STATE OF MICHIGAN PROCUREMENT

Department Technology, Management and Budget
Central Procurement Services
320 S Walnut Street Lansing, MI 48933
P.O. Box 30026, Lansing, MI 48909

NOTICE OF CONTRACT

NOTICE OF CONTRACT NO. **260000000670**
between
THE STATE OF MICHIGAN
and

CONTRACTOR	
	Kalamazoo X-Ray Sales, Inc. dba Data Guardian
	9136 Portage Industrial Drive
	Portage Michigan 49024
	Kent White
	269-492-7179
	kwhite@kalamazooxray.com
	CV0132085

STATE			
	Program Manager	Caryn Wojcik	DTMB
		517-335-8222	
		wojcikc@michigan.gov	
	Contract Administrator	Nichole Harrell	DTMB
		517-449-9245	
		harrelln@michigan.gov	

CONTRACT SUMMARY			
DESCRIPTION: Confidential Records Destruction Services			
INITIAL EFFECTIVE DATE	**INITIAL EXPIRATION DATE**	**INITIAL AVAILABLE OPTIONS**	**EXPIRATION DATE BEFORE CHANGE(S) NOTED BELOW**
5/15/2026	5/14/2031	5 - 1 Year	5/14/2031
PAYMENT TERMS		**DELIVERY TIMEFRAME**	
Net 45		No Delivery Timeframe	
ALTERNATE PAYMENT OPTIONS			**EXTENDED PURCHASING**
☐ P-card ☐ Payment Request (PRC) ☐ Other			☒ Yes ☐ No
MINIMUM DELIVERY REQUIREMENTS			
No Minimum Delivery Requirements.			
MISCELLANEOUS INFORMATION			
This Contract Agreement is awarded on the basis of the State's inquiry bearing the solicitation number RFP 260000000795. Orders for delivery will be issued directly by the Department, in accordance with Schedule A, Section 6.1. Authorizing Document.			
ESTIMATED CONTRACT VALUE AT TIME OF EXECUTION			**$3,205,733.00**

FOR THE CONTRACTOR:

Company Name

Authorized Agent Signature

Authorized Agent (Print or Type)

Date

FOR THE STATE:

Signature

Name and Title

DTMB Central Procurement Services

Agency

Date

HYBRID CONTRACT TERMS

This HYBRID CONTRACT ("**Contract**") is agreed to between the State of Michigan (the "**State**") and Kalamazoo X-Ray Sales, Inc. d/b/a Data Guardian ("**Contractor**"), a Michigan Corporation. This Contract is effective on May 15, 2026 ("**Effective Date**"), and unless terminated, will expire on May 14, 2031 (the "**Term**").

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

The parties agree as follows:

1. **Duties of Contractor.** Contractor must perform the services and provide the deliverables (the "**Contract Activities**") described in a Statement of Work, the initial Statement of Work is attached as Schedule A – Statement of Work. 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 unless otherwise specified in a Statement of Work.

   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) 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; (i) comply with all State physical and IT security policies and standards which will be made available upon request; (j) comply with Internal Revenue Service Publication 1075; 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.

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

If to State:	If to Contractor:
See Contract Administrator information shown below.	Kent White 9136 Portage Industrial Drive Portage, MI 49024 kwhite@kalamazooxray.com 269-492-7179

3. **Contract Administrator.** The Contract Administrator, or the individual duly authorized 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:
Nichole Harrell 320 S Walnut St. Lansing, MI 48933 Harrelln@michigan.gov 517-449-9245	Jim White 9136 Portage Industrial Drive Portage, MI 49024 jwhite@kalamazooxray.com 269-492-7178

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:
Caryn Wojcik 3400 N Grand River Ave Lansing, MI 48933 Wojcikc@michigan.gov 517-335-8222	Kent White 9136 Portage Industrial Drive Portage, MI 49024 kwhite@kalamazooxray.com 269-492-7179

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 a Statement of Work) if, in the opinion of the State, it will ensure performance of the Contract.

6. **Insurance Requirements.** See Schedule C – Insurance Requirements.

7. **Administrative Fee and Reporting.** Contractor must pay an administrative fee of 1% on all payments made to Contractor under the Contract including transactions with the State (including its departments, divisions, agencies, offices, and commissions), MiDEAL members, and other states (including governmental subdivisions and authorized entities). Administrative fee payments must be made online by check or credit card at: https://www.thepayplace.com/mi/dtmb/adminfee.

   Contractor must submit an itemized purchasing activity report, which includes, at a minimum, the name of the purchasing entity and the total dollar volume in sales. Reports should be mailed to MiDeal@michigan.gov.

   The administrative fee and purchasing activity report are due within 30 calendar days from the last day of each calendar quarter.

8. **Extended Purchasing Program.** This contract is extended to MiDEAL members. MiDEAL members include local units of government, school districts, universities, community colleges, and nonprofit hospitals. A current list of MiDEAL members is available at www.michigan.gov/mideal.

   Upon written agreement between the State and Contractor, this contract may also be extended to: (a) other states (including governmental subdivisions and authorized entities) and (b) State of Michigan employees.

   If extended, Contractor must supply all Contract Activities at the established Contract prices and terms for identical services. Service location, frequency, size of containers used/collected, collection method, material collected, or other factors that materially differ from the services provided to the State may affect pricing. The State reserves the right to impose an administrative fee and negotiate additional discounts based on any increased volume generated by such extensions.

   Contractor must submit invoices to, and receive payment from, extended purchasing program members on a direct and individual basis.

9. **Relationship of the Parties.** The relationship between the parties is that of independent contractors. 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. Prior performance does not modify Contractor's status as an independent contractor. Neither party has authority to contract for nor bind the other party in any manner whatsoever.

10. **Reserved**.

11. **Reserved**.

12. **Reserved.**

13. **Reserved.**

14. **Reserved.**

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

16. **Disclosure of Subcontractors.** Contractor is not permitted to use subcontractors in the performance of this agreement.

17. **Background Checks.** Pursuant to Michigan law, all agencies subject to IRS Pub. 1075 are required to ask the Michigan State Police to perform fingerprint background checks on all employees, including Contractor and Permitted Subcontractor employees, who may have unescorted access to records maintained by the State of Michigan that contains confidential or personal information, including, but not limited to, federal tax information. Further, pursuant to Michigan law, any agency described above is prohibited from providing Contractors or Permitted

Subcontractors with the result of such background check. For more information, please see Michigan Public Act 427 of 2018. Upon request, or as may be specified in a Statement of Work, Contractor must perform background checks on all employees and subcontractors and its employees prior to their assignment. The scope is at the discretion of the State and documentation must be provided as requested. Contractor is responsible for all costs associated with the requested background checks. The State, in its sole discretion, may also perform background checks.

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

19. **Change of Control.** Contractor will notify the State, within 30 days of any public announcement or otherwise once legally permitted to do so, 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.

20. **Ordering.** Contractor is not authorized to begin performance until receipt of authorization as identified in a Statement of Work.

21. **Acceptance.** Contract Activities are subject to inspection and testing by the State within 30 calendar days of the State's receipt of them ("**State Review Period**"), unless otherwise provided in a Statement of Work. If the Contract Activities are not fully accepted by the State, the State will notify Contractor by the end of the State Review Period that either: (a) the Contract Activities are accepted but noted deficiencies must be corrected; or (b) the Contract Activities are rejected. If the State finds material deficiencies, it may: (i) reject the Contract Activities without performing any further inspections; (ii) demand performance at no additional cost; or (iii) terminate this Contract in accordance with Section 28, Termination for Cause.

    Within 10 business days from the date of Contractor's receipt of notification of acceptance with deficiencies or rejection of any Contract Activities, Contractor must cure, at no additional cost, the deficiency and deliver unequivocally acceptable Contract Activities to the State. If acceptance with deficiencies or rejection of the Contract Activities impacts the content or delivery of other non-completed Contract Activities, the parties' respective Program Managers must determine an agreed to number of days for re-submission that minimizes the overall

impact to the Contract. However, nothing herein affects, alters, or relieves Contractor of its obligations to correct deficiencies in accordance with the time response standards set forth in this Contract.

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

22. **Delivery.** Contractor must deliver all Contract Activities F.O.B. destination, within the State premises with transportation and handling charges paid by Contractor, unless otherwise specified in a Statement of Work. All containers and packaging become the State's exclusive property upon acceptance.

23. **Risk of Loss and Title.** Until final acceptance, title and risk of loss or damage to Contract Activities remains with Contractor. Contractor is responsible for filing, processing, and collecting all damage claims. The State will record and report to Contractor any evidence of visible damage. If the State rejects the Contract Activities, Contractor must remove them from the premises within 10 calendar days after notification of rejection. The risk of loss of rejected or non-conforming Contract Activities remains with Contractor. Rejected Contract Activities not removed by Contractor within 10 calendar days will be deemed abandoned by Contractor, and the State will have the right to dispose of it as its own property. Contractor must reimburse the State for costs and expenses incurred in storing or effecting removal or disposition of rejected Contract Activities.

24. **Warranty Period.** The warranty period, if applicable, for Contract Activities is a fixed period commencing on the date specified in a Statement of Work. If the Contract Activities do not function as warranted during the warranty period, the State may return such non-conforming Contract Activities to the Contractor for a full refund.

25. **Invoices and 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 provided as specified in a Statement of Work. Invoices must include an itemized statement of all charges. The State is exempt from federal excise tax, state, and local sales taxes, and use taxes if the Contract Activities purchased under this Contract are for the State's exclusive use. Contractor will not include the collection of taxes for which the State is exempt in any invoices or payments related to this Contract. The State is not responsible for taxes imposed or assessed on Contractor.

    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.

Excluding federal government charges and terms, Contractor warrants and agrees that each of the fees, economic or product terms or warranties granted pursuant to this Contract are comparable to or better than the equivalent fees, economic or product term or warranty being offered to any commercial or government customer (including any public educational institution within the State of Michigan) of Contractor. If Contractor enters into any arrangements with another customer of Contractor to provide the products or services, available under this Contract, under more favorable prices, as the prices may be indicated on Contractor's current U.S. and International price list or comparable document, then this Contract will be deemed amended as of the date of such other arrangements to incorporate those more favorable prices, and Contractor will immediately notify the State of such fee and formally memorialize the new pricing in a change notice.

26. **Liquidated Damages.** Liquidated damages, if applicable, will be assessed as described in a Statement of Work. The parties understand and agree that
any liquidated damages (which includes but is not limited to applicable credits) set forth in this Contract are reasonable estimates of the State's damages in accordance with applicable law. The parties acknowledge and agree that Contractor could incur liquidated damages for more than 1 event. The assessment of liquidated damages will not constitute a waiver or release of any other remedy the State may have under this Contract for Contractor's breach of this Contract, including without limitation, the State's right to terminate this Contract for cause under Section 28 and the State will be entitled in its discretion to recover actual damages caused by Contractor's failure to perform its obligations under this Contract. However, the State will reduce such actual damages by the amounts of liquidated damages received for the same events causing the actual damages. Amounts due the State as liquidated damages may be set off against any fees payable to Contractor under this Contract, or the State may bill Contractor as a separate item and Contractor will promptly make payments on such bills.

27. **Stop Work Order.** The State may suspend any or all activities under the Contract at any time. The State will provide Contractor a written stop work order detailing the suspension. Contractor must comply with the stop work order upon receipt. Within 90 calendar days, or any longer period agreed to by Contractor, the State will either: (a) issue a notice authorizing Contractor to resume work, or (b) terminate the Contract or delivery order. The State will not pay for Contract Activities, Contractor's lost profits, or any additional compensation during a stop work period.

28. **Termination for Cause.** (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 any facility, data, or personnel; (ii) becomes insolvent, petitions for bankruptcy court proceedings, or has an involuntary bankruptcy proceeding filed against it by any creditor; (iii) engages in any

conduct that may expose the State to liability; (iv) breaches any of its material duties or obligations under this Contract; or (v) fails to cure a breach within the time stated by the State in a notice of breach, if in its sole discretion the State has chosen to provide a time to cure. Any reference to specific breaches being material breaches within this Contract will not be construed to mean that other breaches are not material.

(b) If the State terminates this Contract under this Section, the State will issue a termination notice specifying whether Contractor must: (i) cease performance immediately or (ii) continue to perform for a specified period. If it is later determined that Contractor was not in breach of the Contract, the termination will be deemed to have been a Termination for Convenience, effective as of the same date, and the rights and obligations of the parties will be limited to those provided in Section 29, Termination for Convenience.

Contractor must submit all invoices for Contract Activities accepted by the State within 30 days of the date of termination. Failure to submit an invoice within that timeframe will constitute a waiver by Contractor for any amounts due to Contactor for Contract Activities accepted by the State under this Contract. The State will only pay for amounts due to Contractor for Contract Activities accepted by the State on or before the date of termination, subject to the State's right to set off any amounts owed by the Contractor for the State's reasonable costs in terminating this Contract. Contractor must promptly reimburse to the State any fees prepaid by the State prorated to the date of such termination, including any prepaid fees. The Contractor must pay all reasonable costs incurred by the State in terminating this Contract for cause, including administrative costs, attorneys' fees, court costs, transition costs, and any costs the State incurs to procure the Contract Activities from other sources.

29. Termination for Convenience. The State may immediately terminate this Contract in whole or in part without penalty and for any reason or no reason, including but not limited to, appropriation or budget shortfalls. The termination notice will specify whether Contractor must: (a) cease performance of the Contract Activities immediately or (b) continue to perform the Contract Activities in accordance with Section 30, Transition Responsibilities. Contractor must submit all invoices for Contract Activities accepted by the State within 30 days of the date of termination. Failure to submit an invoice within that timeframe will constitute a waiver by Contractor for any amounts due Contractor for Contract Activities accepted by the State under this Contract. If the State terminates this Contract for convenience, the State will pay all reasonable costs, as determined by the State, for State approved Transition Responsibilities to the extent the funds are available.

In addition, if the State terminates this Contract for convenience, the State will pay:

1. Unrecovered, pre-approved, non-recurring implementation costs, amortized on a straight-line basis over sixty (60) months from the Effective Date ("Amortization Period").

For purposes of this Section:

- "Non-Recurring Implementation Costs" means documents, reasonable, and necessary one-time costs incurred by Contractor specifically to implement this Contract, including

transition in labor, configuration, integration, equipment acquisition dedicated to this Contract, and other mutually agreed start-up expenses.

- Such costs will be submitted upon termination for convenience.
- The total amount subject to amortization shall not exceed $225,000.00.

If termination for convenience occurs before the end of the Amortization Period, the State shall pay the unamortized balance of the Non-Recurring Implementation Costs as of the effective date of termination.

No payment shall be made under this subsection:

- For costs already recovered through payments made under this Contract;
- For lost profits, anticipated revenues, or consequential damages;
- For costs that could reasonably have been avoided or mitigated; or
- If termination is for cause.

The amounts described in this Section constitute Contractor's sole and exclusive remedy for termination for convenience.

30. **Transition Responsibilities.** Upon termination or expiration of this Contract for any reason, Contractor must, for a period of time specified by the State (not to exceed **90** calendar days), provide all reasonable transition assistance requested by the State, to allow for the expired or terminated portion of the Contract Activities to continue without interruption or adverse effect, and to facilitate the orderly transfer of such Contract Activities to the State or its designees. Such transition assistance may include, but is not limited to: (a) continuing to perform the Contract Activities at the established Contract rates; (b) taking all reasonable and necessary measures to transition performance of the work, including all applicable Contract Activities, , equipment, , , reports and other documentation, to the State or the State's designee; (c (d) preparing an accurate accounting from which the State and Contractor may reconcile all outstanding accounts (e) returning all state property as set forth in Section 31, below; and (f) surrendering or destroying all State Confidential Information as set forth in Section 38.e, below (collectively, "**Transition Responsibilities**"). This Contract will automatically be extended through the end of the transition period.

31. **Return of State Property Not Including Confidential Information.** Upon termination or expiration of this Contract for any reason, Contractor must take all necessary and appropriate steps, or such other action as the State may direct, to preserve, maintain, protect, or return to the State all materials, data, property, and confidential information provided directly or indirectly to the Contractor by any entity, agent, vendor, or employee of the State.

32. **Indemnification.** Contractor must defend, indemnify and hold the State, its departments, divisions, agencies, offices, commissions, officers, and employees harmless, from and against claims, losses liabilities, damages, costs, attorney fees, and expenses, arising out of, resulting from (including those required to establish the right to indemnification): (a) any breach by Contractor (or any of Contractor's employees, agents, subcontractors, or by anyone else for whose acts any of them may be liable) of any of the promises, agreements, representations,

warranties, or insurance requirements contained in this Contract; (b) any infringement, misappropriation, or other violation of any intellectual property right or other right of any third party resulting from Contractor's performance under this Contract; (c) any bodily injury, death, or damage to real or tangible personal property caused by the negligent acts or omissions or willful misconduct of Contractor (or any of Contractor's employees, agents, subcontractors, or by anyone else for whose acts any of them may be liable); and (d) any negligent or wrongful acts or omissions of Contractor (or any of Contractor's employees, agents, subcontractors) in the performance of this Contract.

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 cost and 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, 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.

The State is constitutionally prohibited from indemnifying Contractor or any third parties.

33. **Infringement Remedies.** If, in either party's opinion, any piece of equipment, software, commodity, or service supplied by Contractor or its subcontractors, or its operation, use or reproduction, is likely to become the subject of a copyright, patent, trademark, or trade secret infringement claim, Contractor must, at its expense: (a) procure for the State the right to continue using the equipment, software, commodity, or service, or if this option is not reasonably available to Contractor, (b) replace or modify the same so that it becomes non-infringing; or (c) accept its return by the State with appropriate credits to the State against Contractor's charges and reimburse the State for any losses or costs incurred as a consequence of the State ceasing its use and returning it.

34. **Limitation of Liability and Disclaimer of Damages. IN NO EVENT WILL THE STATE'S AGGREGATE LIABILITY TO CONTRACTOR UNDER THIS CONTRACT, REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY OR BY STATUTE OR OTHERWISE, FOR ANY CLAIM RELATED TO OR ARISING UNDER THIS CONTRACT, EXCEED THE LESSER OF: (A) ONE MILLION DOLLARS; OR (B) THE MAXIMUM AMOUNT OF FEES PAYABLE UNDER THIS CONTRACT.** The State is not liable for consequential, incidental, indirect, or special damages, regardless of the nature of the action.

35. **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 (3) any complaint filed in a legal or administrative proceeding alleging the Contractor or its subcontractors discriminated against its employees, subcontractors, vendors, or suppliers during the term of this Contract; or (e) a Proceeding involving any license that Contractor is required to possess in order to perform under this Contract.

36. **Reserved.**

37. **State Data.**

    a. **Ownership**. The State's data ("**State Data**," which will be treated by Contractor as Confidential Information) includes: (a) the State's data, user data, and any other data collected, used, processed, stored, or generated as the result of the Contract Activities; (b) all data made available to Contractor for or during the provision of the Contract Activities, including but not limited to all text, sound, video, image files, or software; and (c) personally identifiable information ("**PII**") collected, used, processed, stored, or generated as the result of the Contract Activities, including, without limitation, any information that identifies an individual, such as an individual's social security number or other government-issued identification number, date of birth, address, telephone number, biometric data, mother's maiden name, email address, credit card information, or an individual's name in combination with any other of the elements here listed; and, (c) protected health information ("**PHI**") and Federal Tax Information (**"FTI"**) collected, used, processed, stored, or generated as the result of the Contract Activities, which is defined under the Health Insurance Portability and Accountability Act (HIPAA) and its related rules and regulations. State Data is and will remain the sole and exclusive property of the State and all right, title, and interest in the same is reserved by the State.

    b. **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 24 hours of becoming aware of such occurrence; (b) cooperate with the State in investigating the occurrence, including making available all relevant records, logs, files, data reporting, and other materials required to comply with applicable law or as otherwise required by the State; (c) in the case of PII or PHI, at the State's sole election, (i) with approval and assistance from the State, notify the affected individuals who comprise the PII or PHI as soon as practicable but

no later than is required to comply with applicable law, or, in the absence of any legally required notification period, within 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 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 10 calendar days of the occurrence describing the measures Contractor will undertake to prevent a future occurrence. Notification to affected individuals, as described above, must comply with applicable law, be written in plain language, not be tangentially used for any solicitation purposes, and contain, at a minimum: name and contact information of Contractor's representative; a description of the nature of the loss; a list of the types of data involved; the known or approximate date of the loss; how such loss may affect the affected individual; what steps Contractor has taken to protect the affected individual; what steps the affected individual can take to protect himself or herself; contact information for major credit card reporting agencies; and, information regarding the credit and identity monitoring services to be provided by Contractor. The State will have the option to review and approve any notification sent to affected individuals prior to its delivery. Notification to any other party, including but not limited to public media outlets, must be reviewed and approved by the State in writing prior to its dissemination. The parties agree that any damages relating to a breach of this **Section 37** are to be considered direct damages and not consequential damages.

c. Contractor must comply with the requirements of the Data Security Schedule, found in Schedule E.

d. **Third Party Requests**. Contractor will immediately notify the State upon receipt of any third-party requests which in any way might reasonably require access to State Data. Contractor will notify the State Program Managers or their designees by the fastest means available and also in writing. Contractor must provide such notification within twenty-four (24) hours from Contractor's receipt of 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. Upon request by the State, Contractor must provide to the State, its proposed

response to the third-party request with adequate time for the State to review, and, as it deems necessary, to revise the response, object, or take other action.

38. **Non-Disclosure of Confidential Information.** The parties acknowledge that each party may be exposed to or acquire communication or data of the other party that is confidential, privileged communication not intended to be disclosed to third parties.

    a. **Meaning of Confidential Information**. For the purposes of this Contract, the term "**Confidential Information**" means all information and documentation of a party that is placed in a confidential records destruction bin. The confidential information may include, but may not be limited to, personally identifying information (PII), personal health information (PHI), criminal justice information (CJI), federal taxpayer information (FTI), and state taxpayer information (STI).

    b. **Obligation of Confidentiality**. The parties agree to hold all Confidential Information in strict confidence and not to copy, reproduce, sell, transfer, or otherwise give or disclose such Confidential Information to third parties other than employees, agents, or subcontractors of a party who have a need to know in connection with this Contract or to use such Confidential Information for any purposes whatsoever other than the performance of this Contract. The parties agree to advise and require their respective employees, agents, and subcontractors of their obligations to keep all Confidential Information confidential. Disclosure to a subcontractor is permissible where: (a) use of a subcontractor is authorized under this Contract; (b) the disclosure is necessary or otherwise naturally occurs in connection with work that is within the subcontractor's responsibilities; and (c) Contractor obligates the subcontractor in a written contract to maintain the State's Confidential Information in confidence. At the State's request, any employee of Contractor or any subcontractor may be required to execute a separate agreement to be bound by the provisions of this Section.

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

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

e. **Surrender of Confidential Information upon Termination**. Upon termination of this Contract or a Statement of Work, in whole or in part, each party must, within 5 calendar days from the date of termination, return to the other party any and all Confidential Information received from the other party, or created or received by a party on behalf of the other party, which are in such party's possession, custody, or control. Upon confirmation from the State, of receipt of all data, Contractor must permanently sanitize or destroy the State's Confidential Information, including State Data, from all media including backups using National Security Agency ("NSA") and/or National Institute of Standards and Technology ("NIST") (NIST Guide for Media Sanitization 800-88) data sanitization methods or as otherwise instructed by the State. If the State determines that the return of any Confidential Information is not feasible or necessary, Contractor must destroy the Confidential Information as specified above. The Contractor must certify the destruction of Confidential Information (including State Data) in writing within 5 Business Days from the date of confirmation from the State. However, the State's legal ability to destroy Contractor data may be restricted by its retention and disposal schedule, in which case Contractor's Confidential Information will be destroyed after the retention period expires.

39. Data Privacy and Information Security.

a. **Undertaking by Contractor**. Without limiting Contractor's obligation of confidentiality as further described, Contractor is responsible for establishing and maintaining a data privacy and information security program, including physical, technical, administrative, and organizational safeguards, that is designed to: (a) ensure the security and confidentiality of the State Data; (b) protect against any anticipated threats or hazards to the security or integrity of the State Data; (c) protect against unauthorized disclosure, access to, or use of the State Data; (d) ensure the proper disposal of State Data; and (e) ensure that all employees, agents, and subcontractors of Contractor, if any, comply with all of the foregoing. In no case will the safeguards of Contractor's data privacy and information security program be less stringent than the safeguards used by the State, and Contractor must at all times comply with all applicable State IT policies and standards, which are available to Contractor upon request.

b. **Audit by Contractor**. No less than annually, Contractor must conduct a comprehensive independent third-party audit of its data privacy and information security program and provide such audit findings to the State.

c. **Right of Audit by the State.** Without limiting any other audit rights of the State, the State has the right to review Contractor's data privacy and information security program prior to the commencement of Contract Activities and from time to time during the term of this Contract. During the providing of the Contract Activities, on an ongoing basis from time to time and without notice, the State, at its own expense, is entitled to perform, or to have performed, an on-site audit of Contractor's data privacy and information security program. In lieu of an on-site audit, upon request by the State, Contractor agrees to complete, within 45 calendar days of receipt, an audit questionnaire provided by the State regarding Contractor's data privacy and information security program.

d. **Audit Findings**. Contractor must implement any required safeguards as identified by the State or by any audit of Contractor's data privacy and information security program.

e. **State's Right to Termination for Deficiencies**. The State reserves the right, at its sole election, to immediately terminate this Contract or a Statement of Work without limitation and without liability if the State determines that Contractor fails or has failed to meet its obligations under this Section.

40. **Records Maintenance, Inspection, Examination, and Audit.** Pursuant to MCL 18.1470, 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 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 financial errors are revealed, the amount in error must be reflected as a credit or debit on subsequent invoices until the amount is paid or refunded. Any remaining balance at the end of the Contract must be paid or refunded within 45 calendar days.

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

41. **Representations and Warranties.** 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; (j) that all Contract Activities, including Software, as provided by Contractor do not and will not at any time during the Term contain any Harmful Code or any

third party or open source components unless approved in advance by the State; and (k) that Contractor will not, and will not permit, any advertising through any Hosted Services. A breach of this Section is considered a material breach of this Contract, which entitles the State to terminate this Contract under Section 28, Termination for Cause.

a. Definitions.

(1) "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, encrypt, modify, copy, or otherwise harm or impede in any manner, any (i) computer, software, firmware, data, 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 from accessing or using the Contract Activities 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.

42. 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.

43. Compliance with Laws. Contractor must comply with all federal, state and local laws, rules and regulations.

44. Prevailing Wage Act Statutory Provision. Contractor must comply with prevailing wage requirements, to the extent applicable to this Contract. As required by MCL 408.1112, if the Michigan Prevailing Wage Act, MCL 408.1101 et seq. applies to this Contract, construction mechanics (as defined in MCL 408.1101 (b)) are intended beneficiaries of the contractual prevailing wage, fringe benefit, and nondiscrimination nonretaliation requirements of the Contract. Any construction mechanic aggrieved by the failure of a Contractor or subcontractor to pay prevailing wages or benefits as specified in this Contract, or by a violation of MCL 408.1107, in addition to any other remedies provided in Public Act 10 of 2023 or by law, may bring an action in a court of competent jurisdiction against the Contractor or subcontractor for damages or injunctive relief and may be awarded reinstatement or other appropriate relief, and all damages sustained, together with actual costs and attorney fees at trial and on appeal. If the Michigan Prevailing Wage Act, MCL 408.1101 et seq. applies to this Contract, the rates of wages and fringe benefits to be paid to each class of construction mechanic (as defined in MCL 408.1101 (b)) by Contractor and subcontractors must not be less than the wage and fringe benefit rates prevailing in the locality in which the work is performed.

45. **Reserved.**

46. **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, sexual orientation, gender identity or expression, 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 Section is a material breach of this Contract.

47. **Unfair Labor Practice.** Under MCL 423.324, the State may void this Contract if the name of the Contractor, or the name of a subcontractor, manufacturer, or supplier of the Contractor, subsequently appears on the Unfair Labor Practice register compiled under MCL 423.322.

48. **Governing Law.** This Contract is governed, construed, and enforced in accordance with Michigan law, excluding choice-of-law principles. Contractor waives any objections, such as lack of personal jurisdiction or *forum non conveniens*. Contractor must appoint an agent in Michigan to receive service of process.

49. **Non-Exclusivity.** Nothing contained in this Contract is intended nor is to be construed as creating any requirements contract with Contractor, nor does it provide Contractor with a right of first refusal for any future work. This Contract does not restrict the State or its agencies from acquiring similar, equal, or like Contract Activities from other sources.

50. **Force Majeure.** Neither party will be in breach of this Contract because of any failure arising from any disaster or acts of god that are beyond their control and without their fault or negligence. Each party will use commercially reasonable efforts to resume performance. Contractor will not be relieved of a breach or delay caused by its subcontractors. If immediate performance is necessary to ensure public health and safety, the State may immediately contract with a third party.

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

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

order or other injunctive relief is the only adequate remedy. This Section does not limit the State's right to terminate the Contract.

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

53. **Schedules**. All Schedules and Exhibits that are referenced herein and attached hereto are hereby incorporated by reference. The following Schedules are attached hereto and incorporated herein:

Document Title	Document Description
Schedule A	Statement of Work
Schedule A – Attachment 1	Key Personnel
Schedule A – Attachment 2	Treasury Safeguard Requirements of Confidential Tax Data
Schedule A – Attachment 3	IRS Publication 1075
Schedule B	Pricing
Schedule C	Insurance Requirements
Schedule D	Non-Software Service Level Agreements
Schedule D – Attachment 1	Michigan Department of Corrections Specific Service Level Agreements
Schedule E	CJIS Security Addendum
Schedule E – Exhibit 1	Contractor's Disaster Recovery Plan
Schedule F	Federal Provisions Addendum

54. **Entire Agreement and Order of Precedence.** This Contract, which includes Statement of Work, and schedules and exhibits, is the entire agreement of the parties related to the Contract Activities. This Contract supersedes and replaces all previous understandings and agreements between the parties for the Contract Activities. If there is a conflict between documents, the order of precedence is: (a) first, this Contract, excluding its schedules, exhibits, and Statement of Work; (b) second, Schedule E – Data Security Requirements for Hybrid Purchases, if applicable; (c) third, Schedule A, the applicable Statement of Work; and (d) fourth, schedules expressly incorporated into this Contract as of the Effective Date. NO TERMS ON CONTRACTOR'S INVOICES, ORDERING DOCUMENTS, WEBSITE, BROWSE-WRAP, SHRINK-

WRAP, CLICK-WRAP, CLICK-THROUGH OR OTHER NON-NEGOTIATED TERMS AND CONDITIONS PROVIDED WITH ANY OF THE CONTRACT ACTIVITIES, OR DOCUMENTATION HEREUNDER, EVEN IF ATTACHED TO THE STATE'S DELIVERY OR PURCHASE ORDER, 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 THE CONTRACT ACTIVITIES REQUIRES AFFIRMATIVE ACCEPTANCE OF SUCH TERMS AND CONDITIONS. CONTRACTOR MAY NOT INHIBIT USE BY THE STATE'S INTENDED USERS IN A MANNER THAT PREVENTS PERFORMANCE OF THE CONTRACT ACTIVITIES.

55. **Severability.** If any part of this Contract is held invalid or unenforceable, by any court of competent jurisdiction, that part will be deemed deleted from this Contract and the severed part will be replaced by agreed upon language that achieves the same or similar objectives. The remaining Contract will continue in full force and effect.

56. **Waiver.** Failure to enforce any provision of this Contract will not constitute a waiver.

57. **Survival.** Any right, obligation or condition that, by its express terms or nature and context is intended to survive, will survive the termination or expiration of this Contract; such rights, obligations, or conditions include, but are not limited to, those related to transition responsibilities; indemnification; disclaimer of damages and limitations of liability; State Data; non-disclosure of Confidential Information; representations and warranties; insurance and bankruptcy.

58. **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.

SCHEDULE A – STATEMENT OF WORK

Contract No. 260000000670

Confidential Records Destruction Services

BACKGROUND

State agencies require that records in their possession which contain confidential or sensitive information (as defined in the Contract Terms, Section 37a) be destroyed in a manner that prevents their reconstruction and the inappropriate release of information. Destruction methods must meet or exceed the requirements of applicable state and federal laws and regulations. These laws and regulations include, but are not limited to, the Identify Theft Protection Act (MCL 445.61-.79d), the current version of the CJIS Security Policy, and the current version of IRS Publication 1075 "Safeguards for Protecting Federal Tax Returns and Return Information" (www.irs.gov/pub/irs-pdf/p1075.pdf). Acceptability of the destroyed materials will be the sole decision of the State.

SCOPE

The Contractor will be required to destroy confidential paper records and may be required to destroy non-paper items such as clothing (uniforms), microfilm, driver's licenses and identification cards, etc., generated by State agencies and to report the volume as described in this Contract.

1. Requirements

1.1. General Requirements

The Contractor must provide services/deliverables, all personnel, vehicles, equipment, and other items and/or services necessary to perform the Contract Activities as set forth below:

1. The Contractor will be required to destroy confidential materials generated by State of Michigan agencies and to report the volume as described in this Contract.
2. Destruction of paper records is to be conducted by cross-cut shredding, grinding, pulverization, disintegration, or incineration.
3. Destruction of all State of Michigan paper records containing Federal Tax Information (FTI) must be in compliance with the current version of IRS Publication 1075, "Safeguards for Protecting Federal Tax Returns and Return Information," (http://www.irs.gov/pub/irs-pdf/p1075.pdf), Section 2.F.3, which requires a 1mm x 5 mm particle size (ISO/IEC standard 21964-2: 2018 security level P-7) or incineration. The State of Michigan must inspect the output of the equipment used to destroy records to validate that it is producing a particle size that is compliant with these requirements prior to commencement of the service.
4. Destruction of all State of Michigan paper records that do not contain FTI must be to ISO/IEC standard 21964-2: 2018 security level P-4, particle size less than or equal to 160 mm^2. The State of Michigan will tolerate 10% of the material exceeding the specified particle size, but no particles may be more than 480 mm^2 in size. The State of Michigan must inspect

the output of the equipment used to destroy records to validate that it is producing a particle size that is compliant with these requirements prior to commencement of the service.

5. Clothing and equipment (patches, accouterments (tie clips, collar brass, etc.), ballistic vests, vest pouches, chemical protective suites, handcuffs, batons (wood and metal), bullet resistant vests, leather gear, holsters, ballistic helmets, and uniform shirts, blouses, hats, and trousers) must be destroyed so they are no longer usable.
6. The destruction of microfilm must be conducted by shredding to ISO/IEC standard 21964-2: 2018 security level F-4, particle size less than or equal to 2.5 mm^2, grinding to dust, or incineration. The State of Michigan will tolerate 10% of the material exceeding the specified particle size, but no particles may be more than 7.5 mm^2 in size. The State of Michigan must inspect the output of the equipment used to destroy records to validate that it is producing a particle size that is compliant with these requirements prior to commencement of the service.
7. The destruction of purchasing cards, driver's licenses, identification cards, and mylar must be conducted by shredding to ISO/IEC standard 21964-2: 2018 security level T-4 particle size less than or equal to 160 mm^2. The State of Michigan will tolerate 10% of the material exceeding the specified particle size, but no particles may be more than 480 mm^2 in size. The State of Michigan must inspect the output of the equipment used to destroy records to validate that it is producing a particle size that is compliant with these requirements prior to commencement of the service.
8. Destruction must be completed within 24 hours of receipt of material. If the destruction equipment is not operational (due to a break, replacement, power failure, or other reason), and the material therefore cannot be destroyed within this specified timeframe, the State will be notified immediately during that business day via email to the Program Manager.
9. The Contractor will be required to operate a facility or vehicle in which the security and confidentiality of all materials received for destruction is assured at all times. I-SIGMA NAID AAA Certification of the facility and vehicles is desired but not required.
10. Any space where undestroyed materials containing FTI are placed must meet the current version of IRS Publication 1075 Physical Security Requirements in section 2.0.

Minimum Protection Standards

Secured Perimeter	The perimeter is enclosed by slab-to-slab walls constructed of durable materials and supplemented by periodic inspection. Any lesser-type partition must be supplemented by electronic intrusion detection and fire detection systems. All doors entering the space must be locked in accordance with Locking Systems for Secured Areas. In the case of a fence/gate, the fence must have

	intrusion detection devices or be continually guarded, and the gate must be either guarded or locked with intrusion alarms.
Security Room	A security room is a room that has been constructed to resist forced entry. The entire room must be enclosed by slab-to-slab walls constructed of approved materials (e.g., masonry brick, concrete) and supplemented by periodic inspection and entrance must be limited to specifically authorized personnel. Door hinge pins must be non-removable or installed on the inside of the room.
Badged Employee	During business hours, if authorized personnel serve as the second barrier between FTI and unauthorized individuals, the authorized personnel must wear picture identification badges or credentials. The badge must be clearly displayed and worn above the waist.
Security Container	A security container is a storage device (e.g., turtle case, safe/vault, locked IT cabinet) with a resistance to forced penetration, and a security lock with controlled access to keys or combinations.

Visitor Access Log

Visitor Access Log							
Date	Name & Org of Visitor	Form of Visitor ID	Purpose of Visit	Name & Org of Person Visited	Time of Entry	Time of Departure	Signature of Visitor

11. The entire interior and exterior of the facility must have live and recorded video monitoring 24/7. The video recordings must be kept for at least 30 days if no security incidents are detected. If security incidents are detected, the State will be notified within 1 business day, and the video will be retained until it is no longer needed as evidence to resolve the incident. The State of Michigan must inspect the facility and vehicles to validate that they are secure prior to commencement of the service. If the contractor moves to a different location or acquires new destruction equipment, the Program Manager must inspect and verify that the required security controls are met and that the particle output size is compliant prior to their use.
12. The Contractor will allow State agency personnel to deliver and/or witness the destruction of confidential records, if they make prior arrangements. There will be no additional charge for this service.
13. The State of Michigan currently has over 900 customer locations that use this service statewide, and there are currently over 2,200 containers at those locations. The State of

Michigan is servicing the containers from the customer locations and is dumping their contents into gaylord containers stored at the State Records Center (3400 N. Grand River Ave., Lansing). The Contractor will collect records from the centralized location.

14. If the Contractor will be charging the State according to the weight of the material destroyed (versus by container) they must use state-certified scales throughout the term of this Contract. Proof of certification of scales must be provided prior to Contract start date and annually. Certification must be maintained throughout the contract term.
15. No fuel surcharges are allowed under this Contract.
16. The contractor's vehicle that is used to transport the containers must be locked at all times and must be locked upon any exit of the vehicle. The contractor must track the location of the vehicles at all times using GPS or similar technology.
17. Each driver must possess a valid driver's license. Contractor's employees may be required to wear State-issued identification badges while at State of Michigan buildings and facilities. The Contractor's employees must wear a uniform or badge identifying them as employees of the Contractor. Badges must be visibly displayed above the waistline.
18. All drugs, alcohol, weapons, fireworks and explosives are prohibited at all State of Michigan buildings and facilities.

1.2. Pick-up Requirements

1. Contractor will arrange to pick-up materials at the State Records Center (3400 N. Grand River Ave., Lansing, MI 48906) on acceptable dates and times. The Contractor must be available for calls and service during the hours of 6:30 am to 3:30 pm EST Monday through Friday at a minimum, except State holidays. The Contractor will work directly with DTMB Records Management Services to arrange the pick-ups. Scheduling procedures that align with the Contract terms will be established after the Contract is awarded.
2. The Contractor must furnish all necessary equipment for picking up the materials. In the event that equipment is needed to accomplish a pickup (wheeled hand trucks, mobile carts, pallet lifts, etc.), this equipment must not cause damage to the floors, carpeting, walls, doorways, loading docks, or office equipment at that location. The Contractor must immediately notify the Program Manager of any damage that occurred; Contractor will be responsible for the cost to repair any damage or blemish caused by their work.
3. Contractor will document the activities of each pick-up with a Work Ticket. At a minimum, the work ticket will identify the date of service, state agency name and location, name of the state agency's contact person, time of service, driver name or initials, signature of the state agency representative releasing custody, ticket number, type of service, number of containers, weight of materials, date and time of return to Contractor's facility, and the date and time of destruction. If the destruction equipment is not operational (due to a break, replacement, power failure, or other reason), and the material therefore cannot be destroyed within the timeframe specified in section 1.1.6, the documentation will identify the reason for the delayed destruction.

1.3. Additional Requirements

1. The contractor must not co-mingle materials transported on its vehicles that are destined for confidential destruction with materials that will be recycled or handled in some other manner. Confidential records that will be destroyed must be completely segregated on different vehicles and/or pickups.
2. The Contractor must be AAA-certified by i-SIGMA NAID to be authorized to destroy FTI. I-SIGMA NAID AAA certification is encouraged, but not required, to be authorized to destroy non-FTI. If the Contractor is certified, they must provide a copy of their annual re-certification documents within 30 days of re-certification on an annual basis. The Contractor will also provide the documentation of any unscheduled or unannounced i-SIGMA NAID audit results within 30 days of receipt. The certification does not replace the particle size requirements specified in the contract.
3. Prior to any Contractor personnel performing any services, the Contractor will ensure all Contractor personnel with unescorted access to State of Michigan materials (including cleaning and maintenance or repair personnel) have passed a Michigan State Police administered name-based and fingerprint-based background check and a Michigan Department of Corrections (MDOC) LEIN background check. All Contractor Personnel submit a signed CJIS Security Addendum (see Schedule D), as required by the Federal Bureau of Investigation Criminal Justice Information Services Security Policy, and complete the Criminal Justice Information Services Security Awareness Training upon assignment, and annually thereafter. The Contractor must annually review and accept the MDOC Vendor Rules and Regulations document. Contractor personnel with unescorted access to State of Michigan materials must also pass annual training(s) required by the Michigan Departments of Corrections and Treasury. The Contractor must sign Exhibit 7 from IRS Publication 1075 and the Michigan Department of Treasury Form 3337 Vendor, Contractor or Subcontractor Confidentiality Agreement. The contractor will be responsible for all costs associated with meeting these requirements. The Contractor will supply documentary evidence of the checks and annual trainings to the Program Manager before the employee has unescorted access to any of the State of Michigan's materials. Additional requirements may include personal background screenings, credit checks, and additional training or screenings required by agencies using this contract and authorized by the Program Manager.
4. The Contractor must have and maintain a disaster plan and/or procedures for buildings where work will be performed and for vehicles that will be transporting records, see Schedule D – Exhibit 1.
5. The Contractor must submit written standard operating procedures for all work performed for the State of Michigan to the Program Manager and is responsible for routine compliance with those procedures. If the procedures are revised, the revision will be submitted to the Program Manager within 30 days of adoption.

1.4. Transition

Upon notification of cancellation or termination of this Contract the Contractor will be required to cooperate with any new Contractor selected to provide the services specified in this Contract. This includes providing a list/inventory of State of Michigan locations serviced (with addresses, on-site contact information, and billing information), and a count of the number of bins owned by the Contractor (as well as type of bin) at each location. 100% of the service levels must be maintained during the transition. Due to the scope of this transition work, duties may overlap the terms of the Contracts.

The Contractor must work with the program manager to develop a plan within 14 calendar days to retrieve its confidential records destruction collection bins from all State of Michigan locations within 90 calendar days. The plan will specify how to handle the confidential records in the bins at the time of retrieval. At the end of the 90 calendar days, the State of Michigan will no longer be in possession of the Contractor's property, and the Contractor will no longer be in possession of the State of Michigan's confidential records.

1.5. Training

The Contractor must provide the following training: The Contractor must explain its training capabilities and any training that is included in its proposal. The Contractor must provide documentation and training materials.

2. Acceptance

2.1. Acceptance and Inspection

The State will use the following criteria to determine acceptance of the Contract Activities:

- Inspection of the Contractor's facility by the Program Manager for security controls and the particle size output by the destruction equipment prior to commencement of the contracted services.
- All employees must meet the requirements in section 1.3.3. prior to commencement of the contracted services.
- Timely pick up and destruction of records and other materials, as evidenced by the work tickets submitted by the Contractor with the monthly invoice.
- Monthly statistical reports submitted by the Contractor.

3. Staffing

3.1. Contractor Program Manager

The Contractor must appoint a Project Manager specifically assigned to State of Michigan accounts, who will respond to State inquiries regarding the Contract Activities, answer questions related to service issues, etc.

The Contractor must notify the SOM Contract Administrator at least 30 calendar days before removing or assigning a new Program Manager.

The Contractor's employees may be required to periodically take confidentiality and security awareness training. Successful completion of the training must be documented and provided to the SOM Program Manager. The SOM Program Manager is responsible for notifying the Contractor which training is required and when it must be completed.

3.2. 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:
Nichole Harrell 320 S Walnut St Lansing, MI 48933 Harrelln@michigan.gov 517-449-9245	Jim White 9136 Portage Industrial Drive Portage, MI 49024 jwhite@kalamazooxray.com 269-492-7178

3.3. 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:
Caryn Wojcik 3400 N Grand River Ave. Lansing, MI 48906 Wojcikc@michigan.gov 517-335-8222	Kent White 9136 Portage Industrial Drive Portage, MI 49024 kwhite@kalamazooxray.com 269-492-7179

3.4. Customer Service Telephone Number

The Contractor must specify its telephone number for the State to contact the Contractor Program Manager. The Contractor Program Manager must be available for calls during the hours of 8:30 am to 5:00 pm EST Monday through Friday.

Contractor Customer Service Telephone Number:

Tel.: 877-739-5913 or 269-327-8553

3.5. Technical Support

The Contractor must specify its telephone number for the State to contact the Contractor for technical support. The Contractor must be available for calls and service during the hours of 8:30 am to 5:00 pm EST Monday through Friday at a minimum.

The Contractor must specify an email address for customer service requests.

Contractor Technical Support Contact Information:

Tel.: 877-739-5913 or 269-327-8553

Email: info@dataguardian-kxs.com

3.6. Work Hours

The Contractor must provide Contract Activities during the State's normal working hours Monday – Friday, 6:30 a.m. to 3:30 p.m. EST, except State holidays.

3.7. Contractor Personnel

The contractor proposed personnel must pass an MSP administered name-based, and fingerprint based background check and State of Michigan drug test prior to assignment to this project. Additionally, each vendor staff member will submit a signed Security Addendum as required by the Federal Bureau of Investigation Criminal Justice Information Services Security Policy and complete modules one through four of the Michigan State Police Criminal Justice Information Services Security Awareness Training upon assignment and annually thereafter. The contractor will pay for all costs associated with ensuring that their staff meets these requirements

3.8. Disclosure of Subcontractors

The use of subcontractors will not be permitted.

3.9. Security and Background Checks

The Contractor will be subject the following security procedures:

1. The Contractor must perform professional background checks on all staff with unescorted access to State of Michigan materials upon hiring and/or prior to the start date of this Contract. The Contractor must have on file, Non-Disclosure Agreement (NDA) for all individuals that are assigned to the performance of this Contract (Schedule A – Attachment 1). At a minimum, Non-Disclosure Agreement for all staff must be updated annually. Any changes in staffing assigned to performance of this Contract by the Contractor must be reflected in new confidentiality statements on file.
2. Additional Non-Disclosure Agreement(s) and/or Confidentiality Agreement(s) may be required by specific Agencies. Unauthorized disclosure by the Contractor, of any information contained during the Contract Activities may be cause for immediate cancellation of the Contract and may result in prosecution for any violation of applicable laws.
3. The Contractor's staff may be required to make deliveries to or enter State facilities. All of Contractor's employees are NAID AAA Certified and receive training and testing annually. Background checks are currently performed by S2 Verify, which completes a 7-year state, local, and federal criminal background checks and performs additional background checks every three years thereafter per NAID standards. Contractor's employees will wear a company uniform with company logo in addition to a company-issued ID badge.
4. All trucks are equipped with GPS trackers, and all drivers carry scanners with GPS tracking which ensures driver actions are tracked 100% of the time. Additionally, drivers are trained to not release any documents in their possession to anyone but an authorized user, even while at the customer site. On a case-by-case basis, the State reserves the right to investigate the Contractor's personnel. The scope of the background check is at the

discretion of the State, and the results may be used to determine Contractor personnel eligibility for working within State facilities and systems. The investigations may include Michigan State Police (MSP) background checks and National Crime Information Center (NCIC) Fingerprints. Proposed Contractor personnel may be required to complete and submit an RI-8 Fingerprint Card for the NCIC Fingerprint Check. Any request for background checks will be initiated by the State and will be reasonably related to the type of work requested. Anyone who fails an MSP background check cannot work on this contract.

3.10. Access to Tax Information

The Contractor must comply with the requirements of IRS Publication 1075, including Exhibit 7 Safeguarding Contract Language (Schedule A – Attachment 4) and Michigan Department of Treasury Safeguard Requirements of Confidential Tax Data (Schedule A – Attachment 2).

3.11. Service Management

The Contractor will carry out this Contract under the direction and control of the Program Manager.

The State reserves the right to perform unannounced visits to the Contractor's processing facility for the purpose of conducting performance audits.

4. Project Management

4.1. Project Plan

The Contractor will carry out this project under the direction and control of the Program Manager. Within 30 calendar days of the Effective Date, the Contractor must submit a final project plan to the Program Manager for approval. The plan must include: (a) the Contractor's organizational chart with names and title of personnel assigned to the project, which must align with the staffing stated in accepted proposals; and (b) the project breakdown showing sub-projects, tasks, timeline, and resources required.

4.2. Meetings

The Contractor must attend the following meetings:

Although there will be continuous liaison with the Contractor, the Program Manager will meet annually, at a minimum, 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 State may request other meetings, as it deems appropriate.

4.3. Reporting

The Contractor must submit to the DTMB – Records Management Program Manager the following written reports:

1. Monthly: Monthly statistical report - The volume and weight of confidential records destroyed, the volume and weight of paper or by-product recycled, and include year-to-date figures. The reporting period must coincide with the State's fiscal year period (October 1 through September 30). Each report must be submitted to the Program Manager and the

MDOC Contract Manager no later than the 10th business day of the month following the end of each month of service. To be submitted with the invoice.

2. Monthly: Statement Certifying Confidential Destruction - The statement certifying that confidential destruction was performed according to all contract requirements. Monthly: Monthly Staffing Report - Must be in Microsoft Word or Excel format and include the name, title, and hire date for all of the Contractor's employees with access to MDOC criminal justice information. Each report must be submitted to the Program Manager and the MDOC Contract Manager, via email, no later than the 15th business day of the month following the end of each month of service.
3. Monthly (for MDOC only): A contractual employee roster of staff providing services on the Contract. Each roster must be submitted to the MDOC Contract Manager or designee, via email, no later than the 15th calendar day of the month. A template for the Employee Roster will be provided by MDOC.
4. Annually: NAID Certification - provide a copy of NAID recertification documents within 30 days of recertification on an annual basis.

5. Pricing

5.1. Price Term

Pricing is firm for the initial five-year contract period ("Pricing Period"). The first Pricing Period begins on the Effective Date. Adjustments may be requested in writing by either party and will take effect no earlier than the next Pricing Period. Pricing will be reviewed on an annual basis after the initial Pricing Period

5.2. Price Changes

Adjustments will be based on changes in actual Contractor costs. Any request must be supported by written evidence documenting the change in costs. The State may consider sources, such as the Consumer Price Index; Producer Price Index; other pricing indices as needed; economic and industry data; manufacturer or supplier letters noting the increase in pricing; and any other data the State deems relevant.

Following the presentation of supporting documentation, both parties will have 30 days to review the information and prepare a written response. If the review reveals no need for modifications, pricing will remain unchanged unless mutually agreed to by the parties. If the review reveals that changes are needed, both parties will negotiate such changes, for no longer than 30 days, unless extended by mutual agreement.

The Contractor remains responsible for Contract Activities at the current price for all orders received before the mutual execution of a Change Notice indicating the start date of the new Pricing Period.

6. Ordering

6.1. Authorizing Document

The appropriate authorizing document for the Contract will be delivery order (DO). The hours for delivery shall be stated on the applicable delivery order. All orders are subject to the terms and conditions of this Contract. No additional terms and conditions contained on a delivery order are allowed.

7. Invoice and Payment

7.1. Invoice Requirements

The Contractor will be responsible for submitting a detailed monthly invoice and applicable reports for service rendered. Each invoice and applicable reports must be submitted to the Program Manager no later than the 10th working day of the month, following the end of each month of service. Invoices must include the following:

1. Date
2. BPO/Contract Number
3. Purchase Order Number
4. Invoice Number
5. Description of Services Provided
6. Total Cost
7. Statement certifying confidential destruction was performed according to all contract requirements.

Overtime, holiday pay, and travel expenses will not be paid. Each Contractor invoice will show details as to charges by Service/Deliverable component and location at a level of detail reasonably necessary to satisfy the State's accounting and charge-back requirements. Invoices for Services performed on a time and materials basis will show, for each individual, the number of hours of services performed during the billing period, the billable skill/labor category for such person and the applicable hourly billing rate. Prompt payment by the State is contingent on the Contractor's invoices showing the amount owed by the State minus any holdback amount to be retained by the State in accordance with the State of Michigan Standard Contract Terms and Conditions.

The State of Michigan will not pay for unperformed service as determined by its applicable Program Manager. Invoices will only be for services rendered.

Additionally, the State will not pay for fees, surcharges or additional charges not included in Schedule B - Pricing which must be amended by official contract change notice. Agencies may either reject the invoice and require a corrected version or short pay invoices and Contractor will then issue a credit for any charges billed prior to an official contract change notice being in place. Under no circumstances may the Contractor remove a container without escalating the issue to the Program Manager and Contract Administrator.

Program Manager is responsible for billing the agency. The Contractor must direct all billing questions from an agency to Program Manager.

7.2. Payment Methods

The State will make payment for Contract Activities via Electronic Funds Transfer (EFT).

8. Michigan Department of Corrections (MDOC) Specific Requirements (if applicable)

A. Correctional Facility

1. The State of Michigan's correctional locations may have wait times to enter each facility. However, MDOC will make every reasonable effort to limit wait times for service trucks. If other vehicles are waiting to enter the sallyport gates, which causes the delay, the Contractor may return later the same day to pick up materials at no additional charge to MDOC.
2. Contractor's vehicles will not be allowed to enter facilities during lunch count (10:45am-12:15pm). If a correctional facility is on lockdown all service vehicles will be turned away at the sallyport gate.
3. Contractor staff that come into the Administration Building of a correctional facility will need to secure their cellular devices and personal tobacco products in their locked vehicle prior to entrance.

B. Security

The Contractor and its staff assigned to this contract will be subject to the following security procedures:

1. No active warrants or pending charges on any staff assigned to this contract.
2. MDOC reserves the right to approve, decline, or remove Contractor and staff from providing services on this Contract.
3. Not under investigation or under disciplinary action of the Michigan Department of Licensing and Regulatory Affairs.
4. Has not engaged in sexual abuse in a prison, jail, lockup, community confinement facility, juvenile facility or other institution as defined in 42 U.S.C. 1997.
5. Has not been convicted of engaging in, attempting to engage in or conspiracy to engage in sexual activity facilitated by force, overt or implied threats of force or coercion, or if the victim did not consent or was unable to consent or refuse.
6. Has not been civilly or administratively adjudicated to have engaged in the activity described in Number 5 above.
7. The MDOC may investigate the Contractor's personnel prior to performing contract activities. The scope of the background check is at the discretion of the MDOC and the results will be used to determine Contractor's personnel eligibility to performing contract activities. The investigations will include Michigan State Police Background checks (ICHAT)

and the Law Enforcement Information Network (LEIN) and may include the National Crime Information Center (NCIC). Proposed Contractor personnel may be required to complete and submit an Rl-8 Fingerprint Card for the NCIC Fingerprint Check. Any request for background checks will be initiated by the MDOC and will be reasonably related to the type of work requested.

8. All drivers and Contractor's personnel that are entering an MDOC facility or handling MDOC records must be LEIN cleared and received written approval from the MDOC's Contract Manager or designee initially and annually by MDOC prior to entry into an MDOC facility or providing services. Any Contractor staff with an identified felony conviction must receive approval through the MDOC Deputy Director or designee.
9. All drivers, Contractor's and technicians that are entering an MDOC facility must be LEIN cleared by MDOC at least 72 hours prior to facility entry. The Contractor's personnel must be LEIN cleared and received written approval from the MDOC's Contract Manager or designee initially and annually by MDOC prior to entry into MDOC facilities. The Contractor should attempt to get any and all into a secure facility during the life of the contract pre-cleared through LEIN before a need is recognized. Should an emergency arise, MDOC may be able to LEIN clear individuals less than 72 hours if approved by the Contract Manager.
10. A completed LEIN form for each staff assigned to the contract must be sent to the MDOC-PMCD-CFA-LEINS@michigan.gov and approved by MDOC prior to Contractor's personnel providing contract activities and annually following approval. There is no cost associated with the LEIN. The LEIN form will be provided to the Contract awardee(s).
11. The Contractor must document if a contractor's personnel assigned to the Contract is related to or acquainted with an offender incarcerated and under the jurisdiction of the MDOC. For Contractor's personnel who are related to, have a relationship with, contacted or is in contact with and/or acquainted with an offender, the Contractor's staff member must complete the Offender Contact Disclosure for Contractors and submit it to the MDOC Contract Manager or designee. The Contractor must ensure its personnel complete the form and notify the MDOC Contract Manager or designee of any changes throughout the contract term.
12. The Contractor's personnel may be required to enter State facilities. The State may require the Contractor's personnel to wear State-issued identification badges.
13. The Contractor's personnel must anticipate delays when visiting any correctional facility due to issues within the facility.
14. The MDOC reserves the right to deny access to any correctional facility to anyone who fails to comply with any applicable State, Federal or local law, ordinance or regulation or whose presence may compromise the security of the facility, its offenders, or staff. Weapons, alcoholic beverages, poison, prescription drugs, and controlled substances without written certification of needs from a licensed physician (does not include medical supplies for the facility), cellular devices, cameras, and audio or visual recording devices are prohibited

from being brought into all MDOC correctional facilities. Tobacco products and smoking also are prohibited both inside a correctional facility and on facility grounds except as specifically authorized by MDOC policy. Wardens may prohibit other items from being brought into their respective correctional facilities.

15. Security is the facility's first priority, and the Contractor and its personnel must be responsive and respectful of these needs.
16. The Contractor and its personnel must comply with and cooperate with all correctional facility rules, procedures and processes as well as State and federal laws. Contractor personnel must ensure that they are complying with all facility rules and regulations including, but not limited to, dress code and items allowed to be possessed.
17. The Contractor's personnel must follow the facility entry, exit, manifest process, including the following:
    a) The Contractor personnel may receive an orientation and training by the MDOC on security, procedures, etc., inside the correctional facility. The Contractor must maintain a copy of the Contractor personnel's training certificates in the appropriate file for auditing purposes.
    b) The Contractor personnel must follow all MDOC rules, procedures and security processes at all times.
    c) The Contractor must ensure that all Contractor personnel working in a correctional facility are familiar and in compliance with the necessary routines and increased awareness of working inside a facility. Working inside the facility requires that the Contractor personnel develop positive and cooperative relationships with MDOC facility staff.
    d) The Contractor personnel must report any concerns, issues, or rule violations to the MDOC facility staff immediately.
    e) The Contractor personnel must use the MDOC facility staff as a resource for questions and guidance working with prisoners and inside a correctional facility.
    f) The Contractor's personnel must defer to MDOC correctional facility staff for directions. The Contractor personnel must remember they are guests in the facility and that security is the first priority of the facility.
    g) All vehicles entering an MDOC facility will be subject to inspection before entry of the secure perimeter.

C. Prison Rape Elimination Act of 2003 (PREA), 42 U.S.C. § 15601

1. The Contractor and the Contractor Personnel must comply with the Final Rule implementing PREA, all applicable PREA Prison and Jail standards (Attachment 5), including but not limited to Lockup, Community Confinement and/or Juvenile, and maintain updates as issued by the Department of Justice (DOJ), and MDOC's policies.

The Contractor and Contractor Personnel must make itself familiar with and at all times must observe and comply with all PREA regulations that in any manner affect the performance under this Contract. Failure to comply with the PREA Standards and related policies of the MDOC will be considered a breach of contract and may result in termination of the contract. PREA Standards may be obtained from the National PREA Resource Center Homepage | PREA.

2. Contract Personnel who may have contact with MDOC's prisoners and/or offenders must complete all PREA training prior to entrance in any MDOC Facility and/or providing any services to MDOC's offenders. Upon completion, each Contractor Personnel must sign MDOC's training acknowledgement document. Completion dates for computer-based trainings will be documented in MDOC's online vendor training system for each Contractor Personnel.

3. For Prison-Based Services - The Contractor and/or Contractor's personnel must report any information, allegations or incident(s) concerning violations of PREA as soon as personnel is made aware of the alleged occurrence not later than 72 hours in accordance with the PREA Standards and MDOC Policy.

D. Vendor Rules and Regulations

Contractor staff, that may be entering an MDOC correctional facility, handling MDOC records, or providing supervisory services to staff performing these functions, must review and verify acceptance of the MDOC Vendor Rules and Regulations as directed by the MDOC. The purpose of the MDOC Vendor Rules and Regulations is to provide the Contractor with general information regarding basic requirements of providing services to the MDOC and provide notice of work rules. Any revisions to the document will be provided to the Contractor throughout the Contract period, and all contractual staff, must comply with all documentation provided. The Contractor must maintain copies of their staff's completion certificates for auding purposes.

E. MDOC Provided Training

1. Contractor staff, as applicable, providing services under the MDOC contract are required to complete MDOC training prior to providing services or entering into MDOC facilities. The training assigned will be specific to Contractor worksite, level of offender contact, and the services provided under the Contract. Contact the MDOC Contract Manager or designee with any questions concerning MDOC training.

2. Contractor staff must complete MDOC-provided training annually before the end of training year. (The State's training year is October 1st through September 30th.)

3. Contractor staff must annually review and accept the MDOC Vendor Rules and Regulations document as one of the training requirements.

4. Any contractor staff who do not complete training by the annual September 30th training deadline may have their permission to provide contract deliverables revoked, as determined by the Program Manager or designee.

9. Liquidated Damages

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

SCHEDULE A – ATTACHMENT 1 – KEY PERSONNEL

1. Key Personnel

1.1. The Contractor must appoint individuals who will be directly responsible for the day-to-day operations of the Contract ("Key Personnel"). Key Personnel must be specifically assigned to the State account, be knowledgeable on the contractual requirements, and respond to State inquiries within 24 hours.

1.2. The State has the right to recommend and approve in writing the initial assignment, as well as any proposed reassignment or replacement, of any Key Personnel. Before assigning an individual to any Key Personnel position, Contractor will notify the State of the proposed assignment, introduce the individual to the State's Project Manager, and provide the State with a resume and any other information about the individual reasonably requested by the State. The State reserves the right to interview the individual before granting written approval. In the event the State finds a proposed individual unacceptable, the State will provide a written explanation including reasonable detail outlining the reasons for the rejection. The State may require a 30-calendar day training period for replacement personnel.

1.3. Contractor will not remove any Key Personnel from their assigned roles on this Contract without the prior written consent of the State. The Contractor's removal of Key Personnel without the prior written consent of the State is an unauthorized removal ("Unauthorized Removal"). An Unauthorized Removal does not include replacing Key Personnel for reasons beyond the reasonable control of Contractor, including illness, disability, leave of absence, personal emergency circumstances, resignation, or for cause termination of the Key Personnel's employment. Any Unauthorized Removal may be considered by the State to be a material breach of this Contract, in respect of which the State may elect to terminate this Contract for cause under the **Termination for Cause** section of the Standard Contract Terms. It is further acknowledged that an Unauthorized Removal will interfere with the timely and proper completion of this Contract, to the loss and damage of the State, and that it would be impracticable and extremely difficult to fix the actual damage sustained by the State as a result of any Unauthorized Removal. Therefore, Contractor and the State agree that in the case of any Unauthorized Removal in respect of which the State does not elect to exercise its rights under Termination for Cause, Contractor will issue to the State the corresponding credits set forth below (each, an "Unauthorized Removal Credit"):

1.3.1. For the Unauthorized Removal of any Key Personnel designated in the applicable Statement of Work, the credit amount will be $25,000.00 per individual if Contractor identifies a replacement approved by the State and assigns the replacement to shadow the Key Personnel who is leaving for a period of at least 30-calendar days before the Key Personnel's removal.

1.3.2. If Contractor fails to assign a replacement to shadow the removed Key Personnel for at least 30-calendar days, in addition to the $25,000.00 credit specified above, Contractor will credit

the State $833.33 per calendar day for each day of the 30-calendar day shadow period that the replacement Key Personnel does not shadow the removed Key Personnel, up to $25,000.00 maximum per individual. The total Unauthorized Removal Credits that may be assessed per Unauthorized Removal and failure to provide 30-calendar days of shadowing will not exceed $50,000.00 per individual.

1.4. Contractor acknowledges and agrees that each of the Unauthorized Removal Credits assessed above: (i) is a reasonable estimate of and compensation for the anticipated or actual harm to the State that may arise from the Unauthorized Removal, which would be impossible or very difficult to accurately estimate; and (ii) may, at the State's option, be credited or set off against any fees or other charges payable to Contractor under this Contract.

Contractor Key Personnel Contact Information:

Shannon Barsy, Customer Service & Data Coordinator
sbarsey@kalamazooxray.com

Michele Cripe, Office Manager
mcripe@ kalamazooxray.com.com

Lorne Gaum, Customer Service Representative
lgaum@kalamazooxray.com

Brendan Jameson, Route Manager
bjameson@kalamazooxray.com

Gayla Sibley, Controller
gsibley@kalamazooxray.com

Jim White, President
Jwhite@kalamazooxray.com

Kent White, Vice President
kwhite@kalamazooxray.com

STATE OF MICHIGAN
PROCUREMENT
Michigan.gov/MiProcurement

SCHEDULE A – ATTACHMENT 2

Safeguard Requirements of Confidential Tax Data

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

I. Authority

Authority for the Michigan Department of Treasury to require that this section be included in the Contract is contained in l941 PA 122, as amended, MCL 205.28(1)(f), which subjects current or former contractors to the same restrictions and penalties imposed upon department employees regarding the treatment of confidential information. A private contractor or its employees are strictly prohibited from disclosing taxpayer information to a third party. The prohibition against disclosure does not bar an employee of a private contractor with whom the State of Michigan (State) contracts that processes tax returns or payments pursuant to the Contract from having access to confidential information that is reasonably required for the processing or collection of amounts due this State. Private contractors and any subcontractors will follow Treasury guidelines for Authorized representatives.

II. Confidentiality

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

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

Confidential information obtained under this contract will not be disclosed except as required by state law, or in the proper administration of applicable laws, promulgated rules and procedures. In the event, confidentiality statutes are amended, Treasury will notify Contractor of any changes. No employee, agent, authorized representative or legal representative of Contractor will disclose any information obtained by virtue of this section to any other division within their company or any other governmental agency, department or unit within such governmental agency whether local, state, federal or foreign, department or unit within such governmental agency, or any unauthorized third party. No tax returns or tax return information accessed by Contractor will be duplicated or

disseminated within or outside the company without the written approval of the Contract Compliance Inspector. Tax returns and tax return information remain the property of Treasury.

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

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

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

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

MCL 205.27(4) states:

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

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

III. Procedure for Security

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

A. Access to the tax returns and tax return information will be allowed only to those authorized employees and officials of Contractor who need the information to perform their official duties in connection with the uses of the information authorized in this Contract.

B. Any records created from tax returns and tax return information will be stored in an area that is physically safe from access by unauthorized persons during duty hours and locked in a secure area during non-duty hours, or when not in use.

C. Any records matched and any records created by the match will be processed under the immediate supervision and control of authorized personnel in a manner in which will protect the confidentiality of the records, and in such a way that unauthorized persons cannot retrieve any such records by means of a computer, remote terminal or other means.

D. All personnel who will have access to the tax returns and tax return information and to any records created by the tax return information will be advised annually of the confidential

nature of the information, the safeguards required to protect the information and the civil and criminal sanctions for noncompliance contained in MCL 205.28 (2) and MCL 205.27(4) and will sign confidentiality certifications.

E. All confidential information, electronic and paper, will be secured from unauthorized access and with access limited to designated personnel only. State tax return information will not be commingled with other information. All Michigan tax returns and return information will be marked as follows: CONFIDENTIAL - DO NOT DISCLOSE - MICHIGAN TREASURY TAX RETURN INFORMATION

F. Treasury, Office of Privacy and Security or Contract Compliance Inspector may make onsite inspections or make other provisions to ensure that adequate safeguards are being maintained by the Contractor.

G. The Treasury Office of Privacy and Security may monitor compliance of systems security requirements during the lifetime of the Contract or any extension.

H. Contractor will also adopt policies and procedures to ensure that information contained in their respective records and obtained from Treasury and taxpayers will be used solely as stipulated in the Contract.

IV. Computer System Security of Tax Data

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

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

A. Controlled Access Protection

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

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

contains information for more than one program/project, office, or Agency and that personnel do not have authorization to see all information on the system.

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

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

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

    b) Operating Features of System Security

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

i. Access rights to confidential tax information must be secured through appropriate levels of authorization.

ii. An audit trail must be maintained of accesses made to confidential information.

iii. All confidential and protected information must be cleared from a system before it is used for other purposes not related to the enforcement, collection or exchange of data not covered by this section or by an addendum to this Contract.

iv. Hard copies made of confidential tax return information must be labeled as confidential information.

v. Confidential Treasury tax information will be blocked or coded as confidential on system.

vi. Any computer system in which Michigan tax return information resides must systematically notify all users upon log-in of the following disclosure penalties for improperly accessing or making an authorized disclosure of Michigan tax return information:

NOTICE TO EMPLOYEES AND AUTHORIZED REPRESENTATIVES

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

MICHIGAN PENALTIES

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

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

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

1) Assurance – Contractor must ensure that all access controls and other security features are implemented and are working when installed on their computer system. Significant enhancements or other changes to a security system must follow the process of review, independent testing, and installation assurance. The security system must be tested at least annually to assure it is functioning correctly. All anomalies must be corrected immediately.

   A) The Contractor must initiate corrective action for all non-conformities as soon as detected and immediately advise the Contract Compliance Inspector. Notice of the corrective action must be provided to the Contract Compliance Inspector. All non-conformities must be reported to the Contract Compliance Inspector with the following:

      a. Duration of non-conformity/interruption

      b. Reason for non-conformity/interruption

      c. Resolution.

   B) All non-conformities to the specifications/tasks of the Contract must be corrected within four (4) hours. The State recognizes there will be instances when adherence to this time frame will not be possible. However, the State will only tolerate this on an exception basis. To request an exception to this time frame, the Contractor must submit a detailed project plan to address the non-conformity within four (4) hours to the Contract Compliance Inspector for approval.

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

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

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

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

V. Electronic Transmission of Michigan Tax Information

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

Cryptography standards have been adopted by the IRS and can be used to provide guidance for encryption, message authentication codes or digital signatures and digital signatures with or without an associated certification infrastructure. For further information, see IRS Publication 1075 at the IRS web site.

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

A. Remote Access

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

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

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

B. Portable Computer Devices

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

VI. Record Keeping Requirements for Information Received

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

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

h. Date destroyed

i. Method of destruction

The Contractor will adopt and implement formal procedures to:

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

A. Electronic Media

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

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

B. Recordkeeping Requirements of Disclosure Made to State Auditors

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

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

VII. Contract Services

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

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

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

Taxpayer's identity, address, the source or amount of his/her income, payments, receipts, deductions, exemptions, credits, assets, liabilities, net worth, tax liability, tax withheld, deficiencies, over assessments, or tax payments whether the taxpayer's return was, is being

or will be examined or subject to their investigation or processing, or any other data, received by, recorded by, prepared by, furnished to or collected by the agency with respect to a return or with respect to the determination of the existence, or liability (or the amount thereof) of any person under the tax laws administered by the Department, or related statutes of the state for any tax, penalty, interest, fine, forfeiture, or other imposition or offense. The term "tax return information" also includes any and all account numbers assigned for identification purposes.

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

D. The subcontractor will certify that the data processed during the performance of the Contract between Contractor and the subcontractor will be completely purged from all data storage components of the subcontractor's computer facility, and no output will be retained by the subcontractor at the time the work is completed.

E. Destruction of tax data, including any spoilage or any intermediate hard copy printout which may result during the processing of Michigan tax return information, will be documented with a statement containing the date of destruction, description of material destroyed, and the method used. Destruction parameters must meet the standards of Section IX, Disposal of Tax Information, of this agreement.

F. Computer system security and physical security of tax data stored and processed by the subcontractor must be in compliance with security guidelines and standards established by this contract. See section VI (Record Keeping Requirements for Information Received in Paper Format) for more details.

G. The Contractor will be responsible for maintaining a list of employees authorized to access Michigan tax return information and will provide a copy of such list to Treasury.

H. No work involving information furnished under the contract will be subcontracted without the specific approval of Treasury. Contractor and approved subcontractors handling Michigan tax return information will be required to sign the Vendor, Contractor or Subcontractor Confidentiality Agreement provided by Treasury, (Form 3337, see Attachment A). The original agreements will be returned to the Disclosure Officer for the Department of Treasury and a copy sent to the Contract Compliance Inspector.

VIII. Transport of Tax Information

In the event, it is necessary to transport confidential tax return information the Contractor is responsible for holding the carrier responsible for safeguarding the records. The Contractor must

obtain a signed Vendor, Contractor or Subcontractor Confidentiality Agreement (Form 3337, see Attachment A) for each carrier employee who has access to Michigan tax return information. The original agreements will be returned to the Department of Treasury, Disclosure Officer and a copy sent to the Contract Compliance Inspector.

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

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

IX. Disposal of Tax Information

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

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

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

X. Security Responsibility

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

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

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

XI. Security Breach Notification

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

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

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

XIII. Certification of Compliance

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

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

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

XI. Effective Date

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

SCHEDULE A – ATTACHMENT 3

IRS Publication 1075 – Exhibit 7 Safeguarding Contract Language

(see following pages)

Exhibit 7 Safeguarding Contract Language

I. PERFORMANCE

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

(1) All work will be performed under the supervision of the contractor.

(2) The contractor and contractor's officers or employees to be authorized access to FTI must meet background check requirements defined in IRS Publication 1075. The contractor will maintain a list of officers or employees authorized access to FTI. Such list will be provided to the agency and, upon request, to the IRS.

(3) FTI in hardcopy or electronic format shall be used only for the purpose of carrying out the provisions of this contract. FTI in any format shall be treated as confidential and shall not be divulged or made known in any manner to any person except as may be necessary in the performance of this contract. Inspection or disclosure of FTI to anyone other than the contractor or the contractor's officers or employees authorized is prohibited.

(4) FTI will be accounted for upon receipt and properly stored before, during, and after processing. In addition, any related output and products require the same level of protection as required for the source material.

(5) The contractor will certify that FTI processed during the performance of this contract will be completely purged from all physical and electronic data storage with no output to be retained by the contractor at the time the work is completed. If immediate purging of physical and electronic data storage is not possible, the contractor will certify that any FTI in physical or electronic storage will remain safeguarded to prevent unauthorized disclosures.

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

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

(8) No work involving FTI furnished under this contract will be subcontracted without the prior written approval of the IRS.

(9) Contractor will ensure that the terms of FTI safeguards described herein are included, without modification, in any approved subcontract for work involving FTI.

(10) To the extent the terms, provisions, duties, requirements, and obligations of this contract apply to performing services with FTI, the contractor shall assume toward the subcontractor all obligations, duties and responsibilities that the agency under this contract assumes toward the contractor, and the subcontractor shall assume toward the contractor all the same obligations, duties and responsibilities which the contractor assumes toward the agency under this contract.

(11) In addition to the subcontractor's obligations and duties under an approved subcontract, the terms and conditions of this contract apply to the subcontractor, and the subcontractor is bound and obligated to the contractor hereunder by the same terms and conditions by which the contractor is bound and

obligated to the agency under this contract.

(12) For purposes of this contract, the term “contractor” includes any officer or employee of the contractor with access to or who uses FTI, and the term “subcontractor” includes any officer or employee of the subcontractor with access to or who uses FTI.

(13) The agency will have the right to void the contract if the contractor fails to meet the terms of FTI safeguards described herein.

II. CRIMINAL/CIVIL SANCTIONS

(1) Each officer or employee of a contractor to whom FTI is or may be disclosed shall be notified in writing that FTI 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 FTI for a purpose not authorized herein constitutes a felony punishable upon conviction by a fine of as much as $5,000 or imprisonment for as long as 5 years, or both, together with the costs of prosecution.

(2) Each officer or employee of a contractor to whom FTI is or may be accessible shall be notified in writing that FTI accessible to such officer or employee may be accessed only for a purpose and to the extent authorized herein, and that access/inspection of FTI without an official need-to-know for a purpose not authorized herein constitutes a criminal misdemeanor punishable upon conviction by a fine of as much as $1,000 or imprisonment for as long as 1 year, or both, together with the costs of prosecution.

(3) Each officer or employee of a contractor to whom FTI is or may be disclosed shall be notified in writing that any such unauthorized access, inspection or disclosure of FTI may also result in an award of civil damages against the officer or employee in an amount equal to the sum of the greater of $1,000 for each unauthorized access, inspection, or disclosure, or the sum of actual damages sustained as a result of such unauthorized access, inspection, or disclosure, plus in the case of a willful unauthorized access, inspection, or disclosure or an unauthorized access/inspection or disclosure which is the result of gross negligence, punitive damages, plus the cost of the action. These penalties are prescribed by IRC sections 7213, 7213A and 7431 and set forth at 26 CFR 301.6103(n)-1.

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

(4) Granting a contractor access to FTI must be preceded by certifying that each officer or employee understands the agency’s security policy and procedures for safeguarding FTI. A contractor and each officer or employee must maintain their authorization to access FTI through annual recertification of their understanding of the agency’s security policy and procedures for safeguarding FTI. The initial certification and recertifications must be documented and placed in the agency's files for review. As part of the certification and at least annually afterwards, a contractor and each officer or employee must be advised of the provisions of IRC sections 7213, 7213A, and 7431 (see Exhibit 4, *Sanctions for Unauthorized Disclosure*, and Exhibit 5, *Civil Damages for Unauthorized Disclosure*). The training on the agency’s security policy and procedures 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 the initial certification and the annual recertifications, the contractor and each officer or employee must sign, either with ink or electronic signature, a confidentiality statement certifying their understanding of the security requirements.

III. INSPECTION

The IRS and the Agency, with 24 hour notice, shall 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 shall 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. Based on the inspection, corrective actions may be required in cases where the contractor is found to be noncompliant with FTI safeguard requirements.

SCHEDULE B - PRICING

Contract No. 260000000670

Confidential Records Destruction Services

1. Pricing includes all costs, including but not limited to, any one-time or set-up charges, fees, and potential costs that Contractor may charge the State (e.g., shipping and handling, per piece pricing, and palletizing).
2. Only one stop charge can be assessed per location, even if different types of confidential materials are picked up on a particular date.
3. All totals provided below are estimates based on historical usage data. These figures are for informational purposes only and do not represent a commitment by the State to sustaining specific quantities throughout the Contract period.
4. Definitions:
    a. Customer – refers to the State Records Center.
    b. Location – refers to the address of the State Records Center located at 3400 N. Grand River Ave., Lansing, MI 48906.
    c. Lost Equipment – refers to any equipment owned by the Contractor that is provided to the State of Michigan to facilitate the use of this service and is lost by the customer.
    d. Pick-up – refers to the transfer of custody of the materials to be confidentially destroyed on a particular date to the Contractor. The State of Michigan will supply material to be destroyed in gaylord containers or palletized boxes at a centralized pick-up location.
    e. Stop Charge – refers to the charge assessed for traveling to the State Records Center located at 3400 N. Grand River Ave., Lansing, MI 48906 to pick-up confidential materials. A stop charge can be assessed if the total weight of all material collected is below 8,000 lbs., and if no materials are picked up under the following conditions: to unlock a bin for a customer so they can retrieve materials accidentally placed in the bin, or if the customer is not present at the pre-arranged date/time and the materials cannot be accessed by the Contractor.

STATE OF MICHIGAN PROCUREMENT

PRICING SCHEDULE

Item	Description	Estimated # of Stops	Unit Price per Pound	Estimated Pounds per Year
1	Pick-up from the Records Center (3400 N. Grand River Ave., Lansing) and destruction of confidential paper records to P-7 particle size	50	$0.25	400,000
2	Pick-up from the Records Center (3400 N. Grand River Ave., Lansing) and destruction of confidential paper records to P-4 particle size	250	$0.12	3 million
3	Pick-up from the Records Center (3400 N. Grand River Ave., Lansing) and destruction of confidential microfilm records to F-4 particle size	1	$0.30	50
4	Pick-up from the Records Center (3400 N. Grand River Ave., Lansing) and destruction of confidential plastic cards to T-4 particle size	1	$0.30	50
5	Pick-up from the Records Center (3400 N. Grand River Ave., Lansing) and destruction of paper and non-paper media at an incinerator	50	$1.25	50,000
6	Stop Charge – If the total weight of all material collected is below 8,000 lbs.	12	$250.00	

SCHEDULE C - INSURANCE REQUIREMENTS

Contract No. 260000000670

Confidential Records Destruction Services

1. **General Requirements.** Contractor, at its sole expense, must maintain the insurance coverage as specified herein for the duration of the Term. Minimum limits may be satisfied by any combination of primary liability, umbrella or excess liability, and self-insurance coverage. To the extent damages are covered by any required insurance, Contractor waives all rights against the State for such damages. Failure to maintain required insurance does not limit this waiver.
2. **Qualification of Insurers.** Except for self-insured coverage, all policies must be written by an insurer with an A.M. Best rating of A- VII or higher unless otherwise approved by DTMB Enterprise Risk Management.
3. **Primary and Non-Contributory Coverage.** All policies for which the State of Michigan is required to be named as an additional insured must be on a primary and non-contributory basis.
4. **Claims-Made Coverage.** If any required policies provide claims-made coverage, Contractor must:
    a. Maintain coverage and provide evidence of coverage for at least 3 years after the later of the expiration or termination of the Contract or the completion of all its duties under the Contract;
    b. Purchase extended reporting coverage for a minimum of 3 years after completion of work if coverage is cancelled or not renewed, and not replaced with another claims-made policy form with a retroactive date prior to the Effective Date of this Contract.
5. **Proof of Insurance.**
    a. Insurance certificates showing evidence of coverage as required herein must be submitted to DTMB-RiskManagement@michigan.gov within 10 days of the contract execution date.
    b. Renewal insurance certificates must be provided on annual basis or as otherwise commensurate with the effective dates of coverage for any insurance required herein.
    c. Insurance certificates must be in the form of a standard ACORD Insurance Certificate unless otherwise approved by DTMB Enterprise Risk Management.
    d. All insurance certificates must clearly identify the Contract Number (e.g., notated under the Description of Operations on an ACORD form).
    e. The State may require additional proofs of insurance or solvency, including but not limited to policy declarations, policy endorsements, policy schedules, self-insured certification or authorization, and audited financial statements.
    f. In the event any required coverage is cancelled or not renewed, Contractor must provide written notice to DTMB Enterprise Risk Management no later than 5 business days following such cancellation or nonrenewal.

6. **Subcontractors.** Contractor is responsible for ensuring its subcontractors, if any, carry and maintain insurance coverage as applicable to the subcontracted service(s).

7. **Limits of Coverage & Specific Endorsements.**

Required Limits	Additional Requirements
Commercial General Liability Insurance	
Minimum Limits: $1,000,000 Each Occurrence $1,000,000 Personal & Advertising Injury $2,000,000 Products/Completed Operations $2,000,000 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 using endorsement CG 20 10 11 85, or both CG 20 10 12 19 and CG 20 37 12 19.
Automobile Liability Insurance	
Minimum Limits: $1,000,000 Per Accident	Contractor must have their policy: (1) endorsed to add "the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees, and agents" as additional insureds; and (2) include Hired and Non-Owned Automobile coverage.
Workers' Compensation Insurance	
Minimum Limits: Coverage according to applicable laws governing work activities.	Waiver of subrogation, except where waiver is prohibited by law.
Employers Liability Insurance	
Minimum Limits: $500,000 Each Accident $500,000 Each Employee by Disease $500,000 Aggregate Disease	

8. **Notice of Non-Compliance.** Contractor consents to receiving electronic communications from a third-party service provider, Origami Risk, for the exclusive purpose of notifying Contractor of non-compliance with the requirements set forth in this Schedule C.

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

SCHEDULE D – NON-SOFTWARE SERVICE LEVEL AGREEMENT

Contract No. 260000000670

Confidential Records Destruction Services

1. Timely Records Destruction

SLA Element	Scope, Acceptable Standard & Service Credits
Definition and Purpose	The Contractor must ensure the protection and security of all State of Michigan confidential records in their possession until they are rendered destroyed in accordance with the terms of the Contract.
Acceptable Standard	The confidential records must be rendered destroyed within 24-hours of receipt in accordance with the terms of the Contract. The acceptable standard is 100% compliance.
Credit Due for Failing to Meet the Service Level Agreement	1. 5% of the invoice may be assessed for each of the first five occurrences of non-compliance in a given calendar year. 2. 10% may be assessed beginning with the sixth occurrence of non-compliance and on each occurrence thereafter in a given calendar year. Extenuating circumstances will be reviewed by the Program Manager before any Service Credits are assessed. At the discretion of the State, these credits may be applied toward any payable due to the Contractor or be payable directly to the State. Payments made directly to the state will be completed within 10 days of notice of assessment.

SCHEDULE D – ATTACHMENT 1 – MDOC SERVICE LEVEL AGREEMENTS

1. Submission of Monthly Contractor Roster

SLA Element	Scope, Acceptable Standard & Service Credits
Definition and Purpose	The Contractor must ensure an accurate Monthly Contractor Roster is delivered via email to the MDOC within 15 calendar days from the close of the previous month per Section 4, subsection 4.3. Reporting of the Statement of Work.
Data Sources	1) Monthly Employee Roster provided by the Contractor 2) Contractor dated email with attached Contractor Roster 3) Correspondence with MDOC staff
Methodology	Reconcile and review Data Sources 1, 2, and 3 as needed.
Acceptable Standard	The acceptable standard is 100% compliance.
Credit Due for Failing to Meet the Service Level Agreement	Monthly Employee Rosters must be received within 15 calendar days of the close of the previous month. $100.00 will be assessed on the 16th day and every 5 business days thereafter until the reports are received by the MDOC. Extenuating circumstances will be reviewed by the MDOC Contract Manager before any Service Credits are assessed. At the discretion of the State, these credits may be applied toward any payable due to the Contractor or be payable directly to the State of Michigan. Payments made directly to the State of Michigan shall be completed within 10 calendar days upon demand.

2. Contractor Completion of Training

SLA Element	Scope, Acceptable Standard & Service Credits
Definition and Purpose	Contracted staff must complete MDOC-required training prior to entering MDOC facilities and/or working on any contract deliverables per Section 8, subparagraph E. MDOC Provided Training of the Statement of Work. MDOC-provided training must be completed each training year (defined as October 1st through September 30th). The annual deadline for training completion is September 30th.
Data Sources	1) Training documentation (electronic or hard copies) 2) Monthly Contractor Roster

SLA Element	Scope, Acceptable Standard & Service Credits
	3) Correspondence with MDOC Staff or the Contractor 4) MI-TRAIN documentation
Methodology	MDOC will conduct an annual audit of Data Sources 1 - 4
Acceptable Standard	The acceptable standard is 100% compliance.
Credit Due for Failing to Meet the Service Level Agreement	A credit of $250.00 will be assessed per finding for each contractor staff and/or subcontractor staff who do not complete MDOC-required training by the deadline. If over 30% of contractor staff and/or subcontractor staff do not complete MDOC-required training by the deadline, an additional $500.00 will be assessed. Extenuating circumstances will be reviewed by the MDOC Contract Manager before any Service Credits are assessed. At the discretion of the State, these credits may be applied toward any payable due to the Contractor or be payable directly to the State of Michigan. Payments made directly to the State of Michigan shall be completed within 10 calendar days upon demand.

3. LEIN

SLA Element	Scope, Acceptable Standard & Service Credits
Definition and Purpose	The Contractor will provide the Law Enforcement Information Network (LEIN) Form to the Michigan Department of Corrections (MDOC) per Section 8., subparagraph B. Security of the Statement of Work, and must ensure all staff are LEIN-cleared prior to arriving at the correctional facility and all staff working with confidential documents.
Data Sources	1) Contractor's Roster 2) Submitted LEIN forms and databases 3) Facility Clearance Database 5) Correspondence with MDOC staff
Methodology	MDOC may review Data Sources 1 – 4 to ensure timeliness and compliance with contract requirements.
Acceptable Standard	Contractor staff that will be entering a correctional facility, may be handling or have access to employee records, MDOC documents, or provides supervisory services to staff performing these functions, must complete the LEIN Form at the start of the contract and annually thereafter, as directed by the MDOC, and have been LEIN-cleared prior to arriving at the correctional facility and working with confidential documents.

SLA Element	Scope, Acceptable Standard & Service Credits
Credit Due for Failing to Meet the Service Level Agreement	A $250.00 credit to the State will be assessed for each occurrence that fails to meet the Acceptable Standard. Extenuating circumstances will be reviewed by the MDOC Contract Manager before any Service Credits are assessed. At the discretion of the State, these credits may be applied toward any payable due to the Contractor or be payable directly to the State of Michigan. Payments made directly to the State of Michigan shall be completed within 10 calendar days upon demand.

SCHEDULE E – CJIS SECURITY ADDENDUM

The following pages contain:

The legal authority, purpose, and genesis of the Criminal Justice Information Services

Security Addendum;

An example of a contract addendum;

The Security Addendum itself;

FEDERAL BUREAU OF INVESTIGATION

CRIMINAL JUSTICE INFORMATION SERVICES SECURITY ADDENDUM

Legal Authority for and Purpose and Genesis of the Security Addendum

Traditionally, law enforcement and other criminal justice agencies have been responsible for the confidentiality of their information. Accordingly, until mid-1999, the Code of Federal Regulations Title 28, Part 20, subpart C, and the National Crime Information Center (NCIC) policy paper approved December 6, 1982, required that the management and exchange of criminal justice information be performed by a criminal justice agency or, in certain circumstances, by a noncriminal justice agency under the management control of a criminal justice agency.

In light of the increasing desire of governmental agencies to contract with private entities to perform administration of criminal justice functions, the FBI sought and obtained approval from the United States Department of Justice (DOJ) to permit such privatization of traditional law enforcement functions under certain controlled circumstances. In the Federal Register of May 10, 1999, the FBI published a Notice of Proposed Rulemaking, announcing as follows:

1. Access to CHRI [Criminal History Record Information] and Related Information, Subject to Appropriate Controls, by a Private Contractor Pursuant to a Specific Agreement with an Authorized Governmental Agency To Perform an Administration of Criminal Justice Function (Privatization). Section 534 of title 28 of the United States Code authorizes the Attorney General to exchange identification, criminal identification, crime, and other records for the official use of authorized officials of the federal government, the states, cities, and penal and other institutions. This statute also provides, however, that such exchanges are subject to cancellation if dissemination is made outside the receiving departments or related agencies. Agencies authorized access to CHRI traditionally have been hesitant to disclose that information, even in furtherance of authorized criminal justice functions, to anyone other than actual agency employees lest such disclosure be viewed as unauthorized. In recent years, however, governmental agencies seeking greater efficiency and economy have become increasingly interested in obtaining support services for the administration of criminal justice from the private sector. With the concurrence of the FBI's Criminal Justice Information Services (CJIS) Advisory Policy Board, the DOJ has concluded that disclosures to private persons and entities providing support services for criminal justice agencies may, when subject to appropriate controls, properly be viewed as permissible disclosures for purposes of compliance with 28 U.S.C. 534.

We are therefore proposing to revise 28 CFR 20.33(a)(7) to provide express authority for such arrangements. The proposed authority is similar to the authority that already exists in 28 CFR 20.21(b)(3) for state and local CHRI systems. Provision of CHRI under this authority would only be permitted pursuant to a specific agreement with an authorized governmental agency for the purpose of providing services for the administration of criminal justice. The agreement would be required to incorporate a security addendum approved by the Director of the FBI (acting for the Attorney General). The security 06/01/2020 CJISD-ITS-DOC-08140-5.9 H-3 addendum would specifically authorize access to CHRI, limit the use of the information to the specific purposes for which it is

being provided, ensure the security and confidentiality of the information consistent with applicable laws and regulations, provide for sanctions, and contain such other provisions as the Director of the FBI (acting for the Attorney General) may require. The security addendum, buttressed by ongoing audit programs of both the FBI and the sponsoring governmental agency, will provide an appropriate balance between the benefits of privatization, protection of individual privacy interests, and preservation of the security of the FBI's CHRI systems.

The FBI will develop a security addendum to be made available to interested governmental agencies. We anticipate that the security addendum will include physical and personnel security constraints historically required by NCIC security practices and other programmatic requirements, together with personal integrity and electronic security provisions comparable to those in NCIC User Agreements between the FBI and criminal justice agencies, and in existing Management Control Agreements between criminal justice agencies and noncriminal justice governmental entities. The security addendum will make clear that access to CHRI will be limited to those officers and employees of the private contractor or its subcontractor who require the information to properly perform services for the sponsoring governmental agency, and that the service provider may not access, modify, use, or disseminate such information for inconsistent or unauthorized purposes.

Consistent with such intent, Title 28 of the Code of Federal Regulations (C.F.R.) was amended to read:

§ 20.33 Dissemination of criminal history record information.

a) Criminal history record information contained in the Interstate Identification Index (III) System and the Fingerprint Identification Records System (FIRS) may be made available:

1) To criminal justice agencies for criminal justice purposes, which purposes include the screening of employees or applicants for employment hired by criminal justice agencies.

2) To noncriminal justice governmental agencies performing criminal justice dispatching functions or data processing/information services for criminal justice agencies; and

3) To private contractors pursuant to a specific agreement with an agency identified in paragraphs (a)(1) or (a)(6) of this section and for the purpose of providing services for the administration of criminal justice pursuant to that agreement. The agreement must incorporate a security addendum approved by the Attorney General of the United States, which shall specifically authorize access to criminal history record information, limit the use of the information to the purposes for which it is provided, ensure the security and confidentiality of the information consistent with these regulations, provide for sanctions, and contain such other provisions as the Attorney General may require. The power 06/01/2020 CJISD-ITS-DOC-08140-5.9 H-4 and authority of the Attorney General hereunder shall be exercised by the FBI Director (or the Director's designee).

This Security Addendum, appended to and incorporated by reference in a government-private sector contract entered into for such purpose, is intended to insure that the benefits of privatization are not attained with any accompanying degradation in the security of the national system of criminal records accessed by the contracting private party. This Security Addendum addresses both concerns for personal integrity and electronic security which have been addressed in previously executed user agreements and management control agreements.

A government agency may privatize functions traditionally performed by criminal justice agencies (or noncriminal justice agencies acting under a management control agreement), subject to the terms of this Security Addendum. If privatized, access by a private contractor's personnel to NCIC data and other CJIS information is restricted to only that necessary to perform the privatized tasks consistent with the government agency's function and the focus of the contract. If privatized the contractor may not access, modify, use or disseminate such data in any manner not expressly authorized by the government agency in consultation with the FBI.

EXAMPLE OF A CONTRACT ADDENDUM

AMENDMENT NO. ___ TO THE CONTRACT BETWEEN

[PARTY NO. 1] AND [PARTY NO. 2], ENTERED INTO [DATE]

[Name of Law Enforcement Agency] and [Party No. 2], upon notification and pursuant to Paragraph/Section No. ___ [the amendment clause of the original contract] of that certain contract entered into by these parties on [date] [and entitled "___"], hereby amend and revise the contract to include the following:

1. Access to and use of criminal history record information and other sensitive information maintained in [state and] FBI-managed criminal justice information systems by [private party] are subject to the following restrictions:

a.

b.

c.

and

d. The Security Addendum appended hereto, which is incorporated by reference and made a part thereof as if fully appearing herein.

This amendment is effective the ____ day of _____, 20__.

On behalf of [Party No. 1]: _____

[Name]

_____

[Title]

_____

Date

On behalf of [Party No. 2]: _____

[Name]

_____

[Title]

FEDERAL BUREAU OF INVESTIGATION

CRIMINAL JUSTICE INFORMATION SERVICES

SECURITY ADDENDUM

The goal of this document is to augment the CJIS Security Policy to ensure adequate security is provided for criminal justice systems while (1) under the control or management ofa private entity or (2) connectivity to FBI CJIS Systems has been provided to a private entity (contractor). Adequate security is defined in Office of Management and Budget Circular A- 130 as "security commensurate with the risk and magnitude of harm resulting from the loss, misuse, or unauthorized access to or modification of information."

The intent of this Security Addendum is to require that the Contractor maintain a security program consistent with federal and state laws, regulations, and standards (including the CJIS Security Policy in effect when the contract is executed), as well as with policies and standards established by the Criminal Justice Information Services (CJIS) Advisory Policy Board (APB).

This Security Addendum identifies the duties and responsibilities with respect to the installation and maintenance of adequate internal controls within the contractual relationship sothat the security and integrity of the FBI's information resources are not compromised. The security program shall include consideration of personnel security, site security, system security, and data security, and technical security.

The provisions of this Security Addendum apply to all personnel, systems, networks and support facilities supporting and/or acting on behalf of the government agency.

1.00 Definitions

1.01 Contracting Government Agency (CGA) - the government agency, whether a Criminal Justice Agency or a Noncriminal Justice Agency, which enters into an agreement with a private contractor subject to this Security Addendum.

1.02 Contractor - a private business, organization or individual which has entered into an agreement for the administration of criminal justice with a Criminal Justice Agency or a Noncriminal Justice Agency.

2.00 Responsibilities of the Contracting Government Agency.

2.01 The CGA will ensure that each Contractor employee receives a copy of the Security Addendum and the CJIS Security Policy and executes an acknowledgment of such receipt and the contents of the Security Addendum. The signed acknowledgments shall remain in the possession of the CGA and available for audit purposes. The acknowledgement may be signed by hand or via digital signature (see glossary for definition of digital signature).

3.00 Responsibilities of the Contractor

3.01 The Contractor will maintain a security program consistent with federal and state laws, regulations, and standards (including the CJIS Security Policy in effect when the contract is executed and all subsequent versions), as well as with policies and standards established by the Criminal Justice Information Services (CJIS) Advisory Policy Board (APB).

4.00 Security Violations

4.01 The CGA must report security violations to the CJIS Systems Officer (CSO) and the Director, FBI, along with indications of actions taken by the CGA and Contractor.

4.02 Security violations can justify termination of the appended agreement.

4.03 Upon notification, the FBI reserves the right to:

a. Investigate or decline to investigate any report of unauthorized use;

b. Suspend or terminate access and services, including telecommunications links. The FBI will provide the CSO with timely written notice of the suspension. Access and services will be reinstated only after satisfactory assurances have been provided to the FBI by the CGA and Contractor. Upon termination, the Contractor's records containing CHRI must be deleted or returned to the CGA.

5.00 Audit

5.01 The FBI is authorized to perform a final audit of the Contractor's systems after termination of the Security Addendum.

6.00 Scope and Authority

6.01 This Security Addendum does not confer, grant, or authorize any rights, privileges, or obligations on any persons other than the Contractor, CGA, CJA (where applicable), CSA, and FBI.

6.02 The following documents are incorporated by reference and made part of this agreement: (1) the Security Addendum; (2) the NCIC 2000 Operating Manual; (3) the CJIS Security Policy; and (4) Title 28, Code of Federal Regulations, Part 20. The parties are also subject to applicable federal and state laws and regulations.

6.03 The terms set forth in this document do not constitute the sole understanding by and between the parties hereto; rather they augment the provisions of the CJIS Security Policy to provide a minimum basis for the security of the system and contained information and it is understood that there may be terms and conditions of the appended Agreement which impose more stringent requirements upon the Contractor.

6.04 This Security Addendum may only be modified by the FBI, and may not be modified by the parties to the appended Agreement without the consent of the FBI.

6.05 All notices and correspondence shall be forwarded by First Class mail to:

Information Security Officer,
Criminal Justice Information Services Division, FBI
1000 Custer Hollow Road
Clarksburg, West Virginia 26306

SCHEDULE E – EXHIBIT 1 – CONTRACTOR'S DISASTER RECOVERY PLAN

The Disaster Recovery Plan that Contractor provided to the State is incorporated into the Contract by reference but is redacted from this public copy for security purposes.

SCHEDULE F – FEDERAL PROVISIONS ADDENDUM

This addendum applies to purchases that will be paid for in whole or in part with funds obtained from the federal government. The provisions below are required, and the language is not negotiable. Contractor agrees to comply with all obligations under federal rules or regulations for such funding, including but not limited to the provisions contained in this addendum. If any provision below conflicts with the State's terms and conditions, including any attachments, schedules, or exhibits to this 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. Further, Contractor agrees to, through a Contract Change Notice, append or modify specific federal provisions to this Contract, if reasonably necessary to keep the State and Contractor in compliance with federal funding requirements, and comply with the terms set forth therein. Hyperlinks are provided for convenience only; broken hyperlinks will not relieve Contractor from compliance with the law.

A. Equal Employment Opportunity

This Contract is not a "**federally assisted construction contract**" as defined in 41 CFR Part 60-1.3.

B. Davis-Bacon Act (Prevailing Wage)

This Contract is not a "**federally assisted construction contract**" as defined in 41 CFR Part 60-1.3, nor is it a prime construction contract in excess of $2,000.

C. Copeland "Anti-Kickback" Act

This Contract is not a "**federally assisted construction contract**" as defined in 41 CFR Part 60-1.3, nor is it a prime construction contract in excess of $2,000 where the Davis-Bacon Act applies.

D. Contract Work Hours and Safety Standards Act

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, and during performance of this Contract the Contractor agrees as follows:

(1) **Overtime requirements**. No Contractor or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any such laborer or mechanic in any workweek in which he or she is employed on such work to work in excess of forty hours in such workweek unless such laborer or mechanic receives compensation at a rate not less than one and one-half times the basic rate of pay for all hours worked in excess of forty hours in such workweek.

(2) **Violation; liability for unpaid wages; liquidated damages**. In the event of any violation of the clause set forth in paragraph (1) of this section the Contractor and any Subcontractor

responsible therefor shall be liable for the unpaid wages. In addition, such Contractor and Subcontractor shall be liable to the United States (in the case of work done under contract for the District of Columbia or a territory, to such District or to such territory), for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic, including watchmen and guards, employed in violation of the clause set forth in paragraph (1) of this section, in the sum of $27 for each calendar day on which such individual was required or permitted to work in excess of the standard work week of forty hours without payment of the overtime wages required by the clause set forth in paragraph (1) of this section.

(3) **Withholding for unpaid wages and liquidated damages**. The State shall upon its own action or upon written request of an authorized representative of the Department of Labor withhold or cause to be withheld, from any moneys payable on account of work performed by the Contractor or Subcontractor under any such contract or any other Federal contract with the same prime contractor, or any other federally-assisted contract subject to the Contract Work Hours and Safety Standards Act, which is held by the same prime contractor, such sums as may be determined to be necessary to satisfy any liabilities of such contractor or subcontractor for unpaid wages and liquidated damages as provided in the clause set forth in paragraph (2) of this section.

(4) **Subcontracts.** The Contractor or Subcontractor shall insert in any subcontracts the clauses set forth in paragraph (1) through (4) of this section and also a clause requiring the Subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for compliance by any subcontractor or lower tier subcontractor with the clauses set forth in paragraphs (1) through (4) of this section.

(5) Further, for contracts that are only subject to Contract Work Hours and Safety Standards Act and are not subject to the other statutes in 29 C.F.R. § 5.1 where an additional contract provision is required, during performance of this Contract the Contractor agrees as follows:

(i) The contractor or subcontractor shall maintain payrolls and basic payroll records during the course of the work and shall preserve them for a period of three years from the completion of the contract for all laborers and mechanics, including guards and watchmen, working on the contract. Such records shall contain the name and address of each such employee, social security number, correct classifications, hourly rates of wages paid, daily and weekly number of hours worked, deductions made, and actual wages paid.

(ii) Records to be maintained under this provision shall be made available by the contractor or subcontractor for inspection, copying, or transcription by authorized representatives of the Department of Homeland Security, the Federal Emergency Management Agency, and the Department of Labor, and the contractor or subcontractor will permit such representatives to interview employees during working hours on the job.

(6) These requirements do not apply to the purchases of supplies or materials or articles ordinarily available on the open market, or contracts for transportation or transmission of intelligence.

E. Rights to Inventions Made Under a Contract or Agreement

If this 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.

F. Clean Air Act and the Federal Water Pollution Control 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), and during performance of this Contract the Contractor agrees as follows:

(1) Clean Air Act

(i) The Contractor agrees to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act, as amended, 42 U.S.C. § 7401 et seq.

(ii) The Contractor agrees to report each violation to the State and understands and agrees that the State will, in turn, report each violation as required to assure notification to the Federal Emergency Management Agency or the applicable federal awarding agency, and the appropriate Environmental Protection Agency Regional Office.

(iii) The Contractor agrees to include these requirements in each subcontract exceeding $150,000 financed in whole or in part with Federal assistance provided by FEMA or the applicable federal awarding agency.

(2) Federal Water Pollution Control Act

(i) The Contractor agrees to comply with all applicablestandards, orders, or regulations issued pursuant to the Federal Water Pollution Control Act, as amended, 33 U.S.C. 1251 et seq.

(ii) The Contractor agrees to report each violation to the State and understands and agrees that the State will, in turn, report each violation as required to assure notification to the Federal Emergency Management Agency or the applicable federal awarding agency, and the appropriate Environmental Protection Agency Regional Office.

(iii) The Contractor agrees to include these requirements in each subcontract

exceeding $150,000 financed in whole or in part with Federal assistance provided by FEMA or the applicable federal awarding agency.

G. 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 (51 FR 6370; February 21, 1986) and 12689 (54 FR 34131; August 18, 1989), "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.

(1) This Contract is a covered transaction for purposes of 2 C.F.R. Part 180 and 2 C.F.R. Part 3000. As such, the Contractor is required to verify that none of the Contractor's principals (defined at 2 C.F.R. § 180.995) or its affiliates (defined at 2 C.F.R. § 180.905) are excluded (defined at 2 C.F.R. § 180.940) or disqualified (defined at 2 C.F.R. § 180.935).

(2) The Contractor must comply with 2 C.F.R. Part 180, subpart C and 2 C.F.R. Part 3000, subpart C, and must include a requirement to comply with these regulations in any lower tier covered transaction it enters into.

(3) This certification is a material representation of fact relied upon by the State. If it is later determined that the contractor did not comply with 2 C.F.R. Part. 180, subpart C and 2 C.F.R. Part. 3000, subpart C, in addition to remedies available to the State, the Federal Government may pursue available remedies, including but not limited to suspension and/or debarment.

(4) The bidder or proposer agrees to comply with the requirements of 2 C.F.R. Part 180, subpart C and 2 C.F.R. Part 3000, subpart C while this offer is valid and throughout the period of any contract that may arise from this offer. The bidder or proposer further agrees to include a provision requiring such compliance in its lower tier covered transactions.

H. Byrd Anti-Lobbying Amendment, 31 U.S.C. § 1352 (as amended)

Contractor has applied or bid for an award of **more than $100,000** and shall file the required certification in *Exhibit 1 – Byrd Anti-Lobbying Certification* attached to the end of this Addendum. Each tier certifies to the tier above that it will not and has not used federally appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, officer or employee of Congress, or an employee of a Member of Congress in connection with obtaining any federal contract, grant, or any other award covered by 31 U.S.C. § 1352. Each tier shall also disclose any lobbying with non-federal funds that takes place in connection with obtaining any federal award. Such disclosures are forwarded from tier to tier up to the recipient who in turn will forward the certification(s) to the federal awarding agency.

I. Procurement of Recovered Materials

If this Contract is a procurement to purchase products or items designated by the EPA under 40 C.F.R. part 247 during the course of a fiscal year, then under 2 CFR 200.323, Contractors must comply with section 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act.

(1) In the performance of this contract, the Contractor shall make maximum use of products containing recovered materials that are EPA-designated items unless the product cannot be acquired:

(i) Competitively within a timeframe providing for compliance with the contract performance schedule;

(ii) Meeting contract performance requirements; or

(iii) At a reasonable price.

(2) Information about this requirement, along with the list of EPA- designated items, is available at EPA's Comprehensive Procurement Guidelines web site, https://www.epa.gov/smm/comprehensive- procurement-guideline-cpg-program.

(3) The Contractor also agrees to comply with all other applicable requirements of Section 6002 of the Solid Waste Disposal Act.

J. Prohibition on Contracting for Covered Telecommunications Equipment or Services

Contractor acknowledges and agrees that Section 889(b) of the John S. McCain National Defense Authorization Act for Fiscal Year 2019, Pub. L. No. 115-232 (the "McCain Act"), and 2 C.F.R. §200.216, prohibit the obligation or expending of federal award funds on certain telecommunication products or with certain entities for national security reasons on or after August 13, 2020.

During performance of this Contract, the Contractor agrees as follows:

(a) *Definitions*. As used in this Section J. Prohibition on Contracting for Covered Telecommunications Equipment or Services ("Section J"):

(1) the terms "backhaul," "critical technology," "interconnection arrangements," "reasonable inquiry," "roaming," and "substantial or essential component" have the meanings defined in 48 CFR § 4.2101;

(2) the term "covered foreign country" has the meanings defined in § 889(f)(2) of the McCain Act; and

(3) the term "covered telecommunications equipment or services" has the meaning defined in § 889(f)(3) of the McCain Act.

(b) *Prohibitions*.

(1) Unless an exception in paragraph (c) of this Section J applies, neither the Contractor nor any of its subcontractors may use funds received under this Contract to:

(i) Procure or obtain any equipment, system, or service that uses covered telecommunications equipment or services as a substantial or essential component of any system, or as critical technology of any system;

(ii) Enter into, extend, or renew a contract to procure or obtain any equipment, system, or service that uses covered telecommunications equipment or services as a substantial or essential component of any system, or as critical technology of any system;

(iii) Enter into, extend, or renew a contract with an entity that uses any covered telecommunications equipment or services as a substantial or essential component of any system, or as critical technology as part of any system; or

(iv) Provide, as part of its performance of this contract, subcontract, or other contractual instrument, any equipment, system, or service that uses covered telecommunications equipment or services as a substantial or essential component of any system, or as critical technology as part of any system.

(c) *Exceptions*.

(1) This Section J does not prohibit Contractor from providing—

(i) A service that connects to the facilities of a third-party, such as backhaul, roaming, or interconnection arrangements; or

(ii) Telecommunications equipment that cannot route or redirect user data traffic or permit visibility into any user data or packets that such equipment transmits or otherwise handles.

(d) *Reporting requirement*.

(1) In the event the Contractor identifies covered telecommunications equipment or services used as a substantial or essential component of any system, or as critical technology as part of any system, during contract performance, or the contractor is notified of such by a subcontractor at any tier or by any other source, the Contractor shall report the information in paragraph (d)(2) of this Section J to the recipient or subrecipient, unless elsewhere in this contract are established procedures for reporting the information.

(2) The Contractor shall report the following information pursuant to paragraph (d)(1) of this Section J:

(i) Within one business day from the date of such identification or notification: The contract number; the order number(s), if applicable; supplier name; supplier unique entity identifier (if known); supplier Commercial and Government Entity (CAGE) code (if known); brand; model number (original equipment manufacturer number, manufacturer part

number, or wholesaler number); item description; and any readily available information about mitigation actions undertaken or recommended.

(ii) Within 10 business days of submitting the information in paragraph (d)(2)(i) of this Section J: Any further available information about mitigation actions undertaken or recommended. In addition, the contractor shall describe the efforts it undertook to prevent use or submission of covered telecommunications equipment or services, and any additional efforts that will be incorporated to prevent future use or submission of covered telecommunications equipment or services.

(e) *Subcontracts*. The Contractor shall insert the substance of this Section J, including this paragraph (e), in all subcontracts and other contractual instruments.

K. Domestic Preferences for Procurements

(a) As appropriate, and to the extent consistent with law, the Contractor should, to the greatest extent practicable, provide a preference for the purchase, acquisition, or use of goods, products, or materials produced in the United States. This includes, but is not limited to iron, aluminum, steel, cement, and other manufactured products.

(b) For purposes of this Section K – Domestic Preferences for Procurements:

(1) *"Produced in the United States"* means, for iron and steel products, that all manufacturing processes, from the initial melting stage through the application of coatings, occurred in the United States.

(2) *"Manufactured products"* mean items and construction materials composed in whole or in part of non-ferrous metals such as aluminum; plastics and polymer-based products such as polyvinyl chloride pipe; aggregates such as concrete; glass, including optical fiber; and lumber.

(c) Build America, Buy America Act (BABAA).

This Contract does not involve purchases for an infrastructure project that is subject to the domestic preference requirement in the Build America, Buy America Act.

L. Affirmative Socioeconomic Steps

For all contracts utilizing federal funding sources subject to Title 2 of the Code of Federal Regulations (C.F.R.) Part 200 issued on or after November 12, 2020, if subcontracts are to be let, the prime contractor is required to take all necessary steps identified in 2 C.F.R. § 200.321(b)(1)-(5) to ensure that small and minority businesses, women's business enterprises, and labor surplus area firms are used when possible.

M. Copyright and Data Rights

Pursuant to 2 CFR § 200.315(b), the State may copyright any work which is subject to copyright and was developed, or for which ownership was acquired, under a Federal award. The Federal

awarding agency reserves a royalty-free, nonexclusive and irrevocable right to reproduce, publish, or otherwise use the work for Federal purposes, and to authorize others to do so.

N. Additional FEMA Contract Provisions

This Contract does not involve purchases that will be paid for in whole or in part with funds obtained from the Federal Emergency Management Agency (FEMA).

O. Other Federal Contract Provisions

The following provisions also apply to purchases that will be paid for in whole or in part with funds obtained from the federal government:

(a) Publication Rights:

(1) Where activities supported by this Agreement Produce books, films, or other such copyrighted materials issued by the Contractor, the Contractor may copyright such but shall acknowledge that the Department reserves a royalty-free, non-exclusive, and irrevocable license to reproduce, publish, and use such materials as well as to authorize others to reproduce and use such materials. This cannot include service recipient information or personal identification data.

(2) Any copyrighted materials or modification bearing acknowledgment of the Department's name must be reviewed by the Department prior to reproduction and use of such materials.

(b) Audits:

(1) The State, Department of Justice (DOJ), or other federal agencies may conduct or arrange for "agreed upon procedures" or additional audits to meet their needs or requirements of federal funding received.

(c) Record Maintenance/Retention:

(1) Contractor must maintain adequate program and fiscal records and files, including source documentation. Assure that all terms of this Contract will be appropriately adhered to and that records and detailed documentation for the project or program identified in this contract will be maintained (may be off site) for a period of not less than four years from the date of the contract closure. All retention record guidelines set by the State must be adhered to if they require additional years beyond retention guidelines stated herein.

(d) Software Compliance:

(1) The Contractor must ensure software compliance wand compatibility with the State's data systems for services provided under this Contract including, but not limited to stored data, databases, and interfaces to produce work products, and reports. All required data under this agreement shall be provided in an accurate and timely manner without interruption, failure, or errors due to the inaccuracy of the Contractor's business operations for process date/time data.

(e) Notification of Criminal or Administrative Investigations/Charges:

(1) If any employee of the Contractor associated with this grant funding becomes aware of a criminal or administrative investigation or charge that directly or indirectly involves the grant funds referenced in this contract, the Contractor shall immediately notify the State's Contract Manager in writing that such an investigation is ongoing or that a charge has been issued.

(f) Authorized Access:

(1) Contractor must permit upon reasonable notification and at reasonable times, access by authorized representatives of the State, Program Evaluators (contracted by the State), Federal Grantor Agency (Michigan State Police), Comptroller General of the U.S. and State Auditor General, or any of their duly authorized representatives, to records, files and documentation related to this Contract, to the extent authorized by applicable state or federal law, rule, or regulation.