other partners and the MiSDU via SFTP.
  - c. Any confidential IV-D information transmitted by e-mail to counties or the state must be done within confidentiality requirements expressed in OCS Policy Memorandums.
  - d. MI-Support, which is on the state's intranet and contains OCS and MiCSES information on policies, guidelines, operations schedules and other operations related information.
  - e. IVR's in use by The Office of Child Support, existing voice, and data communications lines, excluding voice or data communications used for the Contractor's administrative functions.
5. Provide a transition plan for critical events and deliverable dates as follows. The Contractor must be prepared to collaboratively work with the old and future MiCSES Contractor during any activities that require MiCSES interfaces. The transition plan must explain how issues between the Contractor and MiCSES will be tracked to ensure timely problem resolution. The state will seek to have an independent facilitator present, but the Contractor should not assume that this will occur. The plan is to identify critical decision points (any needed), risk factors associated with these decision points, and risk mitigation strategies.
  - a. State MiSDU staff, old, current or future MiSDU Contractor, OCS, MiCSES, bank and FOC participation requirements are to be identified.
  - b. Interaction with any workgroups or organizations is to be identified.
  - c. Project reporting, milestones, risk mitigation strategies, decision points and deliverables are to be identified.
  - d. Deliverables acceptance, lead times and acceptance periods are to be identified.
  - e. Plan to attend state project director weekly meetings.
  - f. A partial list of tentative milestones and dates are as follows:

1. Deliver transition plan	5 business days after Contract signing
2. Validate detail requirements	30 calendar days after contract signing
3. Acquire site for operations	To be identified in transition plan
4. Complete site renovations	To be identified in transition plan
5. Acquire hardware and software	To be identified in transition plan
6. Obtain occupancy permit	To be identified in transition plan
7. Present plan for installing hardware	To be identified in transition plan
8. Establish test environment	To be identified in transition plan
9. Testing acceptance	To be identified in transition plan
10. Establish processing environment	To be identified in transition plan
11. State Initial User Acceptance Testing	To be identified in transition plan
12. State Final User Acceptance Testing	To be identified in transition plan
13. Start-Up of MiSDU	To be identified in transition plan

6. Transition plan must include the steps, the timeframes, and the responsible party for each step to transition the web domain name "MiSDU.com" from the old, current and to the future Contractor so as to not interrupt payment flow. Provide a draft plan to transition the MiSDU website and/or to update the existing website with transition information, new practices, and other relevant information. This plan must provide for all payments processed from the old contractor through the transition date and provide for payments processed to the awarded Contractor after the

transition date. Final steps, dates, etc. are to be included in the transition plan after Contract award. All changes require prior approval by the state and will be processed through the state. The State of Michigan, through DTMB, will provide the MiSDU Contractor with an internet primary and backup service provider. In the event that the Contractor does not retain the Contract in the future, the web payer information must be transferred to the state and/or a Contractor selected by the state, prior to transition.

7. Existing USPS boxes must be transferred for use, maintenance, and payment by the old/current Contractor to the awarded Contractor. Logistics for transfer must be developed by the awarded Contractor with the old/current Contractor.
8. Redirect all payers sending child support electronically through the current banking partner and all payments such that the flow of child support is not delayed or disrupted. This must also include continuing redirection of payments and transfer arrangements so that the electronic payments flow timely to the MiSDU.
9. Plan for a seamless transition of the debit card bank subcontractor, both at the start and end of the Contract to prevent customers from needing to switch to checks during this transition. Any costs or impacts of the transition plan are to be described clearly. The response must detail whether or not the debit card "float" will earn interest for the customer, the state, or be used to pay for specific additional services. However, if the Contractor intends to address this issue by giving interest to the customer, the information must also be included in the information to be shared with customers. Provide detail in response to explain what steps will be required to start their debit card disbursement processes. The detail is to include any activities or assistance required of the state or the previous Contractor, timelines for all activities, and impacts on customers. All mailings planned to customers are to be detailed with at least drafts of what is envisioned by the Contractor. It is possible, but not certain, that the old/current contractor may be extended to ensure a seamless transition for customers. Contractors should include in their detail if this would be necessary for them. If not necessary, Contractors must explain why and how they intend to ensure a seamless and cost-effective transition.
10. Contractor responsibility at the start of the Contract:
  - a. Include an outline of how the transition of existing debit card customers to the new Contractor will be completed. This outline must include specific steps, identification of who is responsible for each step (state, current Contractor, new Contractor), timelines, and impacts on the flow of child support, customer questions, and state costs.
  - b. Be prepared to start reading the receipt file for the debit card insert flag, so debit card inserts begin on day one for the new MiSDU contractor.
  - c. The state will provide a MiCSES query to identify all customers currently on a debit card, so that these customers can be transitioned to the new debit card. Timelines and schedules for this process must be explained in detail so that the state knows when and how many such queries will be required of MiCSES.
11. Contractor responsibility at the end of the Contract:
  - a. Prepare for the possibility of extending the current debit card expiration dates at least 6 months past the date of transition with state approval.
  - b. Prepare for the possibility of extending the debit card portion of the Contract up to 6 months beyond the end of the rest of the Contract.
  - c. Prepare for the possibility of stopping then current debit card bank enrollments some reasonable time period before the date of transition.
  - d. Prepare to stop debit card inserts some time period before the date of transition.

- e. Actively participate and provide required information to facilitate any future transition to a successor Contractor that may be selected for future continued operations of the MiSDU when the Contract expires or is terminated.
12. All telephone carrier costs related to the MiSDU operations including customer services and the use of toll-free lines, IVR connectivity, internet connectivity, MiCSES connectivity, access to the FTS, and MiSDU administrative functions will be the state's direct cost and will be through the use of designated state carriers and backups. All hardware and all Contractor activities necessary to plan, test, and implement the various carrier services must be the responsibility of the Contractor to be embedded within the unit rates. Any Contractor communications outside SDU functions are the responsibility of the Contractor and are not a cost to the state.
13. Transition communications with all parties involved should include plans, dates, P.O. Boxes, electronic submissions, electronic disbursements, and any other facet of operations affecting how the customers, partners, and stakeholders must interact with the MiSDU.
14. The Contractor must provide equipment and software to assure complete operation of the MiSDU.
- a. Receiving Operations
  - b. Scanning, Imaging and Character Recognition
  - c. Image Storage and Retrieval
  - d. Data Entry and Processing Software
  - e. PC's
  - f. Communications and Internal Networking (voice and data)
  - g. External Connectivity (voice and data)
  - h. Printers
  - i. Servers
  - j. Central Processors
  - k. Copiers
  - l. Fax machines
  - m. Interactive Voice Response
  - n. Customer Services Call Management and Tracking
15. Hardware and software supplier or other literature provides information on reliability, system availability, processing rates and off-line maintenance requirements is required.
16. Assure configuration capabilities adequate to support normal workloads, as well as, spikes in workload that can potentially double following a holiday or weekend. Monitor capabilities and system limitations to anticipate growth or changes in process cause the MiSDU to approach system limitations. Adjust the limitation before it impacts MiSDU functions. All hardware and connectivity must be provided by the Contractor to accomplish MiSDU Contractual responsibilities with a seamless operation with sufficient capacity to accomplish daily transaction volume for the duration of the Contract. Any disruption due to hardware or software failure is to be resolved and production brought current within the next business day. Such failures are to result in immediate notice to the state with detailed MIR reports to follow. Repetitive failures of hardware and software over a 1-week period resulting in failure to meet applicable performance levels, will result in a review of maintenance records, identification of the problem and a plan of correction. Continued failure is to be determined by the performance factors not having been accomplished and may result in penalties based on Service Level Agreements. Responsible for upgrade and replacement of any equipment or software that is deemed by the state or Contractor to not be performing adequately during the life of the Contract.

17. Any equipment, software or MiSDU facilities may be used for Contractor support of its other SDU sites, such as in the event of a disaster at another site, after all Michigan workload is and remains current. Plans expected capacity requirements, workload priorities, testing, benchmarks and deployment strategies must receive prior approval by the state. The state may retract the use of the MiSDU as a disaster recovery site with 30 calendar days written notice at any time plans appear to be a potential interference with Michigan production workloads and the Contractor, in the sole opinion of the state, has not taken adequate precautions to mitigate the adverse impacts. If the use of the MiSDU facilities for disaster recovery interferes with the accomplishment of state workloads, penalties for Service Level Agreements may be applied by the state reflecting the performance factors impacted.
18. Include any equipment, software or MiSDU facilities that are planned to be used by the Contractor in support of its other SDU sites for any purposes must be detailed in the response and the Contractor must explain how they intend to maintain all Michigan contractual requirements. Any intended temporary usage of the MiSDU site requires prior approval by the state.
19. Refrain from recruiting and hiring of the old/current Contractor's employees except for activities which do not conflict with those employees' regularly scheduled workday. However, in the interest of retaining skilled employees in the MiSDU environment, the state would encourage collaborative retention and transition of staff where it is mutually advantageous for the old/current Contractor and the awarded Contractor.

Contractor's staffing strategy will include hiring Michigan residents to staff many of the MiSDU positions, including, subject to the approval of MDHH-OCS, select qualified staff from the current MiSDU contractor.

20. The MiSDU must be located within the greater Lansing, Michigan area, and must be kept undisclosed for security concerns. Contractor will use picture identification badges for all employees. Employees will display their picture identification badges to gain access to the MiSDU facility. The badge will permit access only to authorized areas.
21. While DTMB Purchasing Operations remains the sole authority for overseeing the Contract, on a daily basis, the Contractor will carry out this project under the direction and control of the Michigan Department of Health and Human Services, Office of Child Support (MDHHS-OCS) state SDU Project Director. Although there will be a liaison as needed between the entire Contractor's team and DTMB Purchasing Operations, the state SDU Project Director or designees will meet weekly, at a minimum, during initial implementation or subsequent implementation of new systems functionality, with the Contractor's project manager for the purpose of reviewing progress and providing necessary guidance to the Contractor in solving problems which arise. The Contractor will submit to the state SDU Project Director brief, written weekly summaries of progress during implementation, which outlines the work accomplished during the reporting period, and work to be accomplished during the subsequent reporting period. Problems, issues, constraints, or opportunities, real or anticipated, should be brought to the attention of the state SDU Project Director, with Contractor notification of any significant deviation from previously agreed-upon work plans to all agency contacts as well as the state SDU Project Director.
22. Weekly reporting must be provided in a format to be mutually agreed and identify information and status as follows:

- a. Overall Project Status
  - b. Project Activities
  - c. Accomplishments
  - d. In Progress
  - e. Late
  - f. Planned for Next Period
  - g. Planned Tasks/Hours
  - h. Hours Budgeted
  - i. Hours Expended
  - j. Variances
  - k. Estimates to Completion
  - l. Milestone Status
  - m. Issues for Resolution
  - n. New/Open
  - o. Project Changes
  - p. Approved/Rejected, New/Pending
23. A summarized report with the information must be provided by the Contractor to the Program Manager, with copies to the state SDU Project Director, and provided quarterly.
24. Provide sufficient square feet within the SDU site to accommodate a minimum of five state MiSDU staff with offices, a conference room (with a white board, phone, and network connections), and ergonomic office furniture and ensure a comfortable work environment. Supplies, PC's, printers, voice and data connectivity for the assigned state staff will continue to be the state's responsibility.
25. Provide and maintain a requirements traceability matrix to track all requirements specified in this Contract. This matrix will be used throughout the project to assure the MiSDU solutions meet all of the approved requirements.

## **N. Cost Proposal**

The specific payment schedule for this Contract will be mutually agreed upon by the State and the Contractor. Contractor must provide business solutions and best practices for costing and how those business solutions will address the following.

1. The schedule should show payment amount and should reflect actual work done by the payment dates, less any earned income credit, interest, other credits, etc., less any penalty cost charges accrued by those dates. Services billings must be received no later than 15 calendar days following the close of each month and must offer an early payment discount based on State of Michigan Business Days. The business day the invoice is delivered to the MiSDU state staff, by the Contractor, will be considered business day "0". The Contractor will deliver the invoice on business day "0" by 12:00 p.m. EST, if delivered after 12:00 p.m. EST the invoice will be dated as being received on the next business day's date.
2. Emphasis is on Contractor responsibility for successful deliverable completion on schedule and with payment based on a rate per unit of service payment method.



3. The State retains the option of withholding payment in the event of an uncured material breach. At such time, an evaluation would be undertaken immediately with the Contractor to assess the remedial actions necessary to recover and return to the planned schedule. Under such circumstances, either a mutually acceptable plan for recovery will be developed by the Contractor or the state may exercise the options available under the Terms and Conditions.
4. Payments for banking costs will be made using a combination of available state funds appropriated for the SDU and a compensating balance resulting from earnings on the float, i.e. earnings credit. The Contractor must provide an Account Analysis Statement with the invoice. The monthly Account Analysis Statement must reflect actual earned income, credit funding, other interest, and actual expenses. Calculations for the earned income credit are described in the Section 7 below. If the entire float is not necessary to generate ECR equal to the bank charges, the remaining float is to earn interest at the rate defined by the Contractor's in Section 7 below. Banking costs are to be broken down in a detailed report and costs passed through to the state, offset by any earned interest, on the monthly invoice.
5. The earned income credit will offset (also explicitly on the invoice) the costs. If the earned income credit exceeds banking costs, the Contractor will net that month's invoice. If the available bank balance exceeds what is needed for banking costs, the difference is expected to earn interest at the Contractor's specified interest rate model, with the interest noted as an offset of program costs on the monthly invoice. If the Contractor provides additional, agreed-upon, customer services to be funded by this interest, the Contractor will detail in their supporting documentation what specific services were funded by the interest. If the EIC is less than the banking costs, the state will pay the difference using state-appropriated funds.
6. 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 the Contractor for the expense at the state's current travel reimbursement rates.
7. For each month of the Contract, the Contractor must calculate the Earning Credit Rate as follows:
  - a. Determine the 13-week T-Bill rate on the first day of each month and the top end of the Federal Funds 25 basis point rate range on the first business day of each month.
  - b. Based on the selected collateralization strategy calculate the Earnings Credit and Interest Earned as outlined in the selection Option below.
    - i. Option #1: The collateralization strategy is the State of Michigan will provide Fifth Third Bank with a quarterly collateral target based upon account balance spikes. Earnings credit will be calculated on the average positive collected balance at the 13-week T-Bill rate (on the first business day of the given month) minus 35 basis points. Additional interest will be earned on excess balances at the top end of the Federal Funds rate range (on the first business day of the given month) minus 60 basis points. Excess balances are those balances that are above and beyond the balance that is required to cover account analysis charges. Fifth Third will implement an interest rate floor of 15 basis points with this option. However, this interest rate floor would be up for re-negotiation if either of the interest rate indexes utilized in this agreement (13-week T Bill OR Federal Funds Rate) reduces to a negative rate.
    - ii. Option #2: The collateralization strategy allows for Fifth Third Bank to adjust the acceptable collateral on a daily basis to cover balance adjustments in the accounts at a collateral percentage not to exceed 125%. This agreement would be a tri-party

agreement with accountability by an acceptable custodian. Acceptable collateral for this option would include both a Federal Home Loan Bank letter of credit and current US Treasury investments acceptable to the State of Michigan. Earnings credit will be calculated on the average positive collected balance at the 13-week T-Bill rate (on the first business day of the given month) minus 25 basis points. Additional interest will be earned on excess balances at the top end of the Federal Funds rate range (on the first business day of the given month) minus 50 basis points. Excess balances are those balances that are above and beyond the balance that is required to cover account analysis charges. Fifth Third would implement an interest rate floor of 25 basis points with this option. However, this interest rate floor would be up for re-negotiation if either of the interest rate indexes utilized in this agreement (13-week T Bill OR Federal Funds Rate) reduces to a negative rate.

- iii. Option #3: The collateralization strategy allows for Fifth Third Bank to adjust the acceptable collateral on a daily basis to cover balance adjustments in the accounts at a collateral percentage not to exceed 125%. This agreement would be a tri-party agreement with accountability by an acceptable custodian. Acceptable collateral for this option would include both a Federal Home Loan Bank letter of credit and an expansion of acceptable collateral to the State of Michigan to include Agencies and Treasuries guaranteed by the US Government. Earnings credit will be calculated on the average positive collected balance at the 13-week T-Bill rate (on the first business day of the given month) minus 20 basis points. Additional interest will be earned on excess balances at the top end of the Federal Funds rate range (on the first business day of the given month) minus 45 basis points. Excess balances are those balances that are above and beyond the balance that is required to cover account analysis charges. Fifth Third would implement an interest rate floor of 30 basis points with this option. However, this interest rate floor would be up for re-negotiation if either of the interest rate indexes utilized in this agreement (13-week T Bill OR Federal Funds Rate) reduces to a negative rate.
8. Float not necessary to cover the account analysis charges is to earn interest at the Contractor's proposed prevailing rate. This interest is to be used as required by Michigan law (Public Act 161 of 1999) to reduce program expenses or increase customer services as determined by the state. Contractor has agreed to reduce monthly invoiced SDU costs by the interest earned and paid.
  9. Prices quoted for on-going services are the maximum for the entire effective period of the Contract. Revisions to the rates per unit of service may be requested by either party for either increases or decreases.
  10. The Contractor may request that the unit-rate-prices be revised at the end of the initial Contract Term period and each subsequent 365-day period (yearly). Such requested revision to the unit-rate prices must be based on general industry changes and must be supported by adequate detail to document same. Requests for price changes or revisions must be received in writing at least 90 days prior to their effective date and are subject to written approval and acceptance by the state. The prices quoted are approved for each 365-day (yearly) period must be firm for that period.
  11. The state is exempt from state and local sales tax. Prices must not include the taxes.

12. Federal Excise Tax: The state may be exempt from Federal Excise Tax, or the taxes may be reimbursable, if articles purchased under any resulting Contract are used for the state's exclusive use. Certificates showing exclusive use for the purposes of substantiating a tax-free or tax-reimbursable sale will be sent upon request. If a sale is tax exempt or tax reimbursable under the Internal Revenue Code, prices must not include the Federal Excise Tax.

During the Contract period, the State and Contractor will continue to look for opportunities to establish the MiSDU as a regional SDU servicing the needs of Michigan and other states (bring jobs to Michigan).

# STATE OF MICHIGAN

Master Agreement No. 200000000771  
State Disbursement Unit for Child Support Payment Processing

## SCHEDULE B PRICING

Start-up costs of the Contractor for establishing the MiSDU or costs related to transition to another Contractor at the expiration of the Contract must not be separately billable. These costs are embedded within the unit rates quoted by the Contractor in their flat rate cost models below. Contractor will offer a 0.5% discount if invoice is paid within 30 days of receipt.

**Table I**

*Receipts	Rate per resolved item
Paper Receipts (See Note 1)	Not Billable
Paper Receipts w/ Coupons (See Note 1)	Not Billable
Electronic Receipts	\$0.485000
AG Wires	\$0.186840
Credit Card payments	\$0.096390
Other receipting source (See Note 1)	Not Billable
Research	
Debit Card Set-up Requests	\$0.000000
Direct Deposit Requests	\$1.706050
Forgery Packet Requests	\$0.000000
Stop Pay Affidavit Requests	\$1.706050
PIN Change Form Requests	\$0.000000
Escheatment Form Requests	\$0.000000
Returned Address Change Form Requests	\$0.000000
Returned Checks-Other	\$0.000000
Returned Direct Deposits	\$2.314990
SDU Research (Pre-10 Day)	\$2.052690
307 Request-All Sources	\$2.314990
Follow-Up Resolution (MICSES UNID)	\$2.314990
Address Updates	\$2.045100
Address End-dates	\$2.314990
NMSN processing	\$2.436450
OCS Return Mail & 1201 scanning	\$0.023200
Disbursements	
Checks Printed and Mailed	\$0.000000

Checks Printed and Not Mailed	\$0.000000
Initial Disbursement Inserts	\$0.071400
Coupon Printing/Mailing	\$0.000000
Electronic Direct Deposit	\$0.000000
Electronic Debit Card	\$0.000000
<b>Customer Service</b>	
Process CP/NCP Calls	\$1.250000
Employer Inquiries	\$1.250000
FOC Inquiries	\$1.250000
MI Debit Card	\$0.000000
Mail Inquiries	\$2.320000
Web Inquiries	\$0.000000
<b>Postage</b>	
Postage Rate for Forms Mailed	\$0.480000
Postage Rate for Checks Mailed	\$0.480000
Postage Rate for Coupons Mailed	\$0.480000
<b>Banking Services</b>	
Account analysis charges	Calculated and applied per Schedule A, Section 3.1.N.7.
Less: Bank interest earned	Calculated and applied per Schedule A, Section 3.1.N.7.
<b>Special Projects</b>	
Other SOWs - as agreed	

**Notes:**

/1/ The cost of processing these types of receipts is embedded in a blended rate to process electronic receipts.

**Table II**

Transaction Type	Estimated Units	rate/item	Total Annual Costs
NIST Compliance	12	\$15,885.00	\$190,620.00
Req 3.1.A.11 per page scanning	1	\$0.350	\$0.35
Hosting Services	12	\$15,000.00	\$180,000.00

**Table III**

Rate Card	
Skill Category	Not-to-Exceed Hourly Rate
Project Manager	\$150.00
Analyst	\$65.00
Programmer	\$85.00
System Tester	\$65.00
Business Analyst	\$85.00
Data Entry	\$18.00
Payment Research	\$20.00
Customer Services	\$20.00
Other	\$250.00

Annual Estimated Costs based on FY 2019*	Total
Table I totals	\$4,471,802.32
Table II Totals	\$370,620.35
Table III Totals	N/A
Total Estimated Annual Cost	\$4,842,422.67

Total Estimated 10 year contract value	\$48,424,226.74
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\* None of the estimated costs and transaction volumes represent a guaranteed level of activity. They represent an informed estimate which can fluctuate due to customer, systems or other environmental conditions.

# STATE OF MICHIGAN

Master Agreement No. 200000000771  
State Disbursement Unit for Child Support Payment Processing

## SCHEDULE C SERVICE LEVEL AGREEMENT FOR SYSTEMS ONLY

1. **Definitions.** For purposes of this Schedule, the following terms have the meanings set forth below. All initial capitalized terms in this Schedule that are not defined in this **Section 1** will have the respective meanings given to them in the Contract.

“**Actual Uptime**” means the total minutes in the Service Period that the Hosted Services are Available.

“**Availability**” has the meaning set forth in **Section 4.a**).

“**Availability Requirement**” has the meaning set forth in **Section 4.a**).

“**Available**” has the meaning set forth in **Section 4.a**).

“**Contractor Service Manager**” has the meaning set forth in **Section 3.1**.

“**Corrective Action Plan**” has the meaning set forth in **Section 5.6**.

“**Critical Service Error**” has the meaning set forth in **Section 5.4a**).

“**Exceptions**” has the meaning set forth in **Section 4.2**.

“**Force Majeure Event**” has the meaning set forth in **Section 30**.

“**High Service Error**” has the meaning set forth in **Section 5.4a**).

“**Hosted Services**” has the meaning set forth in **Section 2.1a**).

“**Low Service Error**” has the meaning set forth in **Section 5.4a**).

“**Medium Service Error**” has the meaning set forth in **Section 5.4a**).

“**Resolve**” has the meaning set forth in **Section 5.4b**).

“**Scheduled Downtime**” has the meaning set forth in **Section 4.3**.

“**Scheduled Uptime**” means the total minutes in the Service Period.

“**Service Availability Credits**” has the meaning set forth in **Section 4.6a**).

“**Service Error**” means any failure of any Hosted Service to be Available or otherwise perform in accordance with this Schedule.

“**Service Level Credits**” has the meaning set forth in **Section 5.5**.

“**Service Level Failure**” means a failure to perform the Software Support Services fully in compliance with the Support Service Level Requirements.

“**Service Period**” has the meaning set forth in **Section 4.a**).

“**Software**” has the meaning set forth in the Contract.

“**Software Support Services**” has the meaning set forth in **Section 5**.

“**State Service Manager**” has the meaning set forth in **Section 3.2**.

“**State Systems**” means the information technology infrastructure, including the computers, software, databases, electronic systems (including database management systems) and networks, of the State or any of its designees.

“**Support Request**” has the meaning set forth in **Section 5.4a**).

“**Support Service Level Requirements**” has the meaning set forth in **Section 5.4**.

“**Term**” has the meaning set forth in the Contract.

## 2. **Services.**

2.1 **Services.** Throughout the Term, Contractor will, in accordance with all terms and conditions set forth in the Contract and this Schedule, provide to the State and its Authorized Users the following services:

- a) the hosting, management and operation of the Software and other services for remote electronic access and use by the State and its Authorized Users ("**Hosted Services**");
- b) the Software Support Services set forth in **Section 5** of this Schedule;

### 3. **Personnel**

- 3.1 Contractor Personnel for the Hosted Services. Contractor will appoint a Contractor employee to serve as a primary contact with respect to the Services who will have the authority to act on behalf of Contractor in matters pertaining to the receipt and processing of Support Requests and the Software Support Services (the "**Contractor Service Manager**"). The **Contractor Service Manager** will be considered Key Personnel under the Contract.
- 3.2 State Service Manager for the Hosted Services. The State will appoint and, in its reasonable discretion, replace, a State employee to serve as the primary contact with respect to the Services who will have the authority to act on behalf of the State in matters pertaining to the Software Support Services, including the submission and processing of Support Requests (the "**State Service Manager**").

### 4. **Service Availability and Service Availability Credits.**

- a) Availability Requirement. Contractor will make the Hosted Services Available, as measured over the course of each calendar month during the Term and any additional periods during which Contractor does or is required to perform any Hosted Services (each such calendar month, a "**Service Period**"), at least 99.98% of the time, excluding only the time the Hosted Services are not Available solely as a result of one or more Exceptions (the "**Availability Requirement**").  
**"Available"** means the Hosted Services are available and operable for access and use by the State and its Authorized Users over the Internet in material conformity with the Contract.  
**"Availability"** has a correlative meaning. The Hosted Services are not considered Available in the event of a material performance degradation or inoperability of the Hosted Services, in whole or in part. The Availability Requirement will be calculated for the Service Period as follows: 
$$\frac{\text{Actual Uptime} - \text{Total Minutes in Service Period Hosted Services are not Available Due to an Exception}}{\text{Scheduled Uptime} - \text{Total Minutes in Service Period Hosted Services are not Available Due to an Exception}} \times 100 = \text{Availability}.$$
- 4.2 Exceptions. No period of Hosted Service degradation or inoperability will be included in calculating Availability to the extent that such downtime or degradation is due to any of the following ("**Exceptions**"):
  - a) failures of the State's or its Authorized Users' internet connectivity;
  - b) Scheduled Downtime as set forth in **Section 4.3**.
- 4.3 Scheduled Downtime. Contractor must notify the State at least twenty-four (24) hours in advance of all scheduled outages of the Hosted Services in whole or in part ("**Scheduled Downtime**"). All such scheduled outages will: (a) last no longer than five (5) hours; (b) be scheduled between the hours of 12:00 a.m. and 5:00 a.m., Eastern Time; and (c) occur no more frequently than once per week; provided that Contractor may request the State to approve extensions of Scheduled Downtime above five (5) hours, and such approval by the State may not be unreasonably withheld or delayed.
- 4.4 Software Response Time. On all outward facing solutions for Customers and/or child support professionals, Software response time, defined as the interval from the time the end user sends a transaction to the time a visual confirmation of transaction completion is received, must be less than two (2) seconds for 98% of all transactions. Unacceptable response times will be considered to make the Software unavailable and will count against the Availability Requirement.
- 4.5 Service Availability Reports. Within thirty (30) days after the end of each Service Period, Contractor will provide to the State a report describing the Availability and other performance of the Hosted Services during that calendar month as compared to the Availability Requirement. The report must be



in electronic or such other form as the State may approve in writing and will include, at a minimum: (a) the actual performance of the Hosted Services relative to the Availability Requirement; and (b) if Hosted Service performance has failed in any respect to meet or exceed the Availability Requirement during the reporting period, a description in sufficient detail to inform the State of the cause of such failure and the corrective actions the Contractor has taken and will take to ensure that the Availability Requirement are fully met.

#### 4.6 Remedies for Service Availability Failures.

- a) If the actual Availability of the Hosted Services is less than the Availability Requirement for any Service Period, such failure will constitute a Service Error for which Contractor will issue to the State the following credits on the fees payable for Hosted Services provided during the Service Period ("**Service Availability Credits**"):

Availability	Credit of Fees
≥99.98%	None
<99.98% but ≥99.0%	15%
<99.0% but ≥95.0%	50%
<95.0%	100%

- b) Any Service Availability Credits due under this **Section 4.6** will be applied in accordance with payment terms of the Contract.
- c) If the actual Availability of the Hosted Services is less than the Availability Requirement in any two (2) of four (4) consecutive Service Periods, then, in addition to all other remedies available to the State, the State may terminate the Contract on written notice to Contractor with no liability, obligation or penalty to the State by reason of such termination.

**5. Support and Maintenance Services.** Contractor will provide Hosted Service maintenance and support services (collectively, "**Software Support Services**") in accordance with the provisions of this **Section 5**. The Software Support Services are included in the Services, and Contractor may not assess any additional fees, costs or charges for such Software Support Services.

##### 5.1 Support Service Responsibilities. Contractor will:

- correct all Service Errors in accordance with the Support Service Level Requirements, including by providing defect repair, programming corrections and remedial programming;
- provide unlimited telephone support 24 hours a day, seven days a week;
- provide unlimited online support 24 hours a day, seven days a week;
- provide online access to technical support bulletins and other user support information and forums, to the full extent Contractor makes such resources available to its other customers; and
- respond to and Resolve Support Requests as specified in this **Section 5**.

##### 5.2 Service Monitoring and Management. Contractor will continuously monitor and manage the Hosted Services to optimize Availability that meets or exceeds the Availability Requirement. Such monitoring and management includes:

- proactively monitoring on a twenty-four (24) hour by seven (7) day basis all Hosted Service functions, servers, firewall and other components of Hosted Service security;
- if such monitoring identifies, or Contractor otherwise becomes aware of, any circumstance that is reasonably likely to threaten the Availability of the Hosted Service, taking all necessary and reasonable remedial measures to promptly eliminate such threat and ensure full Availability; and
- if Contractor receives knowledge that the Hosted Service or any Hosted Service function or component is not Available (including by written notice from the State pursuant to the procedures set forth herein):

- (i) confirming (or disconfirming) the outage by a direct check of the associated facility or facilities;
- (ii) if Contractor's facility check in accordance with clause (i) above confirms a Hosted Service outage in whole or in part: (A) notifying the State in writing pursuant to the procedures set forth herein that an outage has occurred, providing such details as may be available, including a Contractor trouble ticket number, if appropriate, and time of outage; and (B) working all problems causing and caused by the outage until they are Resolved as Critical Service Errors in accordance with the Support Request Classification set forth in **Section 5.4**, or, if determined to be an internet provider problem, open a trouble ticket with the internet provider; and
- (iii) notifying the State that Contractor has fully corrected the outage and any related problems, along with any pertinent findings or action taken to close the trouble ticket.

- 5.3 **Service Maintenance.** Contractor will continuously maintain the Hosted Services to optimize Availability that meets or exceeds the Availability Requirement. Such maintenance services include providing to the State and its Authorized Users:
- a) all updates, bug fixes, enhancements, new releases, new versions and other improvements to the Hosted Services, including the Software, that Contractor provides at no additional charge to its other similarly situated customers; and
  - b) all such services and repairs as are required to maintain the Hosted Services or are ancillary, necessary or otherwise related to the State's or its Authorized Users' access to or use of the Hosted Services, so that the Hosted Services operate properly in accordance with the Contract and this Schedule.

- 5.4 **Support Service Level Requirements.** Contractor will correct all Service Errors and respond to and Resolve all Support Requests in accordance with the required times and other terms and conditions set forth in this **Section 5.4 ("Support Service Level Requirements")**, and the Contract.
- a) **Support Requests.** The State will classify its requests for Service Error corrections in accordance with the descriptions set forth in the chart below (each a "**Support Request**"). The State Service Manager will notify Contractor of Support Requests by email, telephone or such other means as the parties may hereafter agree to in writing.

<b>Support Request Classification</b>	<b>Description: Any Service Error Comprising or Causing any of the Following Events or Effects</b>
Critical Service Error	<ul style="list-style-type: none"> <li>• Issue affecting entire system or single critical production function;</li> <li>• System down or operating in materially degraded state;</li> <li>• Data integrity at risk;</li> <li>• Declared a Critical Support Request by the State; or</li> <li>• Widespread access interruptions.</li> </ul>
High Service Error	<ul style="list-style-type: none"> <li>• Primary component failure that materially impairs its performance; or</li> </ul>

	<ul style="list-style-type: none"> <li>Data entry or access is materially impaired on a limited basis.</li> </ul>
Medium Service Error	<ul style="list-style-type: none"> <li>Hosted Service is operating with minor issues that can be addressed with an acceptable (as determined by the State) temporary work around.</li> </ul>
Low Service Error	<ul style="list-style-type: none"> <li>Request for assistance, information, or services that are routine in nature.</li> </ul>

- b) Response and Resolution Time Service Levels. Response and Resolution times will be measured from the time Contractor receives a Support Request until the respective times Contractor has (i) responded to, in the case of response time and (ii) Resolved such Support Request, in the case of Resolution time. **"Resolve"** (including **"Resolved"**, **"Resolution"** and correlative capitalized terms) means that, as to any Service Error, Contractor has provided the State the corresponding Service Error correction and the State has confirmed such correction and its acceptance thereof. Contractor will respond to and Resolve all Service Errors within the following times based on the severity of the Service Error:

Support Request Classification	Service Level Metric (Required Response Time)	Service Level Metric (Required Resolution Time)	Service Level Credits (For Failure to Respond to any Support Request Within the Corresponding Response Time)	Service Level Credits (For Failure to Resolve any Support Request Within the Corresponding Required Resolution Time)
Critical Service Error	One (1) hour	Three (3) hours	Five percent (5%) of the Fees for the month in which the initial Service Level Failure begins and five percent (5%) of such monthly Fees for each additional hour or portion thereof that the corresponding Service Error is not responded to within the required response time.	Five percent (5%) of the Fees for the month in which the initial Service Level Failure begins and five percent (5%) of such monthly Fees for the first additional hour or portion thereof that the corresponding Service Error remains un-Resolved, which amount will thereafter double for each additional one-hour increment.

High Service Error	One (1) hour	Four (4) hours	Three percent (3%) of the Fees for the month in which the initial Service Level Failure begins and three percent (3%) of such monthly Fees for each additional hour or portion thereof that the corresponding Service Error is not responded to within the required response time.	Three percent (3%) of the Fees for the month in which the initial Service Level Failure begins and three percent (3%) of such monthly Fees for the first additional hour or portion thereof that the corresponding Service Error remains un-Resolved, which amount will thereafter double for each additional one-hour increment.
Medium Service Error	Three (3) hours	Two (2) Business Days	N/A	N/A
Low Service Error	Three (3) hours	Five (5) Business Days	N/A	N/A

c) Escalation. With respect to any Critical Service Error Support Request, until such Support Request is Resolved, Contractor will escalate that Support Request within sixty (60) minutes of the receipt of such Support Request by the appropriate Contractor support personnel, including, as applicable, the Contractor Service Manager and Contractor's management or engineering personnel, as appropriate.

5.5 Support Service Level Credits. Failure to achieve any of the Support Service Level Requirements for Critical and High Service Errors will constitute a Service Level Failure for which Contractor will issue to the State the corresponding service credits set forth in **Section 5.4b0 ("Service Level Credits")** in accordance with payment terms set forth in the Contract.

5.6 Corrective Action Plan. If two or more Critical Service Errors occur in any thirty (30) day period during (a) the Term or (b) any additional periods during which Contractor does or is required to perform any Hosted Services, Contractor will promptly investigate the root causes of these Service Errors and provide to the State within five (5) Business Days of its receipt of notice of the second such Support Request an analysis of such root causes and a proposed written corrective action plan for the State's review, comment and approval, which, subject to and upon the State's written approval, will be a part of, and by this reference is incorporated in, the Contract as the parties' corrective action plan (the "**Corrective Action Plan**"). The Corrective Action Plan must include, at a minimum: (a) Contractor's commitment to the State to devote the appropriate time, skilled personnel, systems support and equipment and other resources necessary to Resolve and prevent any further occurrences of the Service Errors giving rise to such Support Requests; (b) a strategy for developing any programming, software updates, fixes, patches, etc. necessary to remedy, and prevent any further occurrences of, such Service Errors; and (c) time frames for implementing the Corrective Action Plan. There will be no additional charge for Contractor's preparation or implementation of the Corrective Action Plan in the time frames and manner set forth therein.

## **6. Safeguarding Contract Language**

**6.1 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:

- a) All work will be performed under the supervision of the contractor or the contractor's responsible employees.
- b) The contractor and the contractor's employees with access to or who use FTI must meet the background check requirements defined in IRS Publication 1075.
- c) Any Federal tax returns or return information (hereafter referred to as returns or return information) made available will 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. Inspection by or disclosure to anyone other than an officer or employee of the contractor is prohibited.
- d) All returns and return information will be accounted for upon receipt and properly stored before, during, and after processing. In addition, all related output and products will be given the same level of protection as required for the source material.
- e) No work involving returns and return information furnished under this contract will be subcontracted without prior written approval of the IRS.
- f) 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.
- g) The state will have the right to void the contract if the contractor fails to provide the safeguards described above.
- h) (Include any additional safeguards that may be appropriate.)

## **6.2 Criminal/Civil Sanctions**

- a) 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 five years, or both, together with the costs of prosecution. Such person will also notify each such officer and employee that any such unauthorized future 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 IRCs 7213 and 7431 and set forth at 26 CFR 301.6103(n)-1.
- b) 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 any return or return information made available in any format will 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. 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 \$1,000.00 or imprisonment for as long as 1 year, or both, together with the costs of prosecution. Such person will 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 \$1,000.00 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. The penalties are prescribed by IRCs 7213A and 7431 and set forth at 26 CFR 301.6103(n)-1.
- c) 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 so prohibited, willfully discloses the material in any manner to any person or agency not entitled to receive it, will be guilty of a misdemeanor and fined not more than \$5,000.
  - d) 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 must be advised of the provisions of IRCs 7431, 7213, and 7213A. 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 must sign, either with ink or electronic signature, a confidentiality statement certifying their understanding of the security requirements.

**6.3 Inspection.** The IRS and the Agency, with 24-hour notice, will have the right to send its inspectors into the offices and plants of the contractor to inspect facilities and operations performing any work with FTI under this contract for compliance with requirements defined in IRS Publication 1075. The IRS' right of inspection will include the use of manual and/or automated scanning tools to perform compliance and vulnerability assessments of information technology (IT) assets that access, store, process or transmit FTI. On the basis of such inspection, corrective actions may be required in cases where the contractor is found to be noncompliant with contract safeguards.

# STATE OF MICHIGAN

Master Agreement No. 200000000771  
State Disbursement Unit for Child Support Payment Processing

## SCHEDULE D DATA SECURITY REQUIREMENTS

1. **Definitions.** For purposes of this Schedule, the following terms have the meanings set forth below. All initial capitalized terms in this Schedule that are not defined in this **Section 1** will have the respective meanings given to them in the Contract.

“**Contractor Security Officer**” has the meaning set forth in **Section 2** of this Schedule.

“**Contractor Systems**” has the meaning set forth in **Section 5** of this Schedule.

“**FedRAMP**” means the Federal Risk and Authorization Management Program, which is a federally approved risk management program that provides a standardized approach for assessing and monitoring the security of cloud products and services.

“**FISMA**” means The Federal Information Security Management Act of 2002 (44 U.S.C. ch. 35, subch. III § 3541 et seq.).

“**Hosted Services**” means the hosting, management and operation of the computing hardware, ancillary equipment, Software, firmware, data, other services (including support services), and related resources for remote electronic access and use by the State and its Authorized Users, including any services and facilities related to disaster recovery obligations.

“**NIST**” means the National Institute of Standards and Technology.

“**PCI**” means the Payment Card Industry.

“**PSP**” means the State’s IT Policies, Standards and Procedures located at:  
[http://michigan.gov/dtmb/0,4568,7-150-56355\\_56579\\_56755---,00.html](http://michigan.gov/dtmb/0,4568,7-150-56355_56579_56755---,00.html).

2. Contractor will appoint a Contractor employee to respond to the State’s inquiries regarding the security of the Contractor Systems who has sufficient knowledge of the security of the Contractor Systems and the authority to act on behalf of Contractor in matters pertaining thereto (“**Contractor Security Officer**”). The Contractor Security Officer will be considered Key Personnel under the Contract.

3. **Protection of the State’s Confidential Information.** Throughout the Term and at all times in connection with its actual or required performance of the Services, Contractor will:

- 3.1 maintain FedRAMP certification for cloud Hosted Services throughout the Term, and in the event the contractor is unable to maintain FedRAMP certification, the State may move the Software to an alternative provider, at contractor’s sole cost and expense;

- 3.2 ensure that the Software is securely hosted, supported, administered, and accessed in a data center that resides in the continental United States, and minimally meets Uptime Institute Tier 3 standards ([www.uptimeinstitute.com](http://www.uptimeinstitute.com)), or its equivalent;
- 3.3 maintain and enforce an information security program including safety and physical and technical security policies and procedures with respect to its Processing of the State's Confidential Information that comply with the requirements of the State's data security policies as set forth in the Contract, and must, at a minimum, remain compliant with FISMA and the NIST Special Publication 800.53 (most recent version) MOD Controls using minimum control values as established in the applicable PSP. The Contractor will review the NIST Special Publication 800-53 (most recent version) MOD for any updates or changes and implement those that apply to the Solution;
- 3.4 provide technical and organizational safeguards against accidental, unlawful or unauthorized access to or use, destruction, loss, alteration, disclosure, transfer, commingling or processing of such information that ensure a level of security appropriate to the risks presented by the processing of the State's Confidential Information and the nature of such Confidential Information, consistent with best industry practice and standards;
- 3.5 take all reasonable measures to:
  - a) secure and defend all locations, equipment, systems and other materials and facilities employed in connection with the Services against "hackers" and others who may seek, without authorization, to disrupt, damage, modify, access or otherwise use Contractor Systems or the information found therein; and
  - b) prevent (i) the State and its Authorized Users from having access to the data of other customers or such other customer's users of the Services; (ii) the State's Confidential Information from being commingled with or contaminated by the data of other customers or their users of the Services; and (iii) unauthorized access to any of the State's Confidential Information;
- 3.6 ensure that State Data is encrypted in transit and at rest using AES 256bit or higher encryption;
- 3.7 ensure that State Data is encrypted in transit and at rest using currently certified encryption modules in accordance with FIPS PUB 140-2 (as amended), *Security Requirements for Cryptographic Modules*;
- 3.8 ensure the Hosted Services support Identity Federation/Single Sign-on (SSO) capabilities using Security Assertion Markup Language (SAML) or comparable mechanisms;
  - a. Ensure that complex passwords are utilized, consisting of the following:
    - 1. Contain both upper- and lower-case characters
    - 2. Have digits and punctuation characters as well as letters
    - 3. Are at least eight alphanumeric characters in length
  - b. Utilize password expiration (Change user-level passwords at least every sixty days)
- 3.9 ensure the Hosted Services have multi-factor authentication for privileged/administrative access; and



3.10 assist the State, at no additional cost, with development and on-going maintenance of a system security plan (SSP) using the State's automated governance, risk and compliance (GRC) platform, which requires evidence to be submitted upon request for validation of controls. On an annual basis or as required, re-assessment of the systems controls will be required to receive and maintain authority to operate (ATO).

3.11 All identified risks from the SSP will be remediated thru a POAM process with remediation time frames based on risk level of findings. For all findings associated with the Contractor's solution, at no additional cost, Contractor will be required to create or assist with the creation of State approved POAMs and perform related remediation activities. The State will make any decisions on Acceptable Risk, the vendor may request risk acceptance, supported by compensating controls, however only the State may formally accept risk.

4. **Unauthorized Access.** Contractor may not access, and will not permit any access to, State systems, in whole or in part, whether through Contractor's Systems or otherwise, without the State's express prior written authorization. Such authorization may be revoked by the State in writing at any time in its sole discretion. Any access to State systems must be solely in accordance with the Contract and this Schedule, and in no case exceed the scope of the State's authorization pursuant to this **Section 4**. All State-authorized connectivity or attempted connectivity to State systems will be only through the State's security gateways and firewalls and in compliance with the State's security policies set forth in the Contract as the same may be supplemented or amended by the State and provided to Contractor from time to time.

5. **Contractor Systems.** Contractor will be solely responsible for the information technology infrastructure, including all computers, software, databases, electronic systems (including database management systems) and networks used by or for Contractor in connection with the Services ("**Contractor Systems**") and will prevent unauthorized access to State systems through the Contractor Systems.

6. **Security Audits.** During the Term, Contractor will:

6.1 maintain complete and accurate records relating to its data protection practices, IT security controls, and the security logs of any of the State's Confidential Information, including any backup, disaster recovery or other policies, practices or procedures relating to the State's Confidential Information and any other information relevant to its compliance with this Schedule;

6.2 upon the State's request, make all such records, appropriate personnel and relevant materials available during normal business hours for inspection and audit by the State or an independent data security expert that is reasonably acceptable to Contractor, provided that the State: (i) gives Contractor at least five (5) Business Days prior notice of any such audit; (ii) undertakes such audit no more than once per calendar year, except for good cause shown; and (iii) conducts or causes to be conducted such audit in a manner designed to minimize disruption of Contractor's normal business operations and that complies with the terms and conditions of all data confidentiality, ownership, privacy, security and restricted use provisions of the Contract. The State may, but is not obligated to, perform such security audits, which will, at the State's option and request, include penetration and security tests, of any and all Contractor Systems and their housing facilities and operating environments; and

6.3 if requested by the State, provide a copy of Contractor's FedRAMP System Security Plan. The System Security Plan will be recognized as Contractor's Confidential Information.

7. **Authority to Operate (ATO) Security Process**  
Secure Web Application Standard

Contractor's solution must meet the State's Secure Application Development Standards as mandated by the State of Michigan (SOM).

#### Secure Application Development Life Cycle (SADLC)

Contractor is required to meet the SOM's SADLC requirements that include:

##### Security Accreditation

Contractor is required to complete the SOM's Security Accreditation process for the solution.

##### Application Scanning

###### **Externally hosted solutions**

Contractor is required to grant the right to the SOM to scan either the application code or a deployed version of the solution deployed to the SOM; or in lieu of the SOM performing a scan, Contractor will provide the SOM a vulnerabilities assessment after Contractor has used IBM AppScan or a SOM approved application scanning tool. Software must be scanned prior to every major release (significant change) or every 3 years, whichever is sooner. This aligns with the SOM's Authority To Operate (ATO) process. The process for determining if a change is "significant" is defined in the SOM Governance, Risk and Compliance (GRC) tool referred to as "Keylight".

For Commercial Off-The-Shelf (COTS) or vendor owned applications, Contractor, at its sole expense, must provide resources to complete the scanning and to complete the analysis, remediation and validation of vulnerabilities identified by the scan as required by the State Secure Web Application Standards. Contractor will provide the SOM with a comprehensive list of all vulnerabilities each time application scanning is performed. Test policies for each scan performed will be made available to the SOM upon request to ensure that what they are testing for is adequate.

Types of scanning and remediation may include the following types of scans and activities

- Dynamic Scanning for vulnerabilities, analysis, remediation and validation
- Static Scanning for vulnerabilities, analysis, remediation and validation
- Third Party and/or Open Source Scanning for vulnerabilities, analysis, remediation and validation. Third Party and/or Open Source Scanning for vulnerabilities, analysis remediation and validation" is NOT allowed unless first approved by SOM Michigan Security Operations Center management.

Static Scans are performed to analyze the source code for patterns, and vulnerabilities. Dynamic Scans are performed to scan the application executable for vulnerabilities simulating an end user experience.

SOM requires vendors/ contractors to perform both these scans and provide detailed report on vulnerabilities. SOM requires the test policy/ plan followed by vendor/ contractor that resulted in the scan that produced the report.

##### Infrastructure Scanning

A Contractor providing Hosted Services must scan the infrastructure at least once every 30 days and provide the scan's assessment to the State in a format that can be uploaded by the State and used to track the remediation.

**8. Nonexclusive Remedy for Security Breach.** Any failure of the Services to meet the requirements of this Schedule with respect to the security of any State Data or other Confidential Information of the State, including any related backup, disaster recovery or other policies, practices or procedures, is a material breach of the Contract for which the State, at its option, may terminate the Contract immediately upon written notice to Contractor without any notice or cure period, and Contractor must promptly reimburse to the State any Fees prepaid by the State prorated to the date of such termination.

**9. PCI Compliance.**

- 9.1 Contractors that process, transmit, store or affect the security of credit/debit cardholder data, must adhere to the PCI Data Security Standard. The Contractor is responsible for the security of cardholder data in its possession. The data may only be used to assist the State or for other uses specifically authorized by law.
- 9.2 The Contractor must notify the State's Contract Administrator (within 48 hours of discovery) of any breaches in security where cardholder data has been compromised. In that event, the Contractor must provide full cooperation to the card associations (e.g. Visa, MasterCard, and Discover) and state acquirer representative(s), or a PCI approved third party, to conduct a thorough security review. The Contractor must provide, at the request of the State, the results of such third-party security review. The review must validate compliance with the PCI Data Security Standard for protecting cardholder data. At the State's sole discretion, the State may perform its own security review, either by itself or through a PCI approved third party.
- 9.3 The Contractor is responsible for all costs incurred as the result of the breach. Costs may include, but are not limited to, fines/fees for non-compliance, card reissuance, credit monitoring, and any costs associated with a card association, PCI approved third party, or State initiated security review.
- 9.4 Without limiting Contractor's obligations of indemnification as further described in this Contract, Contractor must indemnify, defend, and hold harmless the State for any and all claims, including reasonable attorneys' fees, costs, and incidental expenses, which may be suffered by, accrued against, charged to, or recoverable from the State in connection with the breach.
- 9.5 The Contractor must dispose of cardholder data when it is no longer needed in compliance with PCI DSS policy. The Contractor must continue to treat cardholder data as confidential upon contract termination.
- 9.6 The Contractor must provide the State's Contract Administrator with an annual Attestation of Compliance (AOC) or a Report on Compliance (ROC) showing the contractor is in compliance with the PCI Data Security Standard. The Contractor must notify the State's Contract Administrator of all failures to comply with the PCI Data Security Standard.

## Federal Provisions Addendum

The provisions in this addendum may apply if the purchase will be paid for in whole or in part with funds obtained from the federal government. If any provision below is not required by federal law for this Contract, then it does not apply and must be disregarded. If any provision below is required to be included in this Contract by federal law, then the applicable provision applies, and the language is not negotiable. If any provision below conflicts with the State's terms and conditions, including any attachments, schedules, or exhibits to the State's Contract, the provisions below take priority to the extent a provision is required by federal law; otherwise, the order of precedence set forth in the Contract applies. Hyperlinks are provided for convenience only; broken hyperlinks will not relieve Contractor from compliance with the law.

1. **Federally Assisted Construction Contracts.** If this contract is a “**federally assisted construction contract**” as defined in [41 CRF Part 60-1.3](#), and except as otherwise may be provided under [41 CRF Part 60](#), then during performance of this Contract, the Contractor agrees as follows:

- a. The Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, sexual orientation, gender identity, or national origin. The Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, sex, sexual orientation, gender identity, or national origin. Such action will include, but not be limited to the following:

Employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided setting forth the provisions of this nondiscrimination clause.

- b. The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, sexual orientation, gender identity, or national origin.
- c. The Contractor will not discharge or in any other manner discriminate against any employee or applicant for employment because such employee or applicant has inquired about, discussed, or disclosed the compensation of the employee or applicant or another employee or applicant. This provision will not apply to instances in which an employee who has access to the compensation information of other employees or applicants as a part of such employee's essential job functions discloses the compensation of such other employees or applicants to individuals who do not otherwise have access to such information, unless such disclosure is in response to a formal complaint or charge, in furtherance of an investigation, proceeding, hearing, or action, including an investigation conducted by the employer, or is consistent with the Contractor's legal duty to furnish information.
- d. The Contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice to be provided advising the said labor union or workers' representatives of the Contractor's

commitments under this section, and will post copies of the notice in conspicuous places available to employees and applicants for employment.

- e. The Contractor will comply with all provisions of [Executive Order 11246](#) of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.
- f. The Contractor will furnish all information and reports required by [Executive Order 11246](#) of September 24, 1965, and by rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the administering agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.
- g. In the event of the Contractor's noncompliance with the nondiscrimination clauses of this contract or with any of the said rules, regulations, or orders, this Contract may be canceled, terminated, or suspended in whole or in part and the Contractor may be declared ineligible for further Government contracts or federally assisted construction contracts in accordance with procedures authorized in [Executive Order 11246](#) of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in [Executive Order 11246](#) of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.
- h. The Contractor will include the portion of the sentence immediately preceding paragraph (1) and the provisions of paragraphs (1) through (8) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to section 204 of [Executive Order 11246](#) of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Contractor will take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions, including sanctions for noncompliance:
- i. Provided, however, that in the event a Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the administering agency, the Contractor may request the United States to enter into such litigation to protect the interests of the United States.

## 2. Davis-Bacon Act (Prevailing Wage)

- a. If applicable, the Contractor (and its Subcontractors) for **prime construction contracts** in excess of \$2,000 must comply with the Davis-Bacon Act ([40 USC 3141-3148](#)) as supplemented by Department of Labor regulations ([29 CFR Part 5](#), "Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction").
- b. The Contractor (and its Subcontractors) will pay all mechanics and laborers employed directly on the site of the work, unconditionally and at least once a week, and without subsequent deduction or rebate on any account, the full amounts accrued at time of payment, computed at wage rates not less than those stated in the advertised specifications, regardless of any contractual relationship which may be alleged to exist between the Contractor or subcontractor and the laborers and mechanics;

- c. The Contractor will post the scale of wages to be paid in a prominent and easily accessible place at the site of the work;
  - d. There may be withheld from the Contractor so much of accrued payments as the contracting officer considers necessary to pay to laborers and mechanics employed by the Contractor or any Subcontractor on the work the difference between the rates of wages required by the Contract to be paid laborers and mechanics on the work and the rates of wages received by the laborers and mechanics and not refunded to the Contractor or Subcontractors or their agents.
3. **Copeland “Anti-Kickback” Act.** If applicable, the Contractor must comply with the [Copeland “Anti-Kickback” Act \(40 USC 3145\)](#), as supplemented by Department of Labor regulations ([29 CFR Part 3](#), “Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States”), which prohibits the Contractor and subrecipients from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled.
4. **Contract Work Hours and Safety Standards Act.** If the Contract is **in excess of \$100,000** and **involves the employment of mechanics or laborers**, the Contractor must comply with [40 USC 3702](#) and [3704](#), as supplemented by Department of Labor regulations ([29 CFR Part 5](#)), as applicable.
5. **Rights to Inventions Made Under a Contract or Agreement.** If the Contract is funded by a federal “funding agreement” as defined under 37 CFR §401.2 (a) and the recipient or subrecipient wishes to enter into a contract with a small business firm or nonprofit organization regarding the substitution of parties, assignment or performance of experimental, developmental, or research work under that “funding agreement,” the recipient or subrecipient must comply with 37 CFR Part 401, “Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements,” and any implementing regulations issued by the awarding agency.
6. **Clean Air Act.** If this Contract is **in excess of \$150,000**, the Contractor must comply with all applicable standards, orders, and regulations issued under the Clean Air Act (42 USC 7401-7671q) and the Federal Water Pollution Control Act (33 USC 1251-1387). Violations must be reported to the federal awarding agency and the regional office of the Environmental Protection Agency.
7. **Debarment and Suspension.** A “contract award” (see [2 CFR 180.220](#)) must not be made to parties listed on the government-wide exclusions in the [System for Award Management \(SAM\)](#), in accordance with the OMB guidelines at 2 CFR 180 that implement Executive Orders 12549 (3 CFR part 1986 Comp., p. 189) and 12689 (3 CFR part 1989 Comp., p. 235), “Debarment and Suspension.” SAM Exclusions contains the names of parties debarred, suspended, or otherwise excluded by agencies, as well as parties declared ineligible under statutory or regulatory authority other than Executive Order 12549.
8. **Byrd Anti-Lobbying Amendment.** If this Contract **exceeds \$100,000**, bidders and the Contractor must file the certification required under [31 USC 1352](#).

9. **Procurement of Recovered Materials.** Under [2 CFR 200.322](#), a non-Federal entity that is a state agency or agency of a political subdivision of a state **and its contractors** must comply with section 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act. The requirements of Section 6002 include procuring only items designated in guidelines of the Environmental Protection Agency (EPA) at [40 CFR part 247](#) that contain the highest percentage of recovered materials practicable, consistent with maintaining a satisfactory level of competition, where the purchase price of the item exceeds \$10,000 or the value of the quantity acquired during the preceding fiscal year exceeded \$10,000; procuring solid waste management services in a manner that maximizes energy and resource recovery; and establishing an affirmative procurement program for procurement of recovered materials identified in the EPA guidelines.

## Byrd Anti-Lobbying Certification

The following certification and disclosure regarding payments to influence certain federal transactions are made under FAR 52.203-11 and 52.203-12 and [31 USC 1352](#), the "Byrd Anti-Lobbying Amendment." Hyperlinks are provided for convenience only; broken hyperlinks will not relieve Contractor from compliance with the law.

1. [FAR 52.203-12](#), "Limitation on Payments to Influence Certain Federal Transactions" is hereby incorporated by reference into this certification.
2. The bidder, by submitting its proposal, hereby certifies to the best of his or her knowledge and belief that:
  - a. No federal **appropriated** funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress on his or her behalf in connection with the awarding of any federal contract, the making of any federal grant, the making of any federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment or modification of any federal contract, grant, loan, or cooperative agreement;
  - b. If any funds **other than federal appropriated funds** (including profit or fee received under a covered federal transaction) have been paid, or will be paid, to any person for influencing or attempting to influence an officer or employee of any agency, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress on his or her behalf **in connection with this solicitation**, the bidder must complete and submit, with its proposal, [OMB standard form LLL, Disclosure of Lobbying Activities](#), to the Solicitation Manager; and
  - c. He or she will include the language of this certification in all subcontract awards at any tier and require that all recipients of subcontract awards in excess of \$150,000 must certify and disclose accordingly.
3. This certification is a material representation of fact upon which reliance is placed at the time of Contract award. Submission of this certification and disclosure is a prerequisite for making or entering into this Contract under [31 USC 1352](#). Any person making an expenditure prohibited under this provision or who fails to file or amend the disclosure form to be filed or amended by this provision is subject to a civil penalty of not less than \$10,000, and not more than \$100,000, for each such failure.

Signed by:

\_\_\_\_\_  
[Type name and title]  
[Type company name]

Date: \_\_\_\_\_