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| STATE OF NORTH CAROLINA Department of Health and Human Services Department of Social Services | REQUEST FOR PROPOSAL NO. 30-22391-DSS | |
| | Offers will be publicly opened: September 6, 2023 at 2:00PM ET | |
| | Issue Date: August 4, 2023 | |
| Refer ALL inquiries regarding this RFP to: Eve Hens Eve.hens@dhhs.nc.gov 585-297-4954 | Commodity Number: 81623 | |
| | Description: Centralized Collections Operations | |
| | Purchasing Agency: Division of Social Services | |
| | Requisition No.: | |

OFFER

The Purchasing Agency solicits offers for Services and/or goods described in this solicitation. All offers and responses received shall be treated as Offers to contract as defined in 9 NCAC 06A.0102(12).

EXECUTION

In compliance with this Request for Proposal, and subject to all the conditions herein, the undersigned offers and agrees to furnish any or all Services or goods upon which prices are offered, at the price(s) offered herein, within the time specified herein.

Failure to execute/sign offer prior to submittal shall render offer invalid. Late offers are not acceptable.

| | | |
|---------------------------------------|-------------------|-------------------|
| OFFEROR: | | |
| STREET ADDRESS: | P.O. BOX: | ZIP: |
| CITY, STATE & ZIP: | TELEPHONE NUMBER: | TOLL FREE TEL. NO |
| PRINT NAME & TITLE OF PERSON SIGNING: | FAX NUMBER: | |
| AUTHORIZED SIGNATURE: | DATE: | E-MAIL: |

Offer valid for ninety (90) days from date of offer opening unless otherwise stated here: ____ days

ACCEPTANCE OF OFFER

If any or all parts of this offer are accepted, an authorized representative of Department of Health and Human Services (DHHS) shall affix its signature hereto and any subsequent Request for Best and Final Offer, if issued. Acceptance shall create a contract having an order of precedence as follows: Best and Final Offers, if any, Special terms and conditions specific to this RFP, Specifications of the RFP, the Department of Information Technology Terms and Conditions, and the agreed portion of the awarded Vendor's Offer. A copy of this acceptance will be forwarded to the awarded Vendor(s).

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| <u>FOR PURCHASING AGENCY USE ONLY</u> Offer accepted and contract awarded this date_____, as indicated on attached certification, by _____ (Authorized representative of Purchasing DHHS). |
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1.0 ANTICIPATED PROCUREMENT SCHEDULE

The Agency Procurement Agent will make every effort to adhere to the following schedule:

| Action | Responsibility | Date |
|---|---|----------------------|
| RFP Issued | Agency | 8/4/23 |
| Written Questions Deadline | Potential Vendors | 8/15/23 by 2:00PM ET |
| Agency's Response to Written Questions/ RFP Addendum Issued | Agency | 8/25/23 |
| Offer Opening Deadline Public Bid Opening Teams Call Link (copy and paste into your browser to attend): https://teams.microsoft.com/l/meetup-join/19%3ameeting_NTIzNWUwYjQtNDJjNi00NmQxLWJlYzMtNTc4MmY4ZTE2Yjcw%40thread.v2/0?context=%7b%22Tid%22%3a%227a7681dc-b9d0-449a-85c3-ecc26cd7ed19%22%2c%22Oid%22%3a%229aa55bf2-2618-4499-8df5-f78349b3ed9e%22%7d | Vendor(s) | 9/6/23 at 2:00PM ET |
| Offer Evaluation | Agency | 9/8/23-9/29/23 |
| Selection of Finalists | Agency | 10/13/23 |
| Negotiations with Finalists | Agency designees and selected Vendor(s) | 11/3/23 |
| Best and Final Offers Deadline from Finalists | Selected Vendors | 11/8/23 |
| Contract Award | Agency | 1/19/24 |
| Protest Deadline | Responding Vendors | 15 days after award |

2.0 PURPOSE OF RFP

2.1 INTRODUCTION

The purpose of this RFP and any resulting contract award is to solicit proposals for the implementation of a central child support collections operation for the State of North Carolina ("State"). The Federal Government requires each state to implement a Centralized Collections Operation (CCO) to support the Child Support Services Program. This is a requirement of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (also known as the Welfare Reform Act) enacted by Congress in August 1996, and subsequently enacted by the North Carolina Legislature in August 1997, by Session Law 1997-433. This legislation required that the State have a centralized collections operation in place by October 1, 1999, that clearly identified the duties of the CCO as the collection and disbursement of payments under support orders for all cases. Federal regulations refer to this operation as the State Disbursement Unit (SDU). The State's child support automation system, Automated Collection and Tracking System (ACTS) performs all functions required by the Welfare Reform Act for an SDU, except the collections/receipting function.

The North Carolina Department of Health and Human Services (DHHS) is seeking Vendors to submit proposals on establishing a CCO that will receive, identify, balance, deposit and maintain receipt files for all NC child support services cases receiving services under Title IV-D of the Social Security Act ("IV-D") and non-IV-D payments collected in the State. Vendor shall transmit these payments nightly, via two (2) receipts files to ACTS for posting, allocating, and distribution/disbursement.

2.2 CONTRACT TERM

A contract awarded pursuant to this RFP shall have an effective date as provided in the Notice of Award. The term shall be three (3) year(s) and will expire upon the anniversary date of the effective date unless otherwise stated in the Notice of Award, or unless terminated earlier. The State retains the option to extend the Agreement for two (2) optional one (1) year periods at its sole discretion.

2.2.1 EFFECTIVE DATE

This solicitation, including any Exhibits, or any resulting contract or amendment shall not become effective nor bind the State until the appropriate State purchasing authority/official or Agency official has signed the document(s), contract or amendment; the effective award date has been completed on the document(s), by the State purchasing official, and that date has arrived or passed. The State shall not be responsible for reimbursing the Vendor for goods provided nor Services rendered prior to the appropriate signatures and the arrival of the effective date of the Agreement. No contract shall be binding on the State until an encumbrance of funds has been made for payment of the sums due under the Agreement.

2.3 CONTRACT TYPE

Definite Quantity Contract - This request is for a close-ended contract between the awarded Vendor and the State to furnish a pre-determined quantity of a good or service during a specified period of time.

The State reserves the right to make partial, progressive or multiple awards: where it is advantageous to award separately by items; or where more than one supplier is needed to provide the contemplated specifications as to quantity, quality, delivery, service, geographical areas; and where other factors are deemed to be necessary or proper to the purchase in question.

2.4 AGENCY BACKGROUND

The NC Department of Health and Human Services (DHHS) Division of Social Services (DSS) Child Support Services (CSS) (referred to in this document as the "Agency") will manage the operations of the CCO Contract for the NC CSS program.

The NC CSS program is a state-administered and county-operated program. This means that the DHHS DSS, CSS section is the State Agency responsible for the overall administration of the CSS program. At the local level, child support offices operate the CSS program in accordance with the provisions of county, state and federal laws, administrative rules and regulations governing child support services.

- a) Consistent with State and Federal laws and regulations, the CSS program serves to:
1. Initiate cases for all types of child support services;
 2. Find parents who are not paying support and locate their income and assets when necessary to establish or enforce child support orders;
 3. Establish paternity on behalf of children whose parents were not married to each other at the time of the child's birth;
 4. Establish legal orders obligating parents to pay child support, including health insurance coverage care for their children;
 5. Take any administrative and legal actions necessary to enforce child support orders when parents fail to pay;
 6. Collect, distribute, and disburse child support payments on child support cases;

7. Handle case management of all IV-D child support cases; and
 8. Manage the collection, distribution and disbursement of child support for non-IV-D cases.
- b) DSS/CSS, as the State Agency responsible for child support services, has the following responsibilities:
1. Provide policy information and technical assistance to local child support agencies;
 2. Publish policy and procedural manuals and public awareness materials;
 3. Operate the State Parent Locate Service (SPLS);
 4. Handle the functions of the State Central Registry for Interstate Cases;
 5. Handle the functions of the State Case Registry/Federal Case Registry;
 6. Manage the New Hire Directory Vendor;
 7. Manage the Centralized Collection Operation Vendor;
 8. Coordinate certain centralized collections functions, such as tax intercept and electronic funds transfer (EFT);
 9. Provide periodic reports to the federal government, as required by federal regulations;
 10. Coordinate federal audits and, when necessary, the implementation of statewide corrective actions plans;
 11. Operate North Carolina's statewide child support data system, ACTS;
 12. Provide statewide client support services;
 13. Provide statewide program and system user training;
 14. Coordinate service delivery issues with local IV-D offices, Clerks of Court and other agencies;
 15. Maintain a Customer Service website called E-Child Support;
 16. Maintain a Customer Service Center and Interactive Voice Response (IVR); and is
 17. Responsibility for creating monthly account statements for child support cases.
- c) Currently, the vast majority of child support payments are processed as follows:

Employer Income Withholding- When the child support payor's order for support is subject to income withholding and there is a recurring source of income, support payments are deducted from the payor's income by his or her employer. The employer sends the support payments to the Vendor on a weekly, biweekly, semimonthly, or monthly basis, depending on the payroll cycle of the employer. Employers utilize either ACTS generated remittance documents or they can download remittance documents from the Vendor's employer website.

If an employer starts remitting EFT income withholding payments to the CCO Vendor then outsources the income withholding function to a payroll service and that payroll service has been remitting EFT income withholding payments for other employers directly to CSS prior to and after September 17, 2003, then that employer's EFT income withholding payment process will continue to be remitted through CSS.

Direct Individual Payments- Payors not subject to income withholding orders send their payments directly to the Vendor on a weekly, biweekly, semimonthly, or monthly basis, depending on the frequency ordered by the court. Approximately 60% of the direct payor payments are accompanied by an ACTS issued bill/coupon and the payor is directed to write their MPI number (Master Participant Index number assigned by ACTS) on the payment instrument.

In addition, other IV-D and non-IV-D payments are received from:

Special enforcement initiatives- These payments are remitted by Clerks of Court, banks, insurance companies and other third parties and represent Workers' Compensations, purges for contempt of court, liens, bonds, financial institution data matches, etc.

Tax intercept monies (both Federal and State) as well as Unemployment Compensation from the Employment Security Commission are handled by wire transfer and file exchange with ACTS and are not sent to the Vendor for processing.

d) **System Overview**

The Vendor will need access to the ACTS system through the NC Department of Information Technology Services (DIT). The Vendor is financially responsible for maintaining compatible equipment to support this connectivity, access, and any interface(s). The State will pay the monthly dedicated data line charges only. Both CSS and the Vendor will place batch files being transferred back and forth in a location that the receiving entity can pull from.

e) **Current Collections and Disbursement Process Overview**

The current CCO Vendor processes an average of approximately 4.2 million transactions for IV-D and non IV-D equating to an average receipt total of approximately \$700 million annually. These totals are representative of both IV-D and non IV-D payments collections. Payments processed by the current CCO Vendor are receipted to a payor, not a case, with the exception of some special enforcement payments. The payor is identified by a MPI number, which is transmitted to ACTS along with the amount of the payment, receipt number, date of the payment, etc. *For a list of complete fields, see Attachment F.* The ACTS system applies the payment and prorates it across all the cases associated with the payor unless the payment is a purge, lien, bond or financial institution data match.

ACTS sends to the current CCO Vendor, payor information files that allow the current CCO Vendor to set up new accounts and/or correct current account information that enable the current CCO Vendor to receipt child support payments (See Attachment D). The IV-D payors on the payor information file are sent to the current CCO Vendor as IV-D workers across the State set up court orders in ACTS, which create participant financial accounts. The non IV-D payors are created in the Support Enforcement System (SES), which is maintained by the Administrative Office of the Courts (AOC). As Clerks of Court across the State enter non IV-D court orders in SES, a payor feed file is sent to ACTS to set up financial participant accounts, which in turn triggers ACTS to put the non IV-D payors on the nightly (i.e. the night of each “business day”) payor information file to the Vendor.

ACTS sends an employer’s income withholding files nightly (i.e. the night of each “business day”) to the current CCO Vendor, so the current CCO Vendor is aware of any non-custodial parents that are set up for income withholding. The current CCO Vendor must use the files to keep any CCO processing information up to date. In addition, the current CCO Vendor is required to ensure that income withholding remittance forms are available on the employer website. Payments receipted by the current CCO Vendor (paper payment, as well as electronic payments) are to be submitted nightly (i.e. the night of each “business day”) to ACTS via fixed format electronic files referred to as the receipts files (see Attachment F). There are two (2) versions of the receipt’s files: one for paper transactions and for electronic transactions.

The current CCO Vendor shall deposit the money to support the payment detail in the receipts file on a daily basis into the State Treasurer’s depository account.

ACTS performs all of the disbursement of funds to child support payees. ACTS posts the money to the payors’ financial accounts, allocates money to cases, distributes the payments according to Federal regulations and disburses child support payments. ACTS submits check-printing jobs to the Information Technology Division (ITD) print facility, as well as creating ACH files for direct deposit and deposit to branded debit card accounts. Funds are released after the system balance has been verified. Additionally, unidentified money is posted to the ACTS unidentified payments account.

ACTS also sends nightly bill files to the current CCO Vendor to print monthly account statements and coupons. These account statements are based on the ACTS charging scheme and the current CCO Vendor has no involvement in determining the data on the account statements; this is strictly a print job service.

The incumbent Vendor will continue to operate and maintain the existing CCO system, interfacing with ACTS to process and disburse child support payments, until a Vendor is awarded via this RFP.

2.5 PROBLEM STATEMENT

The State's child support automation system, ACTS, performs all functions required by the Welfare Reform Act for an SDU, *except the collections/receipting function*. ACTS is a mainframe application that provides a full range of functionality to support the child support services program. The main functionality of ACTS is to post payments, allocate those payments to appropriate cases and to distribute and disburse funds to payees or to reimburse the State for economic assistance provided to the family.

The availability of the ACTS systems for on-line data entry begins at 6:00AM to 9:00 PM EST.

- a) ACTS may be down at times due to application problems or problems with the mainframe hardware/software or extended batch time runs.
- b) Network problems may also prevent necessary access for on-line transactions.

An automated front-end receipting system is a solution to these potential problems by allowing data to be collected in an environment separate from the mainframe application and network environment.

Therefore, to resolve the collections/receipting function missing from ACTS, North Carolina is seeking Vendor proposed solutions for establishing a CCO that will receive, identify, balance, deposit and maintain receipt files for all IV-D and non-IV-D payments collected in the State. Vendor shall transmit these payments nightly, via two (2) receipts files to ACTS for posting, allocating, and distribution/disbursement.

3.0 RFP REQUIREMENTS AND SPECIFICATIONS

3.1 GENERAL REQUIREMENTS AND SPECIFICATIONS

3.1.1 REQUIREMENTS

Means, as used herein, a function, feature, or performance that the system must provide.

3.1.2 SPECIFICATIONS

Means, as used herein, a specification that documents the function and performance of a system or system component.

The apparent silence of the specifications as to any detail, or the apparent omission of detailed description concerning any point, shall be regarded as meaning that only the best commercial practice is to prevail and that only processes, configurations, materials and workmanship of the first quality may be used. Upon any notice of noncompliance provided by the State, Vendor shall supply proof of compliance with the specifications. Vendor must provide written notice of its intent to deliver alternate or substitute Services, products, goods or other Deliverables. Alternate or substitute Services, products, goods or Deliverables may be accepted or rejected in the sole discretion of the State; and any such alternates or substitutes must be accompanied by Vendor's certification and evidence satisfactory to the State that the function, characteristics, performance and endurance will be equal or superior to the original Deliverables specified.

3.1.3 SITE AND SYSTEM PREPARATION

Vendors shall provide the Purchasing State Agency complete site requirement specifications for the Deliverables, if any. These specifications shall ensure that the Deliverables to be installed or implemented shall operate properly and efficiently within the site and system environment. Any alterations or modification in site preparation, which are directly attributable to incomplete or erroneous specifications provided by the Vendor and which would involve additional expenses to the State, shall be made at the expense of the Vendor.

3.1.4 EQUIVALENT ITEMS

Whenever a material, article or piece of equipment is identified in the specification(s) by reference to a manufacturer's or Vendor's name, trade name, catalog number or similar identifier, it is intended to establish a standard for determining substantial conformity during evaluation, unless otherwise specifically stated as a brand specific requirement (no substitute items will be allowed). Any material, article or piece of equipment of other manufacturers or Vendors shall perform to the standard of the item named. Equivalent offers must be accompanied by sufficient descriptive literature and/or specifications to provide for detailed comparison.

3.1.5 ENTERPRISE LICENSING

In offering the best value to the State, Vendors are encouraged to leverage the State's existing resources and license agreements, which can be viewed here:

<https://it.nc.gov/resources/statewide-it-procurement/statewide-it-contracts>

- a) Identify components or products that are needed for your solution that may not be available with the State's existing license agreement.
- b) Identify and explain any components that are missing from the State's existing license agreement.
- c) If the Vendor can provide a more cost-effective licensing agreement, please explain in detail the agreement and how it would benefit the State.

3.2 SECURITY SPECIFICATIONS

3.2.1 SOLUTIONS NOT HOSTED ON STATE INFRASTRUCTURE

The NC Centralized Collection Operation's Vendor will be required to receive and securely manage data that is classified as highly restricted. Refer to the North Carolina Statewide Data Classification and Handling policy for more information regarding data classification. The policy is located at the following website: <https://it.nc.gov/document/statewide-data-classification-and-handling-policy>.

To comply with the State's Security Standards and Policies, State agencies are required to perform annual security/risk assessments on their information systems using NIST 800-53 controls. This requirement additionally applies to all Vendor-provided, agency-managed Infrastructure as a Service (IaaS), Platform as a Service (PaaS), and Software as a Service (SaaS) solutions which will handle data classified as Medium Risk (Restricted) or High Risk (Highly Restricted) data.

- (a) Vendors shall provide a completed Vendor Readiness Assessment Report Non-State Hosted Solutions ("VRAR") at offer submission. This report is located at the following website: <https://it.nc.gov/documents/vendor-readiness-assessment-report>
- (b) Upon request, Vendors shall provide a current independent 3rd party assessment report in accordance with the following subparagraphs (i)-(iii) prior to contract award. However, Vendors are encouraged to provide a current independent 3rd party assessment report in accordance with subparagraphs (i)-(iii) at the time of offer submission.
 - (i) Federal Risk and Authorization Management Program (FedRAMP) certification, SOC 2 Type 2, ISO 27001, or HITRUST are the preferred assessment reports for any Vendor solutions which will handle data classified as Medium Risk (Restricted) or High Risk (Highly Restricted).
 - (ii) A Vendor that cannot provide a preferred independent 3rd party assessment report as described above may submit an alternative assessment, such as a SOC 2 Type 1 assessment report. The Vendor shall provide an explanation for submitting the alternative assessment report. If awarded this contract, a Vendor who submits an alternative

assessment report shall submit one of the preferred assessment reports no later than 365 days of the Effective Date of the contract. Timely submission of this preferred assessment report shall be a material requirement of the contract.

(iii) An IaaS vendor cannot provide a certification or assessment report for a SaaS provider UNLESS permitted by the terms of a written agreement between the two vendors and the scope of the IaaS certification or assessment report clearly includes the SaaS solution.

(c) Additional Security Documentation. Prior to contract award, the State may in its discretion require the Vendor to provide additional security documentation, including but not limited to vulnerability assessment reports and penetration test reports. The awarded Vendor shall provide such additional security documentation upon request by the State during the term of the contract.

3.2.3 Cost Borne by Vendor

If any applicable federal regulations, state regulations, local law, or rules requires the State or the Vendor to give affected persons written notice of a privacy or security breach arising out of the Vendor's performance under this contract, the Vendor shall bear the cost of the notice.

3.3 ENTERPRISE SPECIFICATIONS

3.3.1 ENTERPRISE STRATEGIES, SERVICES, AND STANDARDS

Agencies and vendors should refer to the Vendor Resources Page for information on North Carolina Information Technology enterprise services, security policies and practices, architectural requirements, and enterprise contracts. The Vendor Resources Page can be found at the following link: <https://it.nc.gov/vendor-engagement-resources>. This site provides vendors with statewide information and links referenced throughout the RFP document. Agencies may request additional information.

3.3.2 ARCHITECTURE DIAGRAMS DEFINED

The State utilizes architectural diagrams to better understand the design and technologies of a proposed solution. These diagrams, required at offer submission, can be found at the following link: <https://it.nc.gov/architectural-artifacts>.

There may be additional architectural diagrams requested of the vendor after contract award. This will be communicated to the vendor by the agency as needed during the project.

3.3.3 VIRTUALIZATION

The State currently utilizes server virtualization technologies including VMware, Solaris and zLinux. The Vendor should state whether its solution operates in a virtualized environment. Vendor also should identify and describe all differences, restrictions or limitations of its proposed solution with respect to operation, licensing, support, certification, warranties, and any other details that may impact its proposed solution when hosted in a virtualized environment.

3.3.4 IDENTITY AND ACCESS MANAGEMENT (IAM)

The proposed solution must externalize identity and access management. The protocols describing the State's Identity and Access Management can be found at the following link:

<https://it.nc.gov/services/vendor-engagement-resources#identity-access-management>

Describe how your solution supports the above protocols as well as making them available for application integration/consumption.

3.4 BUSINESS AND TECHNICAL REQUIREMENTS

Vendor must address each requirement listed within this Section 3.4 within their proposal to confirm that the proposed solution meets the requirements within this RFP.

3.4.1 The CCO Receipting system must:

- a) Accept files from ACTS for updating the Vendor's receipting system.
- b) Must transmit nightly the transactions receipted via two (2) receipt files to ACTS.
- c) Meet the full e-commerce capabilities described in Sections 3.4.16 below.
- d) Maintain a payment history at the payor account level.
- e) Provide a tracking feature for bad checks (NSF's, stopped payments, etc.).
- f) Handle multiple tender types that indicate source and method of payments.

3.4.2 Service Requirements for Payments

Payments are receipted to the payor MPI number and sent to ACTS. Therefore, the CCO receipting system must provide for the following:

- a) Functionality to receipt payments during ACTS downtime.
- b) Coupon and/or transmittal document bar-code, scan-line (and the like) identification functionality and the functionality to associate coupon bar codes, scan-lines, etc. with payors' histories.

3.4.3 Provide an Audit Trail

- a) An audit trail must be kept of all collections from mail pick-up to deposit. Scanning of payment instruments must occur immediately after pick-up from the post office for internal control. No manual processes must be necessary between opening the envelopes and scanning them into the system for control. Mail logs must be maintained on the volume of mail picked up at each post office visit. These mail logs must be accessible on a website with all the other CCO reports.
- b) Collections processed by the Vendor must be deposited within the business day of receipt into the State Treasurer's depository account in a bank in North Carolina. Processed receipts must be reconciled to deposits and the ACTS receipts files before deposit to the bank and file transmission occurs.
- c) The audit trail must provide a record of each transaction and contain the data elements essential to the receipts files. (*See Attachment F*) Also, each transaction must have an audit trail of system users who processed various stages of the work until completion (i.e. scanning, identification, balancing etc.).
- d) The Vendor must assign a unique receipt number to each payment transaction and include it on the receipts files. The receipt number shall be constructed according to the file format of the receipts files and be tied to the operator ID number and work station ID number.
- e) The system must prevent changes to a payment transaction and/or batch once payment information is transmitted to ACTS.
- f) Each item number and batch number shall be unique and not in conflict with any ACTS numbers.

3.4.4 Bonding

The awarded Vendor must ensure that every person who has access to or control over funds collected under this Contract is covered by a bond adequate to indemnify the State against loss resulting from employee dishonesty. The Vendor's proposal must furnish the level of bonding provided for each employee. (See *Attachment H*)

3.4.5 Cash Handling

The awarded Vendor will be responsible for maintaining methods of administration designed to ensure that persons responsible for handling cash receipts do not participate in accounting or operating functions, which would permit them to conceal in the accounting records the misuse of support collections. Such methods of administration shall follow generally accepted accounting principles. (See *Attachment I*)

3.4.6 Business Day Operations

- a) Maintain business days beginning at 6:30 a.m. and ending at 6:30 p.m. the same day (except weekends and state recognized holidays).
- b) Make deposits made each business day in various NC state treasurer depository accounts.
- c) If it is a bank holiday, but not a state holiday, the CCO must not send the receipts files to ACTS. The receipts files must be supported by deposits made the same day with same day book credit from the bank.
- d) Weekend processing is part of Monday's "business day"; however, working on the weekend is optional.

3.4.7 Mail Collection

All payments must be sent to one of five (5) State-owned post office boxes in Raleigh, North Carolina. These post office boxes separate the mail in the following manner:

- a) One (1) for employer income withholding remittances;
- b) One (1) for individual/non-income withholding payments;
- c) One (1) for military payments;
- d) One (1) for other types of payments including NC Clerks of Court, other state child support agencies, etc.; and
- e) One (1) post office box for return mail.

These post office boxes are currently located at the Westgate Drive Postal Distribution Center in Raleigh. The mail is shipped there from all out-of-town points of origin. Since the distribution center sends Raleigh mail to the local post offices in Raleigh, the Vendor can save at least one (1) day's delay in mail delivery by utilizing post office boxes at this facility. Therefore, the State requires the Vendor to use of this facility as the mail pick-up site.

The awarded Vendor must collect mail from these post office boxes at least twice daily, every Monday through Friday between the hours of 6:30 a.m. and 10:00 a.m. local time. The mail must be taken to the CCO site and scanned immediately for internal control purposes. No manual logging of envelopes or other manual activity is allowed before scanning the mail. An on-line log accessible via the Vendor's website shall be updated by the Vendor to record the number of trays of mail received during each pick-up.

The awarded Vendor shall be responsible for all any and all fees associated with maintaining these post office boxes.

3.4.8 Receipts Files

The receipts files must be edited, balanced and reconciled to the daily deposits and submitted to ACTS each business day by 6:30 p.m.

Prior to the transmission to ACTS, the Vendor shall insure that both receipt files include:

- a) Valid tender types that identify the payment method; A docket number must be present for a purge payment;
- b) All items within a batch must have the same batch close date (multiple batch close dates are not allowed within a batch) and the batch close date must match the close date on the trailer record.
- c) The close date must be a valid date in both the detail and trailer records;
- d) All counts and money amounts must be strictly numeric; and
- e) Confirmation that a duplicate file is not being transmitted to ACTS (i.e. edit to check if a file has already been transmitted with the same batch close date and trailer record description).

3.4.9 Unidentified Payments

- a) Payments are considered unidentified if the payor's identity cannot be correctly determined. To minimize the amount of undistributed funds in ACTS, the Vendor must retain unidentified payments in the CCO system for two (2) business days, unless the payment is identified in the interim. All reasonable efforts must be made to identify the payment during this two-day period.

The Vendor's responsibilities shall include:

- i. Research unidentified payments, as long as the payment is negotiable and appears to be identifiable. "Identifiable" means that the payment has at least two (2) of the following items: name, address, MPI number, social security number, court docket number, NC IV-D case number or MICR (magnetic ink character recognition) line.
 - ii. If the payment is non-negotiable, the payment must be returned (if possible) to the sender on the date of receipt.
 - iii. All actions in the researching of unidentified payments must be permanently maintained in the Vendor's receipting system and associated with the payment record for audit purposes.
 - iv. All unidentified money must be deposited on the day of receipt in the Vendor's bank account.
- b) **At a minimum, the following actions are to be performed by the Vendor to identify a payor:**
- i. Search the entire receipts database for a match on the payor's name.
 - ii. Perform an employer/employee search on the receipts database.
 - iii. Search the receipts database on the personal check MICR line.
 - iv. Perform a search in ACTS using the payor's name and any or all of the following: address, phone number, employer, IV-D case number and docket number.
 - v. Attempt to contact the payor at home or at their place of employment.
 - vi. Call the employer if the unidentified payor is on an employer remittance and ask for more information.

- vii. Write the payor for more information, if the address is on the remittance.
- c) **Notwithstanding the transmission of the unidentified payment** on the ACTS receipt file, the Vendor will remain responsible for the identification and/or tracking of the unidentified payment until it is escheated from ACTS. The Vendor must continue to work the “hard core” (i.e., more than (10) ten days old) unidentified payments and notify CSS when the payment can be processed.
- d) **If payments are not identified within (2) two business days:**
 - i. The Vendor will include the unidentified payment in the nightly receipts file to ACTS for posting to the ACTS “Unidentified Payment” Account. The Vendor will send the unidentified payment to ACTS without a MPI number, which triggers ACTS to post it to the “Unidentified Payment” Account.
 - ii. The Vendor must attempt to identify the unidentified payment within ten (10) business days after the date of receipt. The first two (2) days that the payment is held in the Vendor’s system are included in the ten (10) day period.
- e) **If unidentified payments are identified prior to the (2) two business day deadline, then:**
 - i. This identified transaction must be included in the ACTS receipts file for the same business day on which it was identified.
 - ii. Appropriate audit reports must track the movement of the payment from the unidentified status to identified status in the CCO receipting system. Also, this resolved identified payment must be included in the daily reconciliation of deposits with the receipts file.
 - iii. If a payment is identified after it is transmitted to ACTS, the Vendor shall coordinate with CSS for the posting of the payment in ACTS.
- f) The Vendor shall be financially liable for misidentified and/or misapplied payments that result from Vendor error. The Vendor shall reimburse the Agency within ninety (90) days from the date of notification for misidentified and/or misapplied payments and CSS will recoup these payments to the extent possible from the payee via ACTS functionality. Recouped monies will be refunded to the Vendor.
- g) The Vendor shall assume financial liability for fraudulent credit/debit payments.

3.4.10 Provide for Exception Processing

Exceptions include undated checks, checks which are postdated, checks dated three (3) months (if the check indicates a ninety (90) day stale date) or up to six (6) months (six (6) months is the NC State Treasurer’s stale date policy unless the check indicates a ninety (90) day stale date) prior to the date of processing, checks with differences between the written and numeric amounts, checks with missing signature, checks made payable to an incorrect designee and checks or money orders with blank “payable to” lines.

The Vendor will be responsible for the following:

- a) Attempt to contact the remitting party to solicit a replacement check. If a replacement check is unobtainable, then the payment must be returned to the remitting party. All returned checks must be listed on a CCO Returned Check Report, which contains a search module. This search module must utilize search parameters of at least: check number, check amount, return date and payor name and address. Checks will be considered unacceptable for deposit if they are mutilated, have no magnetic ink bank routing numbers, have no sequence number, or lack other standard identification information. These checks must be returned to the payor and placed in the CCO Returned Check Report.

- b) Accept foreign payment instruments (i.e. any payment instrument not negotiable in the Federal Reserve System) and work with the Agency on the currency conversion process. Foreign payment instruments must not be deposited with the regular daily deposit. The Vendor will be financially liable for any foreign payment instruments returned from the bank as “unpayable.”
- c) Checks that are identified as non-sufficient funds (including those where the account has been closed or payment stopped, etc.) will be the Agency’s liability for the first NSF receipt, unless it fits the description of “exceptions”, “non-negotiable” or “unacceptable for deposit”, as described above. (If “exceptions”, “non-negotiable” or “unacceptable for deposit” checks are included in the regular deposit and subsequently returned for non-payment by the bank, the Vendor will be liable for the amount of the check and shall reimburse the Agency for the amount of the check plus the bank’s returned check charge.)

3.4.11 Non-Sufficient Funds- For checks identified as non-sufficient funds (NSF):

- a) The Vendor will “Flag” the payor account and must refuse subsequent checks after electronic notification from the bank of the first returned NSF. The Vendor will be liable for the amount of subsequent NSF receipts (plus the bank charge for returned checks) from the remitting party that previously tendered a receipt with non-sufficient funds where the Vendor has received electronic notice from the bank.
- b) The Vendor will advise the remitting party in writing that all future payments must be remitted in the form of certified check, credit/debit card or money order.
- c) The Vendor will be notified by the Agency when to remove the flag, if appropriate to do so. After the bad check flag is removed at the State’s request, the next NSF received from the same payor is considered the “first” one for purposes of liability.
- a) The Vendor must keep a copy of the Agency’s e-mail that was sent to request that the bad check flag be removed. This request must also be kept in an on-line NSF report, accessible to the Agency, CSS and the Vendor. The on-line NSF report must include search parameters that support quick and easy access; and easily printed. The Vendor must obtain replacements from individuals or employers of any items that are damaged by the Post Office.

3.4.12 Non-Negotiable Receipts

Receipts that are not negotiable for bank processing are not acceptable payments. All collections received from payors and employers that are not acceptable for deposit must be:

- a) Identified and returned to the employer or payor with an explanation of the returned collection.
- b) The unacceptable collection must be returned the same business day it is received.
- c) Additionally, all returned collections must be entered on the CCO Returned Check Report.

3.4.13 Strict Accounting Controls

The Vendor must provide:

- a) Strict accounting controls with balancing requirements for the payment level and the batch level. Item counts and dollar amounts must be recorded in the system and used for front-end balancing, or other balancing methods as approved by the Agency.
- b) Standard edits and error reports; and
- c) Audit reports.

If posting on-line, a warning must appear if the number of items processed and/or the total dollar amount of items processed do not equal the front-end balancing total initially entered. If posting off-line, the system should alert an operator.

The Vendor's solution must reconcile the total amount submitted by an employer against the reported individual employee amounts and the check amount. If the amounts do not balance, the Vendor must contact the employer and determine the source of the discrepancy and make the appropriate correction. The employer contact must occur the same business day that the collection is received.

If the remittance out-of-balance condition cannot be corrected, an automated overage/shortage routine must be invoked by the Vendor. A ten (10) day timeframe is allowed for collecting or resolving out-of-balance payments prior to invoking the automated overage/shortage routine.

For tight internal control, no manual processing shall be performed before the payment instruments are scanned into the receipting system.

3.4.14 Deposits

Each business day, deposits must be made by the Vendor into zero balance (ZBA) State Treasurer's Depository Accounts to equal the total identified and unidentified payment transactions processed for that business day. The Vendor may choose the depository bank (for paper payment instruments) with the Agency's approval, so long as the bank offers a ZBA. The Vendor must use the State's e-commerce depository bank(s). The Vendor will be responsible for the cost of the bank accounts associated with the deposit of paper payment instruments as well as the electronic "deposits" for the e-commerce payments.

Since unidentified payments are deposited on the day of receipt (in order to comport with the State's Daily Deposit Act), the Vendor's solution must create a daily balancing worksheet to reconcile the daily receipts file with the daily deposit. The daily receipts file must contain current day's identified payments plus previous day's resolved payments (originally unidentified), as well as forty-eight (48) hour unidentified payments and resolved out-of-balance payments. The daily deposit includes current day's unidentified payments plus the current day's identified payments (in other words, the daily receipts file does not match the daily deposit.)

The Vendor will be responsible for the costs associated with the secured daily transfer of negotiable items from the receipting site to the deposit site.

3.4.15 Checks Returned to Payors

All checks or money orders that must be returned to payors for the reasons shown above must be recorded by the Vendor on a web-based log. This returned check log must:

- a) Be easily accessible, and have search parameters that include name, check number, date, and date range.
- b) Contain reasons for the return so that Customer Service staff can easily discern the reason the check was returned.

All returned checks must also have notes attached by the Vendor to the payment history transaction indicating that the check was returned to the payor, the date of return and the reason for return.

3.4.16 Customer Service Unit

- a) The Vendor's solution must include the development and implementation of a Customer Service Unit (CSU). The CSU will act as the State's representative and operate each business

day between the hours of 7:30 AM and 5:30 PM. The CSU will be responsible for providing the following customer service tasks:

- i. Provide a special employer assistance "hotline".
 - ii. Provide assistance to payors, payees, employers, CSS and other agencies regarding specific receipt information to troubleshoot problems with receipting. General customer service for the Child Support Program is furnished by the state's CSS Call Center.
 - iii. Provide assistance to payors and employers to change payment methods, including those who wish to make payments by credit/debit card, establish debit agreements or EFT/EDI for income withholding payments.
 - iv. Provide general problem resolution regarding lost, damaged or delayed receipts.
 - v. Should a customer need to be referred to CSS, AOC or any other appropriate branch of State government, provide the customer with the appropriate State phone number.
- b) The Customer Service Unit phone system should have transfer functionality for referral to a CSS Call Center representative Monday through Friday from 7:30 AM to 5:30 PM EST (CSS business hours).
- c) Referral to a CSS Call Center representative should be done after providing a toll-free number.
- d) The Vendor must provide a customer service phone system that will:
- i. Provides sufficient capacity, so all calls are answered prior to the 3rd ring;
 - ii. Provides sufficient capacity, so no caller is on hold for more than an average of one (1) minute;
 - iii. Provides messages to the caller when the system is down or busy; and
 - iv. Provides transfer functionality to the CSS Call Center.
 - v. Provide two (2) separate toll free (800 or 888) numbers for the state, county, customer and employers groups. The toll-free numbers must be available for in-state and out-of-state callers. The system must contain a sufficient number of telephone lines and staff so that a caller can receive personal assistance Monday through Friday, ten (10) hours a day. These separate toll-free lines shall:
 - vi. Provide a toll-free number for State, county child support agencies, and customer questions/problems resolutions.
 - vii. Provide a toll-free number dedicated to employer inquiries.
- e) Provide a security component in the customer service unit so confidential information is protected. Proper security and log-on procedures must be maintained so that the requesting party receives only the information he/she is entitled to receive. All child support confidentiality rules must be strictly adhered to.
- f) Provide information on the last five (5) receipting transactions.
- g) Follow the instructions provided by the State for referrals to other State agencies and/or transfers to CSS Call Center. CSS will furnish the CSS Call Center plan to the CCO Vendor. It must be incorporated into the training material for orienting customer service representatives. Close coordination between the State, CSS and the CCO Customer Services representatives is required to create a smooth transfer of calls, when necessary, with as little disruption of service to the customer as possible.
- h) Fulfill 98% of all requests for receipt information by 5:30 PM the following day.

- i) Correct any errors concerning payment identification within seventy-two (72) hours of notification.
- j) Communicate with state and county customer groups within forty-eight (48) hours concerning inquiries on payments and payment status

3.4.17 E-Commerce:

Vendor must ensure that all e-commerce functionality comports with the NC Office of the State Controller's Electronic Payment Program; See Electronic Commerce Program Overview | NC OSC for details. Additionally, all state and federal regulations regarding e-commerce in child support must be adhered to by the Vendor. Financial Internet Industry Standard security features must be utilized. (See *Attachment E*).

3.5 BUSINESS AND TECHNICAL SPECIFICATIONS

3.5.1 BUSINESS FUNCTIONAL SPECIFICATIONS

The Vendor is to describe how Vendor's proposed solution conforms to the following specifications, including functionalities, features, limitations, and any changes needed to meet the Division's business need.

3.5.1.1 The CCO Receipting System:

- a) Utilize end-to-end imaging and automatic processing. No manual logging of checks is acceptable.
- b) Archive data. Payment images to be associated with the payor account history and the payor's history must be maintained on-line for the purpose of State inquiry for the life of the contract. Notes that contain research and pertinent information about payment transactions must also be associated with the transaction, available for on-line inquiry for the life of the contract as well. Archived inquiries must be retrieved within a forty-eight (48) hour timeframe.
- c) Have automated overage/shortage functionality.
- d) Have a search module with multiple indexes and search options (please provide a thorough description of this functionality).
- e) Complete timely modifications to accommodate future ACTS modifications, as determined by the State.
- f) Have full back-up and disaster recovery functionality.

Note: Any CCO receipting system modifications requested in the first year of operations, which are necessary to comport with ACTS functionality or CSS policy, shall be considered "no cost" change orders.

3.5.1.2 Payments

- a) Provide storage of information that allows for display and retrieval of associated payor and account information when a payment is posted.
- b) Provide inquiry functionality for users to enter a MPI number and have options for viewing payment history on-line and for a name search module.
- c) Provide the functionality to search the receipts files for payments processed based on check amount, payment amount, check number, date range, transaction number, account number, name, social security number, check MICR lines, or third party (employer, other agency, etc.).

3.5.1.3 Disaster Recovery

Describe how the Vendor will ensure that there is no interruption of service or loss of data by providing the capabilities listed below, at a minimum.

- a) The receipting system has redundant processing in case of system failure, technical disaster, catastrophic weather, accidents or human error leading to disaster.
- b) Payment transactions occur on a back-up file within fifteen (15) minutes of being entered into the system.
- c) Appropriate hot-site facilities are available.
- d) A Disaster Recovery and Business Continuity Plan tested annually.
- e) The process of re-establishing operations within twenty-four (24) hours of a disaster, including system recovery as well as physical on-site recovery of operations.

3.5.1.4 Communication Specifications for ACTS

The ACTS mainframe application uses the North Carolina Integrated Network (NCIN) for communications between the workstations in various remote offices with access to ACTS.

The NCIN provides a transport mechanism for the transfer of information and files between the CCO Vendor's site and the ACTS mainframe computer at OITS using TCP/IP communications protocols.

Describe how the Vendor's proposed solution accesses the ACTS system to look up data using a microcomputer workstation, laser printers and communications hardware. Supported software is Novell NetWare, DOS/Windows, Attachmate Extra (provides 3270 emulation), Mocha (provides 3270 emulation), Host on Demand, and Microsoft Office.

3.5.1.5 Accounting Procedures/Internal Controls

Describe how the Vendor's proposed solution:

- a) Establishes and implements procedures and controls for all collections received using standard accounting control measures, such as the use of control numbers and separates personnel duties so that no single person has complete control over deposits, account transactions, program changes and data entry;
- b) Establishes policies that comport with GAAP (generally accepted accounting procedures), maintain records and supply reports to the Agency periodically and as requested by the Agency;
- c) Establishes and maintains additional accounting policies, procedures and records to control and document all fiscal activities. Note: All accounting policies, records, procedures, and reporting shall be subject to federal and state audits and must meet the approval of the Agency; and
- d) Participates in any internal DHHS or external QA reviews requested by the State and provides the appropriate information as necessary and implements any improvements or modifications indicated by such a review.

3.5.1.6 Establish Centralized Collections Operations

Provide a detailed plan for locating the CCO in Raleigh, North Carolina or the immediate vicinity (Wake County). Include the following components in the this "Centralized Collections Operation Plan" or "CCO Plan":

- a) Timeframes for the establishment of the Centralized Collections Center;

- b) Proposed staffing level;
- c) Planned equipment requirements;
- d) Initial training for proposed operations staff as well as a description of ongoing training of new employees;
- e) Automated functionality to communicate with the agency/CSS via e-mail; and
- f) A Customer Service unit.
- g) Other details specific to Vendor's proposal, if any.

3.5.1.6 Workflow

Describe how the Vendor's proposed solution provides a flexible operational plan to handle peaks and valleys in the workflow of receipting payments. Anticipated volumes, after full implementation (estimates are based on a 5-day work week with a 12-hour business day) are:

- a) Approximately 301,000 payment transactions per month. A payment transaction is defined as a payment entry made on the system. A single check may result in multiple payment transactions.
- b) The first working day of the week is generally the busiest day of the work week.
- c) The first working day after a holiday is busier than other working days.
- d) The second working day of the month is busier than other working days.
- e) The first working day after a mail holiday is busier than other working days.

The anticipated volume described above is estimated based on previous actual volume and is provided only as a reference. Actual volume may vary.

3.5.2 BUSINESS OPERATIONAL SPECIFICATIONS

Describe your proposed solution's functionality to demonstrate the following specifications, including in your description the functionalities, features, limitations, and any changes needed to meet the Division's business need.

3.5.2.1 Payments

3.5.2.1.1 Paper Payment Methods

- a) Process negotiable checks, money orders and cashier checks.
- b) Provide a plan for securing and handling occasional cash received in the mail.
- c) Scan payments into the Vendor's receipting system immediately after being delivered to the CCO Operations site.
- d) (No processes will be performed between opening the payment envelope and scanning the payment into the system.

3.5.2.1.2 Electronic Payment Methods

- a) Accept and process ACH credit files (EFT/EDI) from employers (CTX as well as CCD+) as well as accept credit and/or debit card payments from payors and employers through a web-based application that is developed and supported by the Vendor.
- b) Link the payment website with the State website for DHHS, as well as CSS.

- c) Accept and process direct payor and employer payments by bank draft, both recurring and non-recurring via the payment website.
- d) Offer web-based employer remittance processing.
- e) Offer payment options via telephone, e-wallet and have the functionality to process payments received from Retail Sites such as Walmart, Family Dollar, etc.

3.5.2.1.3 Payment Types

- a) Individual, income withholding, insurance (worker's compensation), Clerk of Court and out of state payments are receipted appropriately.
- b) Assign a tender type by the Vendor that ACTS can recognize as the source and method of payment.

3.5.2.1.4 Clerk of Court Payments

- a) Payments received at the courthouse for purges, liens and bonds are receipted. These payments are checks with an AOC transmittal form attached.
- b) Ensure that payments from the Clerk of Court have the appropriate tender type on the receipts file, as well as the court docket number, so that ACTS can recognize the payment source and method, as well as the appropriate case(s) that the payment should be applied to from the file submitted by the Vendor for processing.
- c) The State serves as a pass through for NIVD payments. The State does not provide case management for NIVD cases. The Vendor should not communicate with the Administrative Office of the Courts regarding NIVD cases.
- d) Vendor understands that any information provided to or from the Clerk of Court may result in IRS penalties, and the Vendor will be responsible for and reimburse the State for any penalties assessed.

3.5.2.1.8 Identified Payments

- a) Payments are considered identified if the payor is verified to be the correct person. Describe the procedures for employer payments to ensure the following:
 - i. Individual receipts are reconciled to the check/remittance total.
 - ii. When employers' checks do not balance to the list of individual employees' payments, an automated shortage/overage routine must be initiated. Vendor must describe the functionality of the proposed system's overage/shortage routine/ demonstrate that the system results in a correct payment being receipted and placed on the receipts file, with a report supporting the overage or shortage. Within (10) days of the date the payment is receipted the Vendor is required to collect the shortage or correct the overage and then transmit the payment to ACTS.
 - iii. All employers' payments are identified with an employee name and employee MPI number as well as the appropriate amount for each individual payor.
 - iv. Payments are entered into the receipting system to be transmitted to ACTS via the receipts file on the day of receipt.
- b) Describe the procedures for all payments to ensure that:
 - i. Payments are accurately identified and applied to the appropriate payor;
 - ii. Payments are entered into the receipting system the same business day; and

- iii. Balancing is accurate, complete and includes reconciliation of daily deposits versus receipts file totals.

3.5.2.2 Financial Institution Data Matches

Financial Institution Data Matches create payment remittances from various financial institutions and directly from individual payors. These payments will be accompanied by a special remittance document that includes pertinent information in either bar code or scan line format.

Describe how the Vendor's proposed solution documents the payment remittances with the appropriate tender type, as well as the court docket number, so that ACTS can recognize the payment source and method, as well as the specific case(s) that the payments should be applied to.

3.5.2.3 Employer Remittance Forms

Develop and provide a sample Employer Remittance Forms in your response that may be used by employers when remitting income-withholding payments to the CCO. These forms should contain, at a minimum, identifying information as defined by required data elements in the ACTS receipts file.

3.5.2.4 Monthly Account Statements

Describe a plan to print and mail monthly account statements with coupons and return envelopes (with return address to the appropriate PO Box number), including the functionality to scan coupons (which are to be mailed by the Vendor) that accompany individual payments.

Describe Vendor's plan to create coupons containing identifying information defined by the required data elements in the receipts file. ACTS will send the Vendor "bill files" each night based on the case charge period. The account statement is a document with perforated coupons on the bottom. For weekly payments, there is an extra page of perforated coupons. A return envelope is enclosed, and the mailing of these bills/coupons is included in the print job. The current volume is approximately 55,000 statements per month.

The Vendor may propose, for approval by DHHS in its discretion, an alternate plan to deliver monthly account statements electronically via the Vendor payment website. Provide pricing for this process in your Cost Proposal.

3.5.2.1.8 Applicable Fees Disclosure

Disclose all fees charged to a payor in association with making a payment of any type and/or fee associated with required registration with a site to make such a payment.

3.5.2.1.9 Third Party Payment Sites

- a) Disclose any third party payment processor utilized by the Vendor for any payment type.
- b) Describe how Vendor will be responsible for validation of any payment processed by a third party payment vendor.
- c) Describe how Vendor will not disclose any child support information to a third party payment vendor in the validation process of a third party payor file.
- d) Describe how Vendor will not disclose any child support payment information to a third party payor without the express written consent of DHHS and the CSS Services program.

3.5.2.5 Entry of Notes

Describe how Vendor's proposed solution provides for the on-line entry of notes in the receipting system. Notes regarding a particular payment transaction are to be associated with that transaction on-line by the Vendor and be easily accessible for inquiry.

3.5.2.6 Correspondence Requiring Action

If the Vendor receives correspondence that requires county or state action with a collection, describe how the Vendor's proposed solution automatically e-mails the correspondence to the appropriate county or the state agency within one (1) business day of receipt and ensures that the following criteria are met:

- a) IV-D cases - the e-mail must be sent to the appropriate local IV-D office.
- b) Non IV-D cases as applicable - the e-mail must be sent to the appropriate Clerk of Court.
- c) Original correspondence, which is e-mailed to either of the above locations, must be kept on file by the Vendor for at least thirty (30) days so that either the IV-D or non IV-D office may contact the CCO Vendor to request that the original correspondence be mailed to them.

3.5.2.7 Check Verification

Describe how the Vendor's proposed solution verifies as valid, any personal check for \$1,000.00 or more via phone, e-mail, or fax with the bank before depositing.

Describe the method for entering notes regarding verification into the receipting system and maintaining these notes on-line and associated with the payment transaction.

3.5.2.8 Reports

Describe how the following reports will be produced, the report formats that will be developed, and the functionality of these reports to be easily printed by the State and CSS. Describe the functionality of the Vendor to make these reports accessible to the State via a web-based reporting feature.

- a) A daily management report showing an item count of payments received, an item count of any backlog at the end of the day, and where in the workflow the backlog exists.
- b) Customer service call reports indicating the number of calls received, abandoned, average call lengths and other standard call monitoring indicators.
- c) A daily management report of unidentified payments. This report must account for the tracking of unidentified payments and indicate amounts being added to the receipts file each night.
- d) A returned check report which documents the check number, amount, date and payor. This report must be accessible by check number, amount, name, and date of return in any combination of data elements.
- e) A report to verify that all payments are deposited within the business day of receipt, consistent with Section Provide on-line reports regarding the number of payments processed (including subtotals for EFT/EDI, credit/debit cards and ACH debit payments), the source of the payments, the amount of payments, payment processor identity, production information and standard cash management reports (processing rates of individual workers and receipting unit as a whole).
- f) Ad-hoc management reports are required for monitoring and increasing system efficiency with variable fiscal year reporting functionality.

- g) An NSF report for all accounts on hold. This report must be accessible by name, check number, and amount or any combination of these data elements.
- h) Reports for randomly selected payments, a specific number of payments or a percentage of a given population of payments to be used for quality assurance or audit purposes.
- i) A monthly billing report (to be designed in cooperation with the State) to document charges and provide backup for invoices.
- j) Overage/Shortage reports for the State's reconciliation process.
- k) A monthly report that lists employers who use EFT/EDI including name, address, and telephone number of the contact person and provides daily and monthly totals.
- l) E-commerce transaction reports that break out daily volume of payments by amount, method (i.e. ACH debit, credit/debit cards etc.), and totals for each category plus daily grand totals. These reports must also be available for various time ranges (i.e. monthly, annual etc.).
- m) A daily receipts file summary report, showing transaction volume, identified payment volume and money amount as well as unidentified payment volume and money amount is required. This daily report must also show the percentage of identified volume and money.
- n) Audit reports deemed necessary by the State to facilitate reconciliation and/or tracking of performance standards may also be required.

3.5.2.9 Reporting Frequencies

Describe how Vendor's solution will provide weekly reports each Monday for work performed during the prior week. If the Monday is a State holiday, report will be due by close of business on the next regular business day.

Describe how Vendor's solution will provide monthly reports on the tenth (10th) Calendar Day for work performed in the prior calendar month. If the tenth (10th) of the month is a State holiday, the report will be due on the next regular business day.

3.5.2.10 Archive

Describe how the Vendor's proposed solution:

- a) Maintains on-line transaction history with associated notes and images for the term of this Contract.
- b) Provides accessibility to these historical transactions to the Vendor and the Agency, by name, MPI number, check number, and SSN.
- c) Allows for retrieval of transaction histories with associated notes and images within 48 hours upon request.

3.5.2.11 E-Commerce

a) Describe the Vendor's receipting system and how it provides full e-commerce capabilities which include, at a minimum, the capabilities listed in this Section 3.5.2.11.

- i. A payment website that offers direct payors and employers a bank draft option (recurring and non-recurring) as well as acceptance of on-line payment by credit or debit cards;
- ii. The functionality to make credit or debit card payments by telephone;
- iii. Compliance with the Payment Card Industry Data Security Standards for credit/ debit card on-line payments. Compliance shall include a written agreement between the Vendor and the Agency on how compliance shall be accomplished;

- iv. Payment website processing for employers which includes storage and retrieval of employer income withholding lists, email notifications of scheduled payments, the functionality to print remittance forms, the functionality to schedule recurring or non-recurring ACH Debit payments, and the functionality to view and manage scheduled payments;
 - v. ACH credit file acceptance (EFT/EDI) for employers only; and
 - vi. Payment website processing for payors to schedule recurring or non-recurring payments, the functionality to view and manage scheduled payments, the functionality to print payment coupons, the functionality to view their payment history, and receive electronic billing statements.
- b) Describe how Vendor's proposed solution offers a branded debit card program to CSS recipients who do not currently receive payments via direct deposit from ACTS. This service should include a reporting website for the branded debit card program for use by the CSS Call center.
 - c) Describe how the Vendor's proposed solution performs all the identification clean-up and reconciliation work on payors' lists from potential customers of EFT/EDI files, including pre-note tests in preparation for implementation.

3.5.2.12 Reconciliation Responsibilities

- a) Describe how the Vendor's proposed solution reconciles the daily receipts files with the daily deposit. These two (2) sums are not identical and therefore a reconciliation report will be produced daily (this can be a manually produced report or a system report) accounting for the difference in the daily deposit and daily receipts file. These reports must be kept on hand at the CCO site and available for audit at a time chosen by the Agency.
- b) Explain how Vendor will ensure that all physical records pertaining to deposits such as consecutively numbered deposit forms with supporting cash letters, etc. are kept in a daily file on hand at the CCO site and available for audit at a time chosen by the Agency.

3.5.2.13 Affidavits of Parentage

Describe how Vendor's proposed solution captures affidavits of parentage forms as images, incorporates the images in a Vendor database, and provides the State access to search, view, and print the forms. Describe how the Vendor's proposed solution make affidavit of parentage forms available to the State on-line within two (2) business days of receipt by the Vendor. Include in your descriptions the following database search criteria:

- a) Father's first and last name;
- b) Mother's first and last name;
- c) Child's first and last name;
- d) Child's date of birth; and
- e) County of birth.

3.5.2.13 Vendor reimbursement for Errors

Describe how Vendor will identify payment errors and then subsequently reimburse the State

3.6 BUSINESS NON-FUNCTIONAL SPECIFICATIONS

Describe how Vendor's proposed solution provides for the following performance standards:

- a) An average of 99% of identified collections for any particular business day (minus returns and Outsorts) must be on the receipts files to ACTS within forty-eight (48) hours of receipt.
- b) All remaining receipt transactions (minus returns, Outsorts, out-of-balance checks) must be on the receipts files to ACTS within seventy-two (72) hours of receipt. This standard is tracked closely by the Agency. To track this standard, the Vendor must produce daily and monthly reports that demonstrate that this standard is being met. A tracking spreadsheet maintained by the Vendor and submitted monthly to the Agency shall be used to determine that this standard is being met.
- c) Payments posted into the unidentified payments account shall be resolved within ten (10) business days.
- d) The unidentified payment rate cannot exceed a daily rate of one tenth of one percent (.10%). This standard is tracked closely by the Agency. The Vendor must produce monthly reports that document that this standard is being met.
- e) Processing collections at a ninety-nine-point nine percent (99.9%) error free rate. This standard is tracked closely by the Agency. The Agency will use monthly management reports to determine if this requirement is being met. The Vendor must have a robust Quality Control Program to facilitate maintaining this standard.
- f) Performance Standards Summary Table:

| # | Measure | Performance Standard | Measurement Period |
|----|----------------------------------|---|--------------------|
| a) | Identified Receipts Transmission | An average of 99% of identified collections for any particular business day (minus returns and Outsorts) must be on the Receipts Files to ACTS within forty-eight (48) hours of receipt of the payment. | Daily |
| b) | Other Receipts Transmission | All remaining receipt transactions (minus returns, Outsorts, out-of-balance checks) must be on the Receipts Files to ACTS within seventy-two (72) hours of receipt of the payment. | Daily |
| c) | Unidentified Payments | Payments posted into the Unidentified Payments Account shall be resolved within ten (10) business days. | Monthly |
| d) | Unidentified Payment Rate | The Unidentified Payment rate cannot exceed a daily rate of .10% (one tenth of one percent). | Daily |
| e) | Processing Rate | Processing collections at a 99.90% error free rate. | Monthly |

- g) Proposed assessment plan to address failure to meet a performance standard within the month prior to the billing cycle. A sample plan could include the following components:

Written notification to the Vendor of failure to meet a performance standard may be given by the Agency. The Vendor will have one (1) month or another mutually agreed period from the date of receipt of written notification to cure the failure. If the Vendor is unable to meet any of the percentages specified above within the one (1) month period, the Vendor will be subject to a corrective action plan and a reduction in compensation in the amount of ten percent (10%) per month. Vendor's failure to meet any of the specified percentages after a reduction in compensation has been applied could result in termination of the Contract.

4.0 COST OF VENDOR'S OFFER

4.1 OFFER COSTS

The Vendor must list, itemize, and describe any applicable offer costs which may include the following (See *Attachment L:Cost Form*):

- a) Customer service costs (including fees assessed to customers for any payment type and/or fee assessed to register with a required site for customer to make a payment of any type)
- b) Hosting service fees
- c) Implementation costs (system configuration, customization)
- d) Transition Costs
- e) Service Costs (Price per transaction)
- f) Existing software/upgrade/integration/training
- g) Technical Support
- h) Unlimited phone technical support for the technical staff
- i) Training (Technical and/or Customer), including training materials
- j) License fees
- k) Maintenance
- l) Additional modules required or proposed for addressing specifications
- m) Updates to supplemental files
- n) Utilities
- o) Other Costs: Postage, if applicable
- p) Address validation services, if proposed
- q) SERVICES PROCUREMENTS, SUCH AS STUDIES / ANALYSES / ASSESSMENTS:
 - 1) Face to Face Meeting Fees Before and After Report is Generated (Note: Agency may require in its discretion that Vendor's quoted rates be loaded with any applicable per diem)
 - 2) Development or First Time Engineering Fees
 - 3) Actual Time to Create the Report
 - 4) Subsequent Modifications and Iterations to the Report after Agency Review(s)
 - 5) Travel Expenses – Any travel expenses reimbursement will be at the out-of-state rates set forth in N.C.G.S. §138-6; as amended from time to time

4.2 PAYMENT SCHEDULE

The Vendor shall propose its itemized payment schedule based on the content of its offer. All payments must be based upon acceptance of one or more Deliverables.

5.0 EVALUATION

5.1 SOURCE SELECTION

A trade-off/ranking method of source selection will be utilized in this procurement to allow the State to award this RFP to the Vendor providing the Best Value and recognizing that Best Value may result in award other than the lowest price or highest technically qualified offer. By using this method, the overall ranking may be adjusted up or down when considered with or traded-off against other non-price factors.

- a) Evaluation Process Explanation. State Agency employees will review all offers. All offers will be initially classified as being responsive or non-responsive. If an offer is found non-responsive, it will not be considered further. All responsive offers will be evaluated based on stated evaluation criteria. Any references in an answer to another location in the RFP materials or Offer shall have specific page numbers and sections stated in the reference.

- b) To be eligible for consideration, Vendor's offer must substantially conform to the intent of all specifications. Compliance with the intent of all specifications will be determined by the State. Offers that do not meet the full intent of all specifications listed in this RFP may be deemed deficient. Further, a serious deficiency in the offer to any one (1) factor may be grounds for rejection regardless of overall score.
- c) The evaluation committee may request clarifications, an interview with or presentation from any or all Vendors as allowed by 9 NCAC 06B.0307. However, the State may refuse to accept, in full or partially, the response to a clarification request given by any Vendor. Vendors are cautioned that the evaluators are not required to request clarifications; therefore, all offers should be complete and reflect the most favorable terms. Vendors should be prepared to send qualified personnel to Raleigh, North Carolina, to discuss technical and contractual aspects of the offer.
- d) Vendors are advised that the State is not obligated to ask for or accept after the closing date for receipt of offer, data that is essential for a complete and thorough evaluation of the offer.

5.2 EVALUATION CRITERIA

Evaluation shall include best value, as the term is defined in N.C.G.S. § 143-135.9(a)(1), compliance with information technology project management policies as defined by N.C.G.S. §143B-1340, compliance with information technology security standards and policies, substantial conformity with the specifications, and other conditions set forth in the solicitation. The following Evaluation Criteria are listed in Order of Importance.

- 1) How well the Vendor's offer conforms with the specifications in Sections 3.5 and 3.6
- 2) How each Vendor's offer compares with other Vendors' offers
- 3) Illustration(s) and/or explanations of adherence to Section 3.3 Enterprise Specifications
- 4) Adherence to Section 3.2 Security Specifications
- 5) Vendor Schedule / Timeline for completing work
- 6) Total Cost of Ownership
- 7) Strength of references relevant or material to technology area(s) or Specifications
- 8) Vendor Past Performance – (Note: The Vendor may be disqualified from any evaluation or award if the Vendor or any key personnel proposed, has previously failed to perform satisfactorily during the performance of any contract with the State, or violated rules or statutes applicable to public bidding in the State).
- 9) Risks associated with Vendor's offer.

5.3 BEST AND FINAL OFFERS (BAFO)

The State may establish a competitive range based upon evaluations of offers, and request BAFOs from the Vendor(s) within this range; e.g. "Finalist Vendor(s)". If negotiations or subsequent offers are solicited, the Vendor(s) shall provide BAFO(s) in response. Failure to deliver a BAFO when requested shall disqualify the non-responsive Vendor from further consideration. The State will evaluate BAFO(s), oral presentations, and product demonstrations as part of the Vendors' respective offers to determine the final rankings.

5.4 POSSESSION AND REVIEW

During the evaluation period and prior to award, possession of the bids and accompanying information is limited to personnel of the issuing agency, and to the committee responsible for participating in the evaluation. Vendors who attempt to gain this privileged information, or to influence the evaluation process (i.e. assist in evaluation) will be in violation of purchasing rules and their offer will not be further evaluated or considered.

After award of contract the complete bid file will be available to any interested persons with the exception of trade secrets, test information or similar proprietary information as provided by statute

and rule. Any proprietary or confidential information which conforms to exclusions from public records as provided by N.C.G.S. §132-1.2 must be clearly marked as such in the offer when submitted.

6.0 VENDOR INFORMATION AND INSTRUCTIONS

6.1 GENERAL CONDITIONS OF OFFER

6.1.1 VENDOR RESPONSIBILITY

It shall be the Vendor's responsibility to read this entire document, review all enclosures and attachments, and comply with all specifications, requirements and the State's intent as specified herein. If a Vendor discovers an inconsistency, error or omission in this solicitation, the Vendor should request a clarification from the State's contact person.

The Vendor will be responsible for investigating and recommending the most effective and efficient solution. Consideration shall be given to the stability of the proposed configuration and the future direction of technology, confirming to the best of their ability that the recommended approach is not short lived. Several approaches may exist for hardware configurations, other products and any software. The Vendor must provide a justification for their proposed hardware, product and software solution(s) along with costs thereof. Vendors are encouraged to present explanations of benefits and merits of their proposed solutions together with any accompanying Services, maintenance, warranties, value added Services or other criteria identified herein.

6.1.2 RIGHTS RESERVED

While the State has every intention to award a contract as a result of this RFP, issuance of the RFP in no way constitutes a commitment by the State of North Carolina, or the procuring Agency, to award a contract. Upon determining that any of the following would be in its best interests, the State may:

- a) waive any formality;
- b) amend the solicitation;
- c) cancel or terminate this RFP;
- d) reject any or all offers received in response to this RFP;
- e) waive any undesirable, inconsequential, or inconsistent provisions of this RFP;
- f) if the response to this solicitation demonstrates a lack of competition, negotiate directly with one or more Vendors;
- g) not award, or if awarded, terminate any contract if the State determines adequate State funds are not available; or
- h) if all offers are found non-responsive, determine whether Waiver of Competition criteria may be satisfied, and if so, negotiate with one or more known sources of supply.

6.1.3 SOLICITATION AMENDMENTS OR REVISIONS

Any and all amendments or revisions to this document shall be made by written addendum from the Agency Procurement Office. If either a unit price or extended price is obviously in error and the other is obviously correct, the incorrect price will be disregarded.

6.1.4 ORAL EXPLANATIONS

The State will not be bound by oral explanations or instructions given at any time during the bidding process or after award. Vendor contact regarding this RFP with anyone other than the State's contact person may be grounds for rejection of said Vendor's offer. Agency contact regarding this RFP with any Vendor may be grounds for cancellation of this RFP.

6.1.5 E-PROCUREMENT

This is **not** an E-Procurement solicitation. Attachment B, subparagraphs #38(a) and 38(b) of the attached North Carolina Department of Information Technology Terms and Conditions Services for General Purchases do not apply to this solicitation.

6.1.1 ELECTRONIC VENDOR PORTAL (EVP)

The State has implemented the electronic Vendor Portal (eVP) that allow the public to retrieve award notices and information on the Internet at <https://evp.nc.gov>. Results may be found by searching by Solicitation Number or agency name. This information may not be available for several weeks dependent upon the complexity of the acquisition and the length of time to complete the evaluation process.

6.1.2 PROTEST PROCEDURES

Protests of awards exceeding \$25,000 in value must be submitted to the issuing Agency at the address given on the first page of this document. Protests must be received in the purchasing agency's office within fifteen (15) calendar days from the date of this RFP award and provide specific reasons and any supporting documentation for the protest. **All protests are governed by Title 9, Department of Information Technology (formerly Office of Information Technology Services), Subchapter 06B Sections .1101 - .1121.**

6.2 GENERAL INSTRUCTIONS FOR VENDOR

6.2.1 SITE VISIT OR PRE-OFFER CONFERENCE [RESERVED]

6.2.2 QUESTIONS CONCERNING THE RFP

All inquiries regarding the solicitation specifications or requirements are to be addressed to the contact person listed on Page One of this solicitation via the Ariba Sourcing Tool's message board. Vendor contact regarding this Solicitation with anyone other than the contact person listed on Page One of this Solicitation may be grounds for rejection of said Vendor's offer.

Written questions concerning this Solicitation will be received until August 15, 2023 at 2:00PM Eastern Time.

They must be submitted to the contact person listed on Page One of this Solicitation via the Ariba Sourcing Tool's message board. Please enter "Questions Solicitation XXXX" as the subject for the message. Questions must be submitted using the same format as the table provided below:

| REFERENCE | VENDOR QUESTION |
|-----------------------------|-----------------|
| RFP Section, Page Number | |

6.2.3 ADDENDUM TO RFP

If a pre-offer conference is held or written questions are received prior to the submission date, an addendum comprising questions submitted and responses to such questions, or any additional terms deemed necessary by the State shall become an Addendum to this RFP and provided via the State's Ariba Sourcing Tool. Vendors' questions posed orally at any pre-offer conference must be reduced to writing by the Vendor and provided to the Purchasing Officer as directed by said Officer. Oral answers are not binding on the State.

Critical updated information may be included in these Addenda. It is important that all Vendors bidding on this RFP periodically check the State's Ariba Sourcing Tool for any and all Addenda that may be issued prior to the offer opening date.

6.2.4 COSTS RELATED TO OFFER SUBMISSION

Costs for developing and delivering responses to this RFP and any subsequent presentations of the offer as requested by the State are entirely the responsibility of the Vendor. The State is not liable for any expense incurred by the Vendors in the preparation and presentation of their offers.

All materials submitted in response to this RFP become the property of the State and are to be appended to any formal documentation, which would further define or expand any contractual relationship between the State and the Vendor resulting from this RFP process.

6.2.5 VENDOR ERRATA AND EXCEPTIONS

Any errata or exceptions to the State's requirements and specifications may be presented on a separate page labeled "Exceptions to Requirements and Specifications". Include references to the corresponding requirements and specifications of the Solicitation. Any deviations shall be explained in detail. **The Vendor shall not construe this paragraph as inviting deviation or implying that any deviation will be acceptable. Offers of alternative or non-equivalent goods or services may be rejected if not found substantially conforming; and if offered, must be supported by independent documentary verification that the offer substantially conforms to the specified goods or services specification.** If a vendor materially deviates from RFP requirements or specifications, its offer may be determined to be non-responsive by the State.

Offers conditioned upon acceptance of Vendor Errata or Exceptions may be determined to be non-responsive by the State.

6.2.6 ALTERNATE OFFERS

The Vendor may submit alternate offers for various levels of service(s) or products meeting specifications. Alternate offers must specifically identify the RFP specifications and advantage(s) addressed by the alternate offer. Any alternate offers must be clearly marked with the legend as shown herein. Each offer must be for a specific set of Services or products and offer at specific pricing. If a Vendor chooses to respond with various service or product offerings, each must be an offer with a different price and a separate RFP offer. Vendors may also provide multiple offers for software or systems coupled with support and maintenance options, provided, however, all offers must satisfy the specifications.

Alternate offers must be submitted in a separate document and clearly marked "Alternate Offer for 'name of Vendor'" and numbered sequentially with the first offer if separate offers are submitted.

6.2.7 MODIFICATIONS TO OFFER

An offer may not be unilaterally modified by the Vendor.

6.2.8 BASIS FOR REJECTION

Pursuant to 9 NCAC 06B.0401, the State reserves the right to reject any and all offers, in whole or in part; by deeming the offer unsatisfactory as to quality or quantity, delivery, price or service offered; non-compliance with the specifications or intent of this solicitation; lack of competitiveness; error(s) in specifications or indications that revision would be advantageous to the State; cancellation or other changes in the intended project, or other determination that the proposed specification is no longer needed; limitation or lack of available funds; circumstances that prevent determination of the best offer; or any other determination that rejection would be in the best interest of the State.

6.2.9 NON-RESPONSIVE OFFERS

Vendor offers will be deemed non-responsive by the State and will be rejected without further consideration or evaluation if statements such as the following are included:

- "This offer does not constitute a binding offer",

- “This offer will be valid only if this offer is selected as a finalist or in the competitive range”,
- “The Vendor does not commit or bind itself to any terms and conditions by this submission”,
- “This document and all associated documents are non-binding and shall be used for discussion purposes only”,
- “This offer will not be binding on either party until incorporated in a definitive agreement signed by authorized representatives of both parties”, or
- A statement of similar intent

6.2.10 VENDOR REGISTRATION WITH THE SECRETARY OF STATE

Vendors do not have to be registered with the NC Secretary of State to submit an offer; however, in order to receive an award/contract with the State, they must be registered. Registration can be completed at the following website: https://www.sosnc.gov/Guides/launching_a_business

6.2.11 VENDOR REGISTRATION AND SOLICITATION NOTIFICATION SYSTEM

The NC electronic Vendor Portal (eVP) allows Vendors to electronically register with the State to receive electronic notification of current procurement opportunities for goods and Services available at the following website: <https://evp.nc.gov>.

This RFP is available electronically on the electronic Vendor Portal (eVP) at the following website: <https://evp.nc.gov>.

6.2.12 VENDOR POINTS OF CONTACT

CONTACTS AFTER CONTRACT AWARD:

Below are the Vendor Points of Contact to be used after award of the contract.

| VENDOR CONTRACTUAL POINT OF CONTACT | VENDOR TECHNICAL POINT OF CONTACT |
|-------------------------------------|-----------------------------------|
| [NAME OF VENDOR] | [NAME OF VENDOR] |
| [STREET ADDRESS] | [STREET ADDRESS] |
| [CITY, STATE, ZIP] | [CITY, STATE, ZIP] |
| Attn: Assigned Contract Manager | Attn: Assigned Technical Lead |

6.3 INSTRUCTIONS FOR OFFER SUBMISSION

6.3.1 GENERAL INSTRUCTIONS FOR OFFER

Vendors are strongly encouraged to adhere to the following general instructions in order to bring clarity and order to the offer and subsequent evaluation process:

- Organize the offer in the exact order in which the specifications are presented in the RFP.**
The Execution page of this RFP must be placed at the front of the Proposal. Each page should be numbered. The offer should contain a table of contents, which cross-references the RFP specification and the specific page of the response in the Vendor's offer.
- Provide complete and comprehensive responses with a corresponding emphasis on being concise and clear. Elaborate offers in the form of brochures or other presentations beyond that necessary to present a complete and effective offer are not desired.
- Clearly state your understanding of the problem(s) presented by this RFP including your proposed solution's ability to meet the specifications, including capabilities, features, and limitations, as described herein, and provide a cost offer.

- d) Supply all relevant and material information relating to the Vendor's organization, personnel, and experience that substantiates its qualifications and capabilities to perform the Services and/or provide the goods described in this RFP. If relevant and material information is not provided, the offer may be rejected from consideration and evaluation.
- e) Furnish all information requested; and if response spaces are provided in this document, the Vendor shall furnish said information in the spaces provided. Further, if required elsewhere in this RFP, each Vendor must submit with its offer sketches, descriptive literature and/or complete specifications covering the products offered. References to literature submitted with a previous offer will not satisfy this provision. Proposals that do not comply with these instructions may be rejected.
- f) Any offer that does not adhere to these instructions may be deemed non-responsive and rejected on that basis.
- g) **Only information that is received in response to this RFP will be evaluated.** Reference to information previously submitted or Internet Website Addresses (URLs) will not suffice as a response to this solicitation.

6.3.2 OFFER ORGANIZATION

Within each section of its offer, Vendor should address the items in the order in which they appear in this RFP. Forms or attachments or exhibits, if any provided in the RFP, must be completed and included in the appropriate section of the offer. All discussion of offered costs, rates, or expenses must be presented in Section 4.0. Cost of Vendor's Offer.

The offer should be organized and indexed in the following format and should contain, at a minimum, all listed items below.

- a) Signed Execution Page
- b) Table of Contents
- c) Firm's Tax Identification Info (Attachment K)
- d) Vendor Response to Specifications and Requirements
- e) Security Vendor Readiness Assessment Report (VRAR)
- f) Architecture Diagrams
- g) Cost of Vendor's Offer (Attachment L)
- h) Schedule of Offered Solution
- i) Signed Vendor Certification Form (Attachment M)
- j) Location of Workers Utilized by Vendor Form (Attachment N)
- k) References (Attachment O)
- l) Financial Statements (Attachment P)
- m) Errata and Exceptions, if any
- n) Vendor's License and Maintenance Agreements, if any
- o) Supporting material such as technical system documentation, training examples, etc.
- p) Vendor may attach other supporting materials that it feels may improve the quality of its response. These materials should be included as items in a separate appendix.
- q) Description of Vendor Submitting Offer Form (Attachment K)

- r) All pages of this solicitation document (including Attachments A, B, and C)

6.3.3 OFFER SUBMITTAL

Due Date: September 6, 2023

Time: 2:00PM Eastern Time

IMPORTANT NOTE: It is the Vendor's sole responsibility to upload their offer to the Ariba Sourcing Module by the specified time and date of opening. Vendor shall bear the risk for late electronic submission due to unintended or unanticipated delay, including but not limited to internet issues, network issues, local power outages, or application issues. Vendor must include all the pages of this solicitation in their response.

Sealed offers, subject to the conditions made a part hereof, will be received until 2:00pm Eastern Time on the day of opening and then opened, for furnishing and delivering the commodity as described herein. Offers must be submitted via the Ariba Sourcing Module with the Execution page signed and dated by an official authorized to bind the Vendor's firm. Failure to return a signed offer shall result in disqualification.

Attempts to submit a proposal via facsimile (FAX) machine, telephone, email, email attachments, or in any hardcopy format in response to this Bid SHALL NOT be accepted and will automatically be deemed Non-Responsive.

- a) Submit **one (1) signed, original electronic offer** through the Ariba Sourcing Module.
- b) The Ariba Sourcing Module document number is: WS613311670
- c) All File names should start with the Vendor name first, in order to easily determine all the files to be included as part of the vendor's response. For example, files should be named as follows: Vendor Name-your file name.
- d) File contents **SHALL NOT** be password protected, the file formats must be in .PDF, .JPEG, .DOC or .XLS format, and shall be capable of being copied to other sources. Inability by the State to open the Vendor's files may result in the Vendor's offer(s) being rejected.
- e) If the vendor's proposal contains any confidential information (as defined in Attachment B, Section 2, Paragraph #17), then the vendor must provide one (1) signed, original electronic offer and one (1) redacted electronic copy.

For Vendor training on how to use the Ariba Sourcing Tool to view solicitations, submit questions, develop responses, upload documents, and submit offers to the State, Vendors should go to the following site: <https://eprocurement.nc.gov/training/vendor-training>

Questions or issues related to using the Ariba Sourcing Tool itself can be directed to the North Carolina eProcurement Help Desk at 888-211-7440, Option 2. Help Desk representatives are available Monday through Friday from 7:30 AM EST to 5:00 PM EST

7.0 OTHER REQUIREMENTS AND SPECIAL TERMS

7.1 VENDOR UTILIZATION OF WORKERS OUTSIDE OF U.S.

In accordance with N.C.G.S. §143B-1361(b), the Vendor must detail the manner in which it intends to utilize resources or workers in the RFP response. The State of North Carolina will evaluate the additional risks,

costs, and other factors associated with such utilization prior to making an award for any such Vendor's offer.

Complete ATTACHMENT N - Location of Workers Utilized by Vendor and submit with your offer.

7.2 FINANCIAL STATEMENTS

The Vendor shall provide evidence of financial stability by returning with its offer 1) completed Financial Review Form (Attachment I), and 2) copies of Financial Statements as further described hereinbelow. As used herein, Financial Statements shall exclude tax returns and compiled statements.

- a) For a publicly traded company, Financial Statements for the past three (3) fiscal years, including at a minimum, income statements, balance sheets, and statement of changes in financial position or cash flows. If three (3) years of financial statements are not available, this information shall be provided to the fullest extent possible, but not less than one year. If less than 3 years, the Vendor must explain the reason why they are not available.
- b) For a privately held company, when certified audited financial statements are not prepared: a written statement from the company's certified public accountant stating the financial condition, debt-to-asset ratio for the past three (3) years and any pending actions that may affect the company's financial condition.
- c) The State may, in its sole discretion, accept evidence of financial stability other than Financial Statements for the purpose of evaluating Vendors' responses to this RFP. The State reserves the right to determine whether the substitute information meets the requirements for Financial Information sufficiently to allow the State to evaluate the sufficiency of financial resources and the ability of the business to sustain performance of this RFP award. Scope Statements issued may require the submission of Financial Statements and specify the number of years to be provided, the information to be provided, and the most recent date required.

7.3 FINANCIAL RESOURCES ASSESSMENT, QUALITY ASSURANCE, PERFORMANCE AND RELIABILITY [RESERVE]

7.4 VENDOR'S LICENSE OR SUPPORT AGREEMENTS

Vendor should present its license or support agreements for review and evaluation. Terms offered for licensing and support of Vendors' proprietary assets will be considered.

The terms and conditions of the Vendor's standard services, license, maintenance or other agreement(s) applicable to Services, Software and other Products acquired under this RFP may apply to the extent such terms and conditions do not materially change the terms and conditions of this RFP. In the event of any conflict between the terms and conditions of this RFP and the Vendor's standard agreement(s), the terms and conditions of this RFP relating to audit and records, jurisdiction, choice of law, the State's electronic procurement application of law or administrative rules, the remedy for intellectual property infringement and the exclusive remedies and limitation of liability in the DIT Terms and Conditions herein shall apply in all cases and supersede any provisions contained in the Vendor's relevant standard agreement or any other agreement. The State shall not be obligated under any standard license and/or maintenance or other Vendor agreement(s) to indemnify or hold harmless the Vendor, its licensors, successors or assigns, nor arbitrate any dispute, nor pay late fees, penalties, legal fees or other similar costs.

7.5 RESELLERS [RESERVE]

7.6 DISCLOSURE OF LITIGATION

The Vendor's failure to fully and timely comply with the terms of this section, including providing reasonable assurances satisfactory to the State, may constitute a material breach of the Agreement.

- a) The Vendor shall notify the State in its offer, if it, or any of its subcontractors, or their officers, directors, or key personnel who may provide Services under any contract awarded pursuant to this solicitation, have ever been convicted of a felony, or any crime involving moral turpitude, including, but not limited to fraud, misappropriation or deception. The Vendor shall promptly notify the State of any criminal litigation, investigations or proceeding involving the Vendor or any subcontractor, or any of the foregoing entities' then current officers or directors during the term of the Agreement or any Scope Statement awarded to the Vendor.
- b) The Vendor shall notify the State in its offer, and promptly thereafter as otherwise applicable, of any civil litigation, arbitration, proceeding, or judgments against it or its subcontractors during the three (3) years preceding its offer, or which may occur during the term of any awarded to the Vendor pursuant to this solicitation, that involve (1) Services or related goods similar to those provided pursuant to any contract and that involve a claim that may affect the viability or financial stability of the Vendor, or (2) a claim or written allegation of fraud by the Vendor or any subcontractor hereunder, arising out of their business activities, or (3) a claim or written allegation that the Vendor or any subcontractor hereunder violated any federal, state or local statute, regulation or ordinance. Multiple lawsuits and or judgments against the Vendor or subcontractor shall be disclosed to the State to the extent they affect the financial solvency and integrity of the Vendor or subcontractor.
- c) All notices under subsection A and B herein shall be provided in writing to the State within thirty (30) calendar days after the Vendor learns about any such criminal or civil matters; unless such matters are governed by the DIT Terms and Conditions annexed to the solicitation. Details of settlements which are prevented from disclosure by the terms of the settlement shall be annotated as such. Vendor may rely on good faith certifications of its subcontractors addressing the foregoing, which certifications shall be available for inspection at the option of the State.

7.7 CRIMINAL CONVICTION

In the event the Vendor, an officer of the Vendor, or an owner of a 25% or greater share of the Vendor, is convicted of a criminal offense incident to the application for or performance of a State, public or private Contract or subcontract; or convicted of a criminal offense including but not limited to any of the following: embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, attempting to influence a public employee to breach the ethical conduct standards for State of North Carolina employees; convicted under State or federal antitrust statutes; or convicted of any other criminal offense which in the sole discretion of the State, reflects upon the Vendor's business integrity and such vendor shall be prohibited from entering into a contract for goods or Services with any department, institution or agency of the State.

7.8 SECURITY AND BACKGROUND CHECKS

The Agency reserves the right to conduct a security background check or otherwise approve any employee or agent provided by the Vendor, and to refuse access to or require replacement of any such personnel for cause, including, but not limited to, technical or training qualifications, quality of work or change in security status or non-compliance with the Agency's security or other similar requirements.

All State and Vendor personnel that have access to data restricted by the State Security Manual, IRS Publication 1075 and Policies must have a security background check performed at initial contract execution date, date of hire if subsequent to contract execution date and every five years thereafter. The Vendors are responsible for performing all background checks of their workforce and subcontractors through the process and policies of the Agency. The Vendor shall be responsible for providing certification of the background check results of the vendor employee to the Agency. Certification shall be provided on the 1075 Background Check Certification Form. (*See Attachment P*) The State reserves the right to check for non-compliance and shall revoke individual and/or Vendor access to ACTS should certification of each vendor employee fail to be provided.

7.9 ASSURANCES [RESERVE]

7.10 CONFIDENTIALITY OF OFFERS

All offers and any other RFP responses shall be made public as required by the NC Public Records Act and GS 143B-1350. Vendors may mark portions of offers as confidential or proprietary, after determining that such information is excepted from the NC Public Records Act, provided that such marking is clear and unambiguous and preferably at the top and bottom of each page containing confidential information. Standard restrictive legends appearing on every page of an offer are not sufficient and shall not be binding upon the State.

Certain State information is not public under the NC Public Records Act and other laws. Any such information which the State designates as confidential and makes available to the Vendor in order to respond to the RFP or carry out the Agreement, or which becomes available to the Vendor in carrying out the Agreement, shall be protected by the Vendor from unauthorized use and disclosure. The Vendor shall not be required under the provisions of this section to keep confidential, (1) information generally available to the public, (2) information released by the State generally, or to the Vendor without restriction, (3) information independently developed or acquired by the Vendor or its personnel without reliance in any way on otherwise protected information of the State. Notwithstanding the foregoing restrictions, the Vendor and its personnel may use and disclose any information which it is otherwise required by law to disclose, but in each case only after the State has been so notified, and has had the opportunity, if possible, to obtain reasonable protection for such information in connection with such disclosure.

7.11 PROJECT MANAGEMENT [RESERVE]

7.12 MEETINGS

The Vendor is required to meet with Agency personnel, or designated representatives, to resolve technical or contractual problems that may occur during the term of the Agreement. Meetings will occur as problems arise and will be coordinated by Agency. The Vendor will be given reasonable and sufficient notice of meeting dates, times, and locations. Face to face meetings are desired. However, at the Vendor's option and expense, a conference call meeting may be substituted.

7.13 RECYCLING AND SOURCE REDUCTION

It is the policy of this State to encourage and promote the purchase of products with recycled content to the extent economically practicable, and to purchase items which are reusable, refillable, repairable, more durable, and less toxic to the extent that the purchase or use is practicable and cost-effective. We also encourage and promote using minimal packaging and the use of recycled/recyclable products in the packaging of goods purchased. However, no sacrifice in quality of packaging will be acceptable. The Vendor remains responsible for providing packaging that will protect the commodity and contain it for its intended use. Vendors are strongly urged to bring to the attention of the purchasers at the NCDIT Statewide IT Procurement Office those products or packaging they offer which have recycled content and that are recyclable.

7.14 APPLICABLE FEES DISCLOSURE

In the proposal response, the Vendor shall disclose all fees charged to a payor in association with making a payment of any type and/or fee associated with required registration with a site to make such a payment.

7.15 THIRD PARTY PAYMENT SITES

In the proposal response, the Vendor shall disclose any third party payment processor utilized by the Vendor for any payment type. The Vendor shall be responsible for validation of any payment processed by a third party payment vendor. The Vendor shall not disclose any child support information to a third party payment vendor in the validation process of a third party payor file. The Vendor shall not disclose any child

support payment information to a third party payor without the express written consent of DHHS and the CSS Services program.

7.16 RECORDS RETENTION

Records shall not be destroyed, purged, or disposed of without the express written consent of the DHHS Division or Office. State basic records retention policy requires all grant records to be retained for a minimum of five years or until all audit exceptions have been resolved, whichever is longer. If the contract is subject to federal policy and regulations, record retention may be longer than five years. Records must be retained for a period of three years following submission of the final Federal Financial Status Report, if applicable, or three years following the submission of a revised final Federal Financial Status Report. Also, if any litigation, claim, negotiation, audit, disallowance action, or other action involving this Contract has been started before expiration of the five-year retention period described above, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular five-year period described above, whichever is later. The record retention period for Temporary Assistance for Needy Families (TANF) and MEDICAID and Medical Assistance grants and programs is a minimum of ten years. The record retention period for the Health Insurance Portability and Accountability Act (HIPAA) is six years. For the Internal Revenue Service (IRS) and the Social Security Administration (SSA), the record retention period is seven years.

7.17 NOTICES

Any notices required under this Agreement should be delivered to the Contract Administrator for each party. Unless otherwise specified in the Contracts Documents, any notices shall be delivered in writing by U.S. Mail, Commercial Courier, Email, or by hand.

7.18 SPECIAL TERMS AND CONDITIONS

Paragraph #9 in Section 1 of the DIT Terms and Conditions is supplemented as follows: The Agency reserves the right to perform post-delivery and post-training acceptance testing for a period beginning at installation and lasting twelve (12) weeks. The Agency also reserves the right to have an independent Vendor conduct testing pertaining to the functions, auditability, and related matters. At any time before the end of the test and assurance period the Agency may require any or all of the following:

- a) Have the Vendor modify the installed software to eliminate the deficiency to the Agency's satisfaction.
- b) Have the Vendor re-install a new copy of the software product(s).
- c) Extend the acceptance testing period for a period of four (4) days to allow time for Vendor to remedy the problems.
- d) Remove the application software, cancel this Agreement, and recover payments extended from Agency funds.

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ATTACHMENT A: DEFINITIONS

- 1) **24x7:** A statement of availability of systems, communications, and/or supporting resources every hour (24) of each day (7 days weekly) throughout every year for periods specified herein. Where reasonable downtime is accepted, it will be stated herein. Otherwise, 24x7 implies NO loss of availability of systems, communications, and/or supporting resources.
- 2) **Automated Clearing House (ACH):** A central clearing facility, operated by a private sector organization in conjunction with the Federal Reserve on behalf of the depository financial institutions, in which participating depository financial institutions transmit or receive ACH debit or credit entries.
- 3) **Automated Collection and Tracking System (ACTS):** The State's child support automation system, Automated Collection and Tracking System, which performs all functions required by the Welfare Reform Act for an SDU, except the collections/receipting function.
- 4) **Administrative Office of the Courts (AOC):** The State Agency that is responsible for collecting child support from non IV-D payors who are under a court order to pay child support to a custodial parent who does not receive public assistance.
- 5) **Breach:** An incident that involves the release of Confidential Information or that meets specific legal definitions as per state or federal breach laws.
- 6) **Cash Concentration and Disbursement (CCD+):** A credit or debit entry initiated by an organization to consolidate funds from other organizations, or to fund the accounts of another organization. The CCD+ carries one addendum record with eighty (80) characters of additional payment information.
- 7) **Centralized Collections Operation (CCO):** The single point of entry in North Carolina for the payment and receipting of child support services payments.
- 8) **Confidential Information:** All information, client specific or otherwise, created, transmitted, disclosed, accessed, or stored during the term of this Contract.
- 9) **Corporate Trade Exchange (CTX):** A credit or debit entry initiated by an organization to effect transfer of funds to or from the account of another organization and accompanied by remittance information (EDI).
- 10) **Cybersecurity Incident (GS 143B-1320):** An occurrence that:
 - a. Actually, or imminently jeopardizes, without lawful authority, the integrity, confidentiality, or availability of information or an information system; or
 - b. Constitutes a violation or imminent threat of violation of law, security policies, privacy policies, security procedures, or acceptable use policies.
- 11) **Deliverables:** Deliverables, as used herein, shall comprise all Hardware, Vendor Services, professional Services, Software and provided modifications to any Software, and incidental materials, including any goods, Software or Services access license, data, reports and documentation provided or created during the performance or provision of Services hereunder. Deliverables include "Work Product" and means any expression of Licensor's findings, analyses, conclusions, opinions, recommendations, ideas, techniques, know-how, designs, programs, enhancements, and other technical information; but not source and object code or software.
- 12) **Electronic Data Interchange (EDI):** The electronic exchange of funds in a standardized format used to transmit electronic child support services payments.
- 13) **Federal Tax Information (FTI):** Information received from the Internal Revenue Service regarding an individual's federal tax return and return information.
- 14) **IV-D:** A child support services case receiving services under Title IV-D of the Social Security Act.

- 15) Magnetic Ink Character Recognition (MICR):** The numbers and characters on the bottom of checks that indicate routing and transit numbers.
- 16) Master Participant Index (MPI):** The individual ID assigned by ACTS to all participants in a child support services case.
- 17) Misapplied Payments:** Payments that are posted to the wrong payor account.
- 18) Misidentified Payments:** Payments that are coded with the incorrect tender type.
- 19) NCDIT or DIT:** The NC Department of Information Technology
- 20) Non-sufficient Funds (NSF):** A child support services payment by check or ACH debit whereby the funds are not available in the payor's bank account to make the payment.
- 21) ODYSSEY:** AOC's new case management system which is scheduled to replace SES in late 2022- early 2023.
- 22) Outsorts:** A payment exception that is kicked out of the CCO's system for manual intervention.
- 23) Open Market Contract:** A contract for the purchase of goods or Services not covered by a term, technical, or convenience contract.
- 24) Reasonable, Necessary or Proper:** as used herein shall be interpreted solely by the State of North Carolina.
- 25) Receipts Files:** Files transmitted by Vendor to State with the daily receipts.
- 26) Request for Proposal (RFP):** The RFP is a formal, written solicitation document typically used for seeking competition and obtaining offers for more complex services or a combination of goods and services. The RFP is used when the value is over \$10,000. This document contains specifications of the RFP, instructions to bidders and the standard IT Terms and Conditions for Goods and Related Services. User should add Supplemental Terms and Conditions for Software and Services, when applicable.
- 27) Security Breach:** As defined in N.C.G.S. §75-61.
- 28) Significant Security Incident (GS 143B-1320):** A cybersecurity incident that is likely to result in demonstrable harm to the State's security interests, economy, critical infrastructure, or to the public confidence, civil liberties, or public health and safety of the residents of North Carolina. A significant cybersecurity incident is determined by the following factors:
- a. Incidents that meet thresholds identified by the Department jointly with the Department of Public Safety that involve information:
 - i. That is not releasable to the public and that is restricted or highly restricted according to Statewide Data Classification and Handling Policy; or
 - ii. That involves the exfiltration, modification, deletion, or unauthorized access, or lack of availability to information or systems within certain parameters to include (i) a specific threshold of number of records or users affected as defined in G.S. 75-65 or (ii) any additional data types with required security controls.
 - b. Incidents that involve information that is not recoverable or cannot be recovered within defined [timelines](#) required to meet operational commitments defined jointly by the State agency and the Department or can be recovered only through additional measures and has a high or medium functional impact to the mission of an agency.
- 29) State Disbursement Unit (SDU):** The Federal term used for the CCO.
- 30) State Enforcement System (SES):** The AOC Legacy state child support system. This system is being retired in late 2022- early 2023.

- 31) Unidentified Payment Account:** A payment that is received that cannot be matched to a payor that is in the system.
- 32) Vendor:** Company, firm, corporation, partnership, individual, etc., submitting an offer in response to a solicitation.

ATTACHMENT B: DEPARTMENT OF INFORMATION TECHNOLOGY TERMS AND CONDITIONS

Section 1. General Terms and Conditions Applicable to All Purchases

1) DEFINITIONS: As used herein;

Agreement means the contract awarded pursuant to this RFP.

Deliverable/Product Warranties shall mean and include the warranties provided for products or deliverables licensed to the State in Section 2, Paragraph 2 of these Terms and Conditions unless superseded by a Vendor's Warranties pursuant to Vendor's License or Support Agreements.

Purchasing State Agency or Agency shall mean the Agency purchasing the goods or Services.

Services shall mean the duties and obligations undertaken by the Vendor under, and to fulfill, the specifications, requirements, terms, and conditions of the Agreement, and, for a Software as a Service ("SaaS") Solution, further include, without limitation, providing web browser access by authorized users to certain Vendor online software applications identified herein, and to related services, such as Vendor hosted Computer storage, databases, Support, documentation, and other functionalities.

State shall mean the State of North Carolina, the Department of Information Technology (DIT), or the Purchasing State Agency in its capacity as the Contracting Agency, as appropriate.

- 2) STANDARDS:** Any Deliverables shall meet all applicable State and federal requirements, such as State or Federal Regulation, and NC State Chief Information Officer's (CIO) policy or regulation. Vendor will provide and maintain a quality assurance system or program that includes any Deliverables and will tender or provide to the State only those Deliverables that have been inspected and found to conform to the RFP specifications. All Deliverables are subject to operation, certification, testing and inspection, and any accessibility specifications.
- 3) WARRANTIES:** Unless otherwise expressly provided, any goods Deliverables provided by the Vendor shall be warranted for a period of 90 days after acceptance.
- 4) SUBCONTRACTING:** The Vendor may subcontract the performance of required Services with Resources under the Agreement only with the prior written consent of the State contracting authority. Vendor shall provide the State with complete copies of any agreements made by and between Vendor and all subcontractors. The selected Vendor remains solely responsible for the performance of its subcontractors. Subcontractors, if any, shall adhere to the same standards required of the selected Vendor and the Agreement. Any contracts made by the Vendor with a subcontractor shall include an affirmative statement that the State is an intended third party beneficiary of the Agreement; that the subcontractor has no agreement with the State; and that the State shall be indemnified by the Vendor for any claim presented by the subcontractor. Notwithstanding any other term herein, Vendor shall timely exercise its contractual remedies against any non-performing subcontractor and, when appropriate, substitute another subcontractor.
- 5) TRAVEL EXPENSES:** **All travel expenses should be included in the Vendor's proposed costs. Separately stated travel expenses will not be reimbursed.** In the event that the Vendor, upon specific request in writing by the State, is deemed eligible to be reimbursed for travel expenses arising under the performance of the Agreement, reimbursement will be at the out-of-state rates set forth in N.C.G.S. §138-6; as amended from time to time. Vendor agrees to use the lowest available airfare not requiring a weekend stay and to use the lowest available rate for rental vehicles. All Vendor incurred travel expenses

shall be billed on a monthly basis, shall be supported by receipt and shall be paid by the State within thirty (30) days after invoice approval. Travel expenses exceeding the foregoing rates shall not be paid by the State. The State will reimburse travel allowances only for days on which the Vendor is required to be in North Carolina performing Services under the Agreement.

- 6) **GOVERNMENTAL RESTRICTIONS:** In the event any restrictions are imposed by governmental requirements that necessitate alteration of the material, quality, workmanship, or performance of the Deliverables offered prior to delivery thereof, the Vendor shall provide written notification of the necessary alteration(s) to the Agency Contract Administrator. The State reserves the right to accept any such alterations, including any price adjustments occasioned thereby, or to cancel the Agreement. The State may advise Vendor of any restrictions or changes in specifications required by North Carolina legislation, rule or regulatory authority that require compliance by the State. In such event, Vendor shall use its best efforts to comply with the required restrictions or changes. If compliance cannot be achieved by the date specified by the State, the State may terminate the Agreement and compensate Vendor for sums then due under the Agreement.
- 7) **PROHIBITION AGAINST CONTINGENT FEES AND GRATUITIES:** Vendor warrants that it has not paid, and agrees not to pay, any bonus, commission, fee, or gratuity to any employee or official of the State for the purpose of obtaining any Contract or award issued by the State. Vendor further warrants that no commission or other payment has been or will be received from or paid to any third party contingent on the award of any Contract by the State, except as shall have been expressly communicated to the State Purchasing Agent in writing prior to acceptance of the Agreement or award in question. Each individual signing below warrants that he or she is duly authorized by their respective Party to sign the Agreement and bind the Party to the terms and conditions of this RFP. Vendor and their authorized signatory further warrant that no officer or employee of the State has any direct or indirect financial or personal beneficial interest, in the subject matter of the Agreement; obligation or Contract for future award of compensation as an inducement or consideration for making the Agreement. Subsequent discovery by the State of non-compliance with these provisions shall constitute sufficient cause for immediate termination of all outstanding contracts. Violations of this provision may result in debarment of the Vendor(s) as permitted by 9 NCAC 06B..1206, or other provision of law.
- 8) **AVAILABILITY OF FUNDS:** Any and all payments to Vendor are expressly contingent upon and subject to the appropriation, allocation and availability of funds to the Agency for the purposes set forth in the Agreement. If the Agreement or any Purchase Order issued hereunder is funded in whole or in part by federal funds, the Agency's performance and payment shall be subject to and contingent upon the continuing availability of said federal funds for the purposes of the Agreement or Purchase Order. If the term of the Agreement extends into fiscal years subsequent to that in which it is approved, such continuation of the Agreement is expressly contingent upon the appropriation, allocation and availability of funds by the N.C. Legislature for the purposes set forth in this RFP. If funds to effect payment are not available, the Agency will provide written notification to Vendor. If the Agreement is terminated under this paragraph, Vendor agrees to take back any affected Deliverables and software not yet delivered under the Agreement, terminate any Services supplied to the Agency under the Agreement, and relieve the Agency of any further obligation thereof. The State shall remit payment for Deliverables and Services accepted prior to the date of the aforesaid notice in conformance with the payment terms.
- 9) **ACCEPTANCE PROCESS:**
- a) The State shall have the obligation to notify Vendor, in writing ten calendar days following provision, performance (under a provided milestone or otherwise as agreed) or delivery of any Services or other Deliverables described in the Agreement that are not acceptable.
 - b) Acceptance testing is required for all Vendor supplied software and software or platform services unless provided otherwise in the solicitation documents or a Statement of Work. The State may define such processes and procedures as may be necessary or proper, in its opinion and discretion, to ensure compliance with the State's specifications, and Vendor's Product Warranties and technical representations. The State shall have the obligation to notify Vendor, in writing and within thirty (30) days following installation of any software deliverable if it is not acceptable.

- c) Acceptance of Services or other Deliverables including software or platform services may be controlled by an amendment hereto, or additional terms as agreed by the Parties consistent with IT Project management under GS §143B-1340.
 - d) The notice of non-acceptance shall specify in reasonable detail the reason(s) a Service or given Deliverable is unacceptable. Acceptance by the State shall not be unreasonably withheld; but may be conditioned or delayed as required for installation and/or testing of Deliverables. Final acceptance is expressly conditioned upon completion of any applicable inspection and testing procedures. Should a Service or Deliverable fail to meet any specifications or acceptance criteria, the State may exercise any and all rights hereunder. Services or Deliverables discovered to be defective or failing to conform to the specifications may be rejected upon initial inspection or at any later time if the defects or errors contained in the Services or Deliverables or non-compliance with the specifications were not reasonably ascertainable upon initial inspection. If the Vendor fails to promptly cure or correct the defect or replace or re-perform the Services or Deliverables, the State reserves the right to cancel the Purchase Order, contract with a different Vendor, and to invoice the original Vendor for any differential in price over the original Contract price.
- 10) PAYMENT TERMS:** Monthly Payment terms are Net 30 days after receipt of correct invoice (with completed timesheets for Vendor personnel) and acceptance of one or more of the Deliverables, under milestones or otherwise as may be provided in Paragraph 9 (Acceptance), or elsewhere in this solicitation, unless a period of more than thirty (30) days is required by the Agency. The Purchasing State Agency is responsible for all payments under the Agreement. No additional charges to the Agency will be permitted based upon, or arising from, the Agency's use of a Business Procurement Card. The State may exercise any and all rights of Set Off as permitted in Chapter 105A-1 *et. seq.* of the N.C. General Statutes and applicable Administrative Rules. Upon Vendor's written request of not less than thirty (30) days and approval by the State or Agency, the Agency may:
- a) Forward the Vendor's payment check(s) directly to any person or entity designated by the Vendor, or
 - b) Include any person or entity designated in writing by Vendor as a joint payee on the Vendor's payment check(s), however
 - c) In no event shall such approval and action obligate the State to anyone other than the Vendor and the Vendor shall remain responsible for fulfillment of all Contract obligations.
- 11) EQUAL EMPLOYMENT OPPORTUNITY:** Vendor shall comply with all Federal and State requirements concerning fair employment and employment of the disabled, and concerning the treatment of all employees without regard to discrimination by reason of race, color, religion, sex, national origin or physical disability.
- 12) ADVERTISING/PRESS RELEASE:** The Vendor absolutely shall not publicly disseminate any information concerning the Agreement without prior written approval from the State or its Agent. For the purpose of this provision of the Agreement, the Agent is the Purchasing Agency Contract Administrator unless otherwise named in the solicitation documents.
- 13) LATE DELIVERY:** Vendor shall advise the Agency contact person or office immediately upon determining that any Deliverable will not, or may not, be delivered or performed at the time or place specified. Together with such notice, Vendor shall state the projected delivery time and date. In the event the delay projected by Vendor is unsatisfactory, the Agency shall so advise Vendor and may proceed to procure the particular substitute Services or other Deliverables.
- 14) ACCESS TO PERSONS AND RECORDS:** Pursuant to N.C.G.S. §147-64.7, the Agency, the State Auditor, appropriate federal officials, and their respective authorized employees or agents are authorized to examine all books, records, and accounts of the Vendor insofar as they relate to transactions with any department, board, officer, commission, institution, or other agency of the State of North Carolina pursuant to the performance of the Agreement or to costs charged to the Agreement. The Vendor shall retain any such books, records, and accounts for a minimum of three (3) years after the completion of the Agreement. Additional audit or reporting requirements may be required by any Agency, if in the Agency's opinion, such requirement is imposed by federal or state law or regulation.

15) ASSIGNMENT: Vendor may not assign the Agreement or its obligations hereunder except as permitted by 09 NCAC 06B.1003 and this Paragraph. Vendor shall provide reasonable notice of not less than thirty (30) days prior to any consolidation, acquisition, or merger. Any assignee shall affirm the Agreement attorning and agreeing to the terms and conditions agreed, and that Vendor shall affirm that the assignee is fully capable of performing all obligations of Vendor under the Agreement. An assignment may be made, if at all, in writing by the Vendor, Assignee and the State setting forth the foregoing obligation of Vendor and Assignee.

16) INSURANCE COVERAGE: During the term of the Agreement, the Vendor at its sole cost and expense shall provide commercial insurance of such type and with such terms and limits as may be reasonably associated with the Agreement. As a minimum, the Vendor shall provide and maintain the following coverage and limits:

- a) **Worker's Compensation** - The Vendor shall provide and maintain Worker's Compensation Insurance, as required by the laws of North Carolina, as well as employer's liability coverage with minimum limits of \$100,000.00, covering all of Vendor's employees who are engaged in any work under the Agreement. If any work is sublet, the Vendor shall require the subcontractor to provide the same coverage for any of his employees engaged in any work under the Agreement; and
- b) **Commercial General Liability** - General Liability Coverage on a Comprehensive Broad Form on an occurrence basis in the minimum amount of \$2,000,000.00 Combined Single Limit (Defense cost shall be in excess of the limit of liability); and
- c) **Automobile** - Automobile Liability Insurance, to include liability coverage, covering all owned, hired and non-owned vehicles, used in connection with the Agreement. The minimum combined single limit shall be \$500,000.00 bodily injury and property damage; \$500,000.00 uninsured/under insured motorist; and \$5,000.00 medical payment; and
- d) Providing and maintaining adequate insurance coverage described herein is a material obligation of the Vendor and is of the essence of the Agreement. All such insurance shall meet all laws of the State of North Carolina. Such insurance coverage shall be obtained from companies that are authorized to provide such coverage and that are authorized by the Commissioner of Insurance to do business in North Carolina. The Vendor shall at all times comply with the terms of such insurance policies, and all requirements of the insurer under any such insurance policies, except as they may conflict with existing North Carolina laws or the Agreement. The limits of coverage under each insurance policy maintained by the Vendor shall not be interpreted as limiting the Vendor's liability and obligations under the Agreement.

17) DISPUTE RESOLUTION: The parties agree that it is in their mutual interest to resolve disputes informally. A claim by the Vendor shall be submitted in writing to the Agency Contract Administrator for decision. A claim by the State shall be submitted in writing to the Vendor's Contract Administrator for decision. The Parties shall negotiate in good faith and use all reasonable efforts to resolve such dispute(s). During the time the Parties are attempting to resolve any dispute, each shall proceed diligently to perform their respective duties and responsibilities under the Agreement. If a dispute cannot be resolved between the Parties within thirty (30) days after delivery of notice, either Party may elect to exercise any other remedies available under the Agreement, or at law. This term shall not constitute an agreement by either party to mediate or arbitrate any dispute.

18) CONFIDENTIALITY: In accordance with N.C.G.S. §143B-1350(e) and 143B-1375, and 09 NCAC 06B.0103 and 06B.1001, the State may maintain the confidentiality of certain types of information described in N.C.G.S. §132-1 *et seq.* Such information may include trade secrets defined by N.C.G.S. §66-152 and other information exempted from the Public Records Act pursuant to N.C.G.S. §132-1.2. Vendor may designate appropriate portions of its response as confidential, consistent with and to the extent permitted under the Statutes and Rules set forth above, by marking the top and bottom of pages containing confidential information with a legend in boldface type "**CONFIDENTIAL**". By so marking any page, the Vendor warrants that it has formed a good faith opinion, having received such necessary or proper review by counsel and other knowledgeable advisors that the portions marked confidential meet the requirements of the Rules and Statutes set forth above. ***However, under no circumstances shall***

price information be designated as confidential. The State may serve as custodian of Vendor's confidential information and not as an arbiter of claims against Vendor's assertion of confidentiality. If an action is brought pursuant to N.C.G.S. §132-9 to compel the State to disclose information marked confidential, the Vendor agrees that it will intervene in the action through its counsel and participate in defending the State, including any public official(s) or public employee(s). The Vendor agrees that it shall hold the State and any official(s) and individual(s) harmless from any and all damages, costs, and attorneys' fees awarded against the State in the action. The State agrees to promptly notify the Vendor in writing of any action seeking to compel the disclosure of Vendor's confidential information. The State shall have the right, at its option and expense, to participate in the defense of the action through its counsel. The State shall have no liability to Vendor with respect to the disclosure of Vendor's confidential information ordered by a court of competent jurisdiction pursuant to N.C.G.S. §132-9 or other applicable law.

- a) Care of Information: Vendor agrees to use commercial best efforts to safeguard and protect any data, documents, files, and other materials received from the State or the Agency during performance of any contractual obligation from loss, destruction or erasure. Vendor agrees to abide by all facilities and security requirements and policies of the agency where work is to be performed. Any Vendor personnel shall abide by such facilities and security requirements and shall agree to be bound by the terms and conditions of the Agreement.
- b) Vendor warrants that all its employees and any approved third party Vendors or subcontractors are subject to a non-disclosure and confidentiality agreement enforceable in North Carolina. Vendor will, upon request of the State, verify and produce true copies of any such agreements. Production of such agreements by Vendor may be made subject to applicable confidentiality, non-disclosure or privacy laws; provided that Vendor produces satisfactory evidence supporting exclusion of such agreements from disclosure under the N.C. Public Records laws in N.C.G.S. §132-1 *et seq.* The State may, in its sole discretion, provide a non-disclosure and confidentiality agreement satisfactory to the State for Vendor's execution. The State may exercise its rights under this subparagraph as necessary or proper, in its discretion, to comply with applicable security regulations or statutes including, but not limited to 26 USC 6103 and IRS Publication 1075, (Tax Information Security Guidelines for Federal, State, and Local Agencies), HIPAA, 42 USC 1320(d) (Health Insurance Portability and Accountability Act), any implementing regulations in the Code of Federal Regulations, and any future regulations imposed upon the Department of Information Technology or the N.C. Department of Revenue pursuant to future statutory or regulatory requirements.
- c) Nondisclosure: Vendor agrees and specifically warrants that it, its officers, directors, principals and employees, and any subcontractors, shall hold all information received during performance of the Agreement in the strictest confidence and shall not disclose the same to any third party without the express written approval of the State.
- d) The Vendor shall protect the confidentiality of all information, data, instruments, studies, reports, records and other materials provided to it by the Agency or maintained or created in accordance with this Agreement. No such information, data, instruments, studies, reports, records and other materials in the possession of Vendor shall be disclosed in any form without the prior written consent of the State Agency. The Vendor will have written policies governing access to and duplication and dissemination of all such information, data, instruments, studies, reports, records and other materials.
- e) All project materials, including software, data, and documentation created during the performance or provision of Services hereunder that are not licensed to the State or are not proprietary to the Vendor are the property of the State of North Carolina and must be kept confidential or returned to the State, or destroyed. Proprietary Vendor materials shall be identified to the State by Vendor prior to use or provision of Services hereunder and shall remain the property of the Vendor. Derivative works of any Vendor proprietary materials prepared or created during the performance of provision of Services hereunder shall be subject to a perpetual, royalty free, nonexclusive license to the State.

19) DEFAULT: In the event Services or other Deliverable furnished or performed by the Vendor during performance of any Contract term fail to conform to any material requirement(s) of the Contract

specifications, notice of the failure is provided by the State and if the failure is not cured within ten (10) days, or Vendor fails to meet the requirements of Paragraph 9) herein, the State may cancel the contract. Default may be cause for debarment as provided in 09 NCAC 06B.1206. The rights and remedies of the State provided above shall not be exclusive and are in addition to any other rights and remedies provided by law or under the Contract.

- a) If Vendor fails to deliver or provide correct Services or other Deliverables within the time required by the Agreement, the State shall provide written notice of said failure to Vendor, and by such notice require performance assurance measures pursuant to N.C.G.S. 143B-1340(f). Vendor is responsible for the delays resulting from its failure to deliver or provide services or other Deliverables.
- b) Should the State fail to perform any of its obligations upon which Vendor's performance is conditioned, Vendor shall not be in default for any delay, cost increase or other consequences resulting from the State's failure. Vendor will use reasonable efforts to mitigate delays, costs or expenses arising from assumptions in the Vendor's offer documents that prove erroneous or are otherwise invalid. Any deadline that is affected by any such failure in assumptions or performance by the State shall be extended by an amount of time reasonably necessary to compensate for the effect of such failure.
- c) Vendor shall provide a plan to cure any delay or default if requested by the State. The plan shall state the nature of the delay or default, the time required for cure, any mitigating factors causing or tending to cause the delay or default, and such other information as the Vendor may deem necessary or proper to provide.
- d) If the prescribed acceptance testing stated in the Solicitation Documents or performed pursuant to Paragraph 9) of the DIT Terms and Conditions is not completed successfully, the State may request substitute Software, cancel the portion of the Contract that relates to the unaccepted Software, or continue the acceptance testing with or without the assistance of Vendor. These options shall remain in effect until such time as the testing is successful or the expiration of any time specified for completion of the testing. If the testing is not completed after exercise of any of the State's options, the State may cancel any portion of the contract related to the failed Software and take action to procure substitute software. If the failed software (or the substituted software) is an integral and critical part of the proper completion of the work for which the Deliverables identified in the solicitation documents or statement of work were acquired, the State may terminate the entire contract.

20) WAIVER OF DEFAULT: Waiver by either party of any default or breach by the other Party shall not be deemed a waiver of any subsequent default or breach and shall not be construed to be a modification or novation of the terms of the Agreement, unless so stated in writing and signed by authorized representatives of the Agency and the Vendor, and made as an amendment to the Agreement pursuant to Paragraph 40) herein below.

21) TERMINATION: Any notice or termination made under the Agreement shall be transmitted via US Mail, Certified Return Receipt Requested. The period of notice for termination shall begin on the day the return receipt is signed and dated.

- a) The parties may mutually terminate the Agreement by written agreement at any time.
- b) The State may terminate the Agreement, in whole or in part, pursuant to Paragraph 19), or pursuant to the Special Terms and Conditions in the Solicitation Documents, if any, or for any of the following:
 - i) Termination for Cause: In the event any goods, software, or service furnished by the Vendor during performance of any Contract term fails to conform to any material requirement of the Contract, and the failure is not cured within the specified time after providing written notice thereof to Vendor, the State may cancel and procure the articles or Services from other sources; holding Vendor liable for any excess costs occasioned thereby, subject only to the limitations provided in Paragraphs 22) and 23) herein. The rights and remedies of the State provided above shall not be exclusive and are in addition to any other rights and remedies provided by law or under the Contract. Vendor shall not be relieved of liability to the State for damages sustained by the State arising from Vendor's breach of the Agreement; and the State may, in its discretion, withhold any payment due as a setoff until such time as the damages are finally determined or as agreed by

the parties. Voluntary or involuntary Bankruptcy or receivership by Vendor shall be cause for termination.

- ii) Termination For Convenience Without Cause: The State may terminate service and indefinite quantity contracts, in whole or in part by giving thirty (30) days prior notice in writing to the Vendor. Vendor shall be entitled to sums due as compensation for Deliverables provided and Services performed in conformance with the Contract. In the event the Contract is terminated for the convenience of the State the Agency will pay for all work performed and products delivered in conformance with the Contract up to the date of termination.
- iii) Consistent failure to participate in problem resolution meetings, two (2) consecutive missed or rescheduled meetings, or failure to make a good faith effort to resolve problems, may result in termination of the Agreement.

22) LIMITATION OF VENDOR'S LIABILITY:

- a) Where Deliverables are under the State's exclusive management and control, the Vendor shall not be liable for direct damages caused by the State's failure to fulfill any State responsibilities of assuring the proper use, management and supervision of the Deliverables and programs, audit controls, operating methods, office procedures, or for establishing all proper checkpoints necessary for the State's intended use of the Deliverables. Vendor shall not be responsible for any damages that arise from (i) misuse or modification of Vendor's Software by or on behalf of the State, (ii) the State's failure to use corrections or enhancements made available by Vendor, (iii) the quality or integrity of data from other automated or manual systems with which the Vendor's Software interfaces, (iv) errors in or changes to third party software or hardware implemented by the State or a third party (including the vendors of such software or hardware) that is not a subcontractor of Vendor or that is not supported by the Deliverables, or (vi) the operation or use of the Vendor's Software not in accordance with the operating procedures developed for the Vendor's Software or otherwise in a manner not contemplated by this Agreement.
- b) The Vendor's liability for damages to the State arising under the contract shall be limited to two times the value of the Contract.
- c) The foregoing limitation of liability shall not apply to claims covered by other specific provisions including but not limited to Service Level Agreement or Deliverable/Product Warranties or to claims for injury to persons or damage to tangible personal property, gross negligence or willful or wanton conduct. This limitation of liability does not apply to contributions among joint tortfeasors under N.C.G.S. 1B-1 *et seq.*, the receipt of court costs or attorney's fees that might be awarded by a court in addition to damages after litigation based on the Agreement. For avoidance of doubt, the Parties agree that the Service Level Agreement and Deliverable/Product Warranty Terms in the Contract are intended to provide the sole and exclusive remedies available to the State under the Contract for the Vendor's failure to comply with the requirements stated therein.

23) VENDOR'S LIABILITY FOR INJURY TO PERSONS OR DAMAGE TO PROPERTY:

- a) The Vendor shall be liable for damages arising out of personal injuries and/or damage to real or tangible personal property of the State, employees of the State, persons designated by the State for training, or person(s) other than agents or employees of the Vendor, designated by the State for any purpose, prior to, during, or subsequent to delivery, installation, acceptance, and use of the Deliverables either at the Vendor's site or at the State's place of business, provided that the injury or damage was caused by the fault or negligence of the Vendor.
- b) The Vendor agrees to indemnify, defend and hold the Agency and the State and its Officers, employees, agents and assigns harmless from any liability relating to personal injury or injury to real or personal property of any kind, accruing or resulting to any other person, firm or corporation furnishing or supplying work, Services, materials or supplies in connection with the performance of the Agreement, whether tangible or intangible, arising out of the ordinary negligence, wilful or wanton negligence, or intentional acts of the Vendor, its officers, employees, agents, assigns or subcontractors.

- c) Vendor shall not be liable for damages arising out of or caused by an alteration or an attachment not made or installed by the Vendor.
- 24) TIME IS OF THE ESSENCE:** Time is of the essence in the performance of the Agreement.
- 25) DATE AND TIME WARRANTY:** The Vendor warrants that any Deliverable, whether Services, hardware, firmware, middleware, custom or commercial software, or internal components, subroutines, and interface therein which performs, modifies or affects any date and/or time data recognition function, calculation, or sequencing, will still enable the modified function to perform accurate date/time data and leap year calculations. This warranty shall survive termination or expiration of the Contract.
- 26) INDEPENDENT CONTRACTORS:** Vendor and its employees, officers and executives, and subcontractors, if any, shall be independent Vendors and not employees or agents of the State. The Agreement shall not operate as a joint venture, partnership, trust, agency or any other similar business relationship.
- 27) TRANSPORTATION:** Transportation of any tangible Deliverables shall be FOB Destination; unless otherwise specified in the solicitation document or purchase order. Freight, handling, hazardous material charges, and distribution and installation charges shall be included in the total price of each item. Any additional charges shall not be honored for payment unless authorized in writing by the Purchasing State Agency. In cases where parties, other than the Vendor ship materials against this order, the shipper must be instructed to show the purchase order number on all packages and shipping manifests to ensure proper identification and payment of invoices. A complete packing list must accompany each shipment.
- 28) NOTICES:** Any notices required under the Agreement should be delivered to the Contract Administrator for each party. Unless otherwise specified in the Solicitation Documents, any notices shall be delivered in writing by U.S. Mail, Commercial Courier or by hand.
- 29) TITLES AND HEADINGS:** Titles and Headings in the Agreement are used for convenience only and do not define, limit or proscribe the language of terms identified by such Titles and Headings.
- 30) AMENDMENT:** The Agreement may not be amended orally or by performance. Any amendment must be made in written form and signed by duly authorized representatives of the State and Vendor in conformance with Paragraph 36) herein.
- 31) TAXES:** The State of North Carolina is exempt from Federal excise taxes and no payment will be made for any personal property taxes levied on the Vendor or for any taxes levied on employee wages. Agencies of the State may have additional exemptions or exclusions for federal or state taxes. Evidence of such additional exemptions or exclusions may be provided to Vendor by Agencies, as applicable, during the term of the Agreement. Applicable State or local sales taxes shall be invoiced as a separate item.
- 32) GOVERNING LAWS, JURISDICTION, AND VENUE:**
- a) The Agreement is made under and shall be governed and construed in accordance with the laws of the State of North Carolina and applicable Administrative Rules. The place of the Agreement or purchase order, its situs and forum, shall be Wake County, North Carolina, where all matters, whether sounding in Contract or in tort, relating to its validity, construction, interpretation and enforcement shall be determined. Vendor agrees and submits, solely for matters relating to the Agreement, to the jurisdiction of the courts of the State of North Carolina, and stipulates that Wake County shall be the proper venue for all matters.
- b) Except to the extent the provisions of the Contract are clearly inconsistent therewith, the applicable provisions of the Uniform Commercial Code as modified and adopted in North Carolina shall govern the Agreement. To the extent the Contract entails both the supply of "goods" and "Services," such shall be deemed "goods" within the meaning of the Uniform Commercial Code, except when deeming such Services as "goods" would result in a clearly unreasonable interpretation.
- 33) FORCE MAJEURE:** Neither party shall be deemed to be in default of its obligations hereunder if and so long as it is prevented from performing such obligations as a result of events beyond its reasonable control, including without limitation, fire, power failures, any act of war, hostile foreign action, nuclear explosion, riot, strikes or failures or refusals to perform under subcontracts, civil insurrection, earthquake, hurricane, tornado, or other catastrophic natural event or act of God.

- 34) COMPLIANCE WITH LAWS:** The Vendor shall comply with all laws, ordinances, codes, rules, regulations, and licensing requirements that are applicable to the conduct of its business, including those of federal, state, and local agencies having jurisdiction and/or authority.
- 35) SEVERABILITY:** In the event that a court of competent jurisdiction holds that a provision or requirement of the Agreement violates any applicable law, each such provision or requirement shall be enforced only to the extent it is not in violation of law or is not otherwise unenforceable and all other provisions and requirements of the Agreement shall remain in full force and effect. All promises, requirement, terms, conditions, provisions, representations, guarantees and warranties contained herein shall survive the expiration or termination date unless specifically provided otherwise herein, or unless superseded by applicable federal or State statute, including statutes of repose or limitation.
- 36) CHANGES:** The Agreement and subsequent purchase order(s) is awarded subject to the provision of the specified Services and the shipment or provision of other Deliverables as specified herein. Any changes made to the Agreement or purchase order proposed by the Vendor are hereby rejected unless accepted in writing by the Agency or State Award Authority. The State shall not be responsible for Services or other Deliverables delivered without a purchase order from the Agency or State Award Authority.
- 37) FEDERAL INTELLECTUAL PROPERTY BANKRUPTCY PROTECTION ACT:** The Parties agree that the Agency shall be entitled to all rights and benefits of the Federal Intellectual Property Bankruptcy Protection Act, Public Law 100-506, codified at 11 U.S.C. 365(n), and any amendments thereto.
- 38) ELECTRONIC PROCUREMENT: (Applies to all contracts that include E-Procurement and are identified as such in the body of the solicitation document):** Purchasing shall be conducted through the Statewide E-Procurement Services. The State's third party agent shall serve as the Supplier Manager for this E-Procurement Services. The Vendor shall register for the Statewide E-Procurement Services within two (2) business days of notification of award in order to receive an electronic purchase order resulting from award of the Agreement.
- a) (Reserved)
 - b) (Reserved)
 - c) The Supplier Manager will capture the order from the State approved user, including the shipping and payment information, and submit the order in accordance with the E-Procurement Services. Subsequently, the Supplier Manager will send those orders to the appropriate Vendor on State Contract. The State or State approved user, not the Supplier Manager, shall be responsible for the solicitation, offers received, evaluation of offers received, award of Contract, and the payment for goods delivered.
 - d) Vendor agrees at all times to maintain the confidentiality of its user name and password for the Statewide E-Procurement Services. If a Vendor is a corporation, partnership or other legal entity, then the Vendor may authorize its employees to use its password. Vendor shall be responsible for all activity and all charges for such employees. Vendor agrees not to permit a third party to use the Statewide E-Procurement Services through its account. If there is a breach of security through the Vendor's account, Vendor shall immediately change its password and notify the Supplier Manager of the security breach by e-mail. Vendor shall cooperate with the state and the Supplier Manager to mitigate and correct any security breach..
- 39) PATENT, COPYRIGHT, AND TRADE SECRET PROTECTION:**
- a) Vendor has created, acquired or otherwise has rights in, and may, in connection with the performance of Services for the State, employ, provide, create, acquire or otherwise obtain rights in various concepts, ideas, methods, methodologies, procedures, processes, know-how, techniques, models, templates and general purpose consulting and software tools, utilities and routines (collectively, the "Vendor technology"). To the extent that any Vendor technology is contained in any of the Services or Deliverables including any derivative works, the Vendor hereby grants the State a royalty-free, fully paid, worldwide, perpetual, non-exclusive license to use such Vendor technology in connection with the Services or Deliverables for the State's purposes.

- b) Vendor shall not acquire any right, title and interest in and to the copyrights for goods, any and all software, technical information, specifications, drawings, records, documentation, data or derivative works thereof, or other work products provided by the State to Vendor. The State hereby grants Vendor a royalty-free, fully paid, worldwide, perpetual, non-exclusive license for Vendor's internal use to non-confidential deliverables first originated and prepared by the Vendor for delivery to the State.
- c) The Vendor, at its own expense, shall defend any action brought against the State to the extent that such action is based upon a claim that the Services or other Deliverables supplied by the Vendor, or the operation of such pursuant to a current version of vendor-supplied software, infringes a patent, or copyright or violates a trade secret in the United States. The Vendor shall pay those costs and damages finally awarded against the State in any such action; damages shall be limited as provided in N.C.G.S. 143B-1350(h1). Such defense and payment shall be conditioned on the following:
 - i. That the Vendor shall be notified within a reasonable time in writing by the State of any such claim; and,
 - ii. That the Vendor shall have the sole control of the defense of any action on such claim and all negotiations for its settlement or compromise, provided, however, that the State shall have the option to participate in such action at its own expense.
- d) Should any Services or other Deliverables supplied by Vendor, or the operation thereof become, or in the Vendor's opinion are likely to become, the subject of a claim of infringement of a patent, copyright, or a trade secret in the United States, the State shall permit the Vendor, at its option and expense, either to procure for the State the right to continue using the Services or Deliverables, or to replace or modify the same to become noninfringing and continue to meet procurement specifications in all material respects. If neither of these options can reasonably be taken, or if the use of such Services or Deliverables by the State shall be prevented by injunction, the Vendor agrees to take back any goods/hardware or software, and refund any sums the State has paid Vendor less any reasonable amount for use or damage and make every reasonable effort to assist the state in procuring substitute Services or Deliverables. If, in the sole opinion of the State, the return of such infringing Services or Deliverables makes the retention of other Services or Deliverables acquired from the Vendor under the agreement impractical, the State shall then have the option of terminating the contract, or applicable portions thereof, without penalty or termination charge. The Vendor agrees to take back Services or Deliverables and refund any sums the State has paid Vendor less any reasonable amount for use or damage.
- e) Vendor will not be required to defend or indemnify the State if any claim by a third party against the State for infringement or misappropriation (i) results from the State's alteration of any Vendor-branded Service or Deliverable, or (ii) results from the continued use of the good(s) or services and other Services or Deliverables after receiving notice they infringe a trade secret of a third party.
- f) Nothing stated herein, however, shall affect Vendor's ownership in or rights to its preexisting intellectual property and proprietary rights.

40) UNANTICIPATED TASKS In the event that additional work must be performed that was wholly unanticipated, and that is not specified in the Agreement, but which in the opinion of both parties is necessary to the successful accomplishment of the contracted scope of work, the procedures outlined in this article will be followed. For each item of unanticipated work, the Vendor shall prepare a work authorization in accordance with the State's practices and procedures.

- a) It is understood and agreed by both parties that all of the terms and conditions of the Agreement shall remain in force with the inclusion of any work authorization. A work authorization shall not constitute a contract separate from the Agreement, nor in any manner amend or supersede any of the other terms or provisions of the Agreement or any amendment hereto.

- b) Each work authorization shall comprise a detailed statement of the purpose, objective, or goals to be undertaken by the Vendor, the job classification or approximate skill level or sets of the personnel required, an identification of all significant material then known to be developed by the Vendor's personnel as a Deliverable, an identification of all significant materials to be delivered by the State to the Vendor's personnel, an estimated time schedule for the provision of the Services by the Vendor, completion criteria for the work to be performed, the name or identification of Vendor's personnel to be assigned, the Vendor's estimated work hours required to accomplish the purpose, objective or goals, the Vendor's billing rates and units billed, and the Vendor's total estimated cost of the work authorization.
- c) All work authorizations must be submitted for review and approval by the procurement office that approved the original Contract and procurement. This submission and approval must be completed prior to execution of any work authorization documentation or performance thereunder. All work authorizations must be written and signed by the Vendor and the State prior to beginning work.
- d) The State has the right to require the Vendor to stop or suspend performance under the "Stop Work" provision of the North Carolina Department of Information Technology Terms and Conditions.
- e) The Vendor shall not expend Personnel resources at any cost to the State in excess of the estimated work hours unless this procedure is followed: If, during performance of the work, the Vendor determines that a work authorization to be performed under the Agreement cannot be accomplished within the estimated work hours, the Vendor will be required to complete the work authorization in full. Upon receipt of such notification, the State may:
 - a. Authorize the Vendor to expend the estimated additional work hours or service in excess of the original estimate necessary to accomplish the work authorization, or
 - b. Terminate the work authorization, or
 - c. Alter the scope of the work authorization in order to define tasks that can be accomplished within the remaining estimated work hours.
 - d. The State will notify the Vendor in writing of its election within seven (7) calendar days after receipt of the Vendor's notification. If notice of the election is given to proceed, the Vendor may expend the estimated additional work hours or Services.

41) STOP WORK ORDER The State may issue a written Stop Work Order to Vendor for cause at any time requiring Vendor to suspend or stop all, or any part, of the performance due under the Agreement for a period up to ninety (90) days after the Stop Work Order is delivered to the Vendor. The ninety (90) day period may be extended for any further period for which the parties may agree.

- a) The Stop Work Order shall be specifically identified as such and shall indicate that it is issued under this term. Upon receipt of the Stop Work Order, the Vendor shall immediately comply with its terms and take all reasonable steps to minimize incurring costs allocable to the work covered by the Stop Work Order during the period of work suspension or stoppage. Within a period of ninety (90) days after a Stop Work Order is delivered to Vendor, or within any extension of that period to which the parties agree, the State shall either:
 - i) Cancel the Stop Work Order, or
 - ii) Terminate the work covered by the Stop Work Order as provided for in the termination for default or the termination for convenience clause of the Agreement.
- b) If a Stop Work Order issued under this clause is canceled or the period of the Stop Work Order or any extension thereof expires, the Vendor shall resume work. The State shall make an

equitable adjustment in the delivery schedule, the Agreement price, or both, and the Agreement shall be modified, in writing, accordingly, if:

- i) The Stop Work Order results in an increase in the time required for, or in the Vendor's cost properly allocable to the performance of any part of the Agreement, and
 - ii) The Vendor asserts its right to an equitable adjustment within thirty (30) days after the end of the period of work stoppage; provided that if the State decides the facts justify the action, the State may receive and act upon an offer submitted at any time before final payment under the Agreement.
- c) If a Stop Work Order is not canceled and the work covered by the Stop Work Order is terminated in accordance with the provision entitled Termination for Convenience of the State, the State shall allow reasonable direct costs resulting from the Stop Work Order in arriving at the termination settlement.
- d) The State shall not be liable to the Vendor for loss of profits because of a Stop Work Order issued under this term.

41) TRANSITION ASSISTANCE If the Agreement is not renewed at the end of the term, or is canceled prior to its expiration, for any reason, the Vendor must provide for up to twelve (12) months after the expiration or cancellation of the Agreement, all reasonable transition assistance requested by the State, to allow for the expired or canceled portion of the Services to continue without interruption or adverse effect, and to facilitate the orderly transfer of such Services to the State or its designees. Such transition assistance will be deemed by the parties to be governed by the terms and conditions of the Agreement, (notwithstanding this expiration or cancellation) except for those Contract terms or conditions that do not reasonably apply to such transition assistance. The State shall pay the Vendor for any resources utilized in performing such transition assistance at the most current rates provided by the Agreement for Contract performance. If the State cancels the Agreement for cause, then the State will be entitled to off set the cost of paying the Vendor for the additional resources the Vendor utilized in providing transition assistance with any damages the State may have otherwise accrued as a result of said cancellation.

SECTION 2: TERMS AND CONDITIONS APPLICABLE TO SOFTWARE AS A SERVICE (SAAS) SOLUTIONS

1) DEFINITIONS:

- a) "Data" includes and means information, formulae, algorithms, or other content that the State, the State's employees, agents and end users upload, create or modify using the Services pursuant to this Agreement. Data also includes user identification information and metadata which may contain Data or from which the State's Data may be ascertainable.
- b) "Support" includes provision of ongoing updates and maintenance for the Vendor online software applications, and as may be specified herein, consulting, training and other support Services as provided by the Vendor for SaaS tenants receiving similar SaaS Services.

2) ACCESS AND USE OF SAAS SERVICES:

- a) The Vendor grants the State a personal non-transferable and non-exclusive right to use and access, all Services and other functionalities or services provided, furnished or accessible under this Agreement. The State may utilize the Services as agreed herein and in accordance with any mutually agreed Acceptable Use Policy. The State is authorized to access State Data and any Vendor-provided data as specified herein and to transmit revisions, updates, deletions, enhancements, or modifications to the State Data. This shall include the right of the State to, and access to, Support without the Vendor requiring a separate maintenance or support agreement. Subject to an agreed limitation on the number of users, the State may use the Services with any computer, computer system, server, or desktop workstation

owned or utilized by the State or other authorized users. User access to the Services shall be routinely provided by the Vendor and may be subject to a more specific Service Level Agreement (SLA) agreed to in writing by the parties. The State shall notify the Vendor of any unauthorized use of any password or account, or any other known or suspected breach of security access. The State also agrees to refrain from taking any steps, such as reverse engineering, reverse assembly or reverse compilation to derive a source code equivalent to the Services or any portion thereof. Use of the Services to perform services for commercial third parties (so-called "service bureau" uses) is not permitted, but the State may utilize the Services to perform its governmental functions. If the Services fees are based upon the number of Users and/or hosted instances, the number of Users/hosted instances available may be adjusted at any time (subject to the restrictions on the maximum number of Users specified in the Furnish and Deliver Table herein above) by mutual agreement and State Procurement approval. All Services and information designated as "confidential" or "proprietary" shall be kept in confidence except as may be required by the North Carolina Public Records Act: N.C.G.S. § 132-1, *et. seq.*

b) The State's access license for the Services and its associated services neither transfers, vests, nor infers any title or other ownership right in any intellectual property rights of the Vendor or any third party, nor does this license transfer, vest, or infer any title or other ownership right in any source code associated with the Services unless otherwise agreed to by the parties. The provisions of this paragraph will not be construed as a sale of any ownership rights in the Services. Any Services or technical and business information owned by Vendor or its suppliers or licensors made accessible or furnished to the State shall be and remain the property of the Vendor or such other party, respectively. Vendor has a limited, non-exclusive license to access and use the State Data as provided to Vendor, but solely for performing its obligations under this Agreement and in confidence as provided herein.

c) The Vendor or its suppliers shall at minimum, and except as otherwise agreed, provide telephone assistance to the State for all Services procured hereunder during the State's normal business hours (unless different hours are specified herein). The Vendor warrants that its Support and customer service and assistance will be performed in accordance with generally accepted industry standards. The State has the right to receive the benefit of upgrades, updates, maintenance releases or other enhancements or modifications made generally available to the Vendor's SaaS tenants for similar Services. The Vendor's right to a new use agreement for new version releases of the Services shall not be abridged by the foregoing. The Vendor may, at no additional charge, modify the Services to improve operation and reliability or to meet legal requirements.

- d) The Vendor will provide to the State the same Services for updating, maintaining and continuing optimal performance for the Services as provided to other similarly situated users or tenants of the Services, but minimally as provided for and specified herein. Unless otherwise agreed in writing, Support will also be provided for any other (e.g., third party) software provided by the Vendor in connection with the Vendor's solution herein. The technical and professional activities required for establishing, managing, and maintaining the Services environment are the responsibilities of the Vendor. Any training specified herein will be provided by the Vendor to certain State users for the fees or costs as set forth herein or in an SLA.
- e) Services provided pursuant to this Solicitation may, in some circumstances, be accompanied by a user clickwrap agreement. The term clickwrap agreement refers to an agreement that requires the end user to manifest his or her assent to terms and conditions by clicking an "ok" or "agree" button on a dialog box or pop-up window as part of the process of access to the Services. All terms and conditions of any clickwrap agreement provided with any Services solicited herein shall have no force and effect and shall be non-binding on the State, its employees, agents, and other authorized users of the Services.
- f) The Vendor may utilize partners and/or subcontractors to assist in the provision of the Services, so long as the State Data is not removed from the United States unless the terms of storage of the State Data are clearly disclosed, the security provisions referenced herein can still be complied with, and such removal is done with the prior express written permission of the State. The Vendor shall identify all of its strategic business partners related to Services provided under this contract including, but not limited to, all subcontractors or other entities or individuals who may be a party to a joint venture or similar agreement with the Vendor, who will be involved in any application development and/or operations.

- g) The Vendor warrants that all Services will be performed with professional care and skill, in a workmanlike manner and in accordance with the Services documentation and this Agreement.
- h) An SLA or other agreed writing shall contain provisions for scalability of Services and any variation in fees or costs as a result of any such scaling.
- i) Professional services provided by the Vendor at the request by the State in writing in addition to agreed Services shall be at the then-existing Vendor hourly rates when provided, unless otherwise agreed in writing by the parties.

3) **WARRANTY OF NON-INFRINGEMENT:**

- a) The Vendor warrants to the best of its knowledge that:
 - i) The Services do not infringe any intellectual property rights of any third party; and
 - ii) There are no actual or threatened actions arising from, or alleged under, any intellectual property rights of any third party.
- b) Reserved.
- c) Reserved.
- d) Reserved.

4) **ACCESS AVAILABILITY; REMEDIES:**

- a) The Vendor warrants that the Services will be in good working order and operating in conformance with Vendor's standard specifications and functions as well as any other specifications agreed to by the parties in writing, and shall remain accessible 24/7, with the exception of scheduled outages for maintenance and of other service level provisions agreed in writing, e.g., in an SLA. The Vendor does not warrant that the operation of the Services will be completely uninterrupted or error free, or that the Services functions will meet all the State's requirements unless developed as Customized Services.
- b) The State shall notify the Vendor if the Services are not in good working order or inaccessible during the term of the Agreement. The Vendor shall, at its option, either repair, replace or reperform any Services reported or discovered as not being in good working order and accessible during the applicable contract term without cost to the State. If the Services' monthly availability averages less than 99.9% (excluding agreed-upon maintenance downtime), the State shall be entitled to receive automatic credits as indicated immediately below, or the State may use other contractual remedies such as recovery of damages, as set forth herein in writing, e.g., in Specifications, Special Terms or in an SLA, and as such other contractual damages are limited by N.C.G.S. § 143B-1350(h1) and Paragraph 7) Limitation of Liability, herein below. If not otherwise provided, the automatic remedies for non-availability of the Subscription Services during a month are:
 - 1. A 10% service credit applied against future fees if Vendor does not reach 99.9% availability.
 - 2. A 25% service credit applied against future fees if Vendor does not reach 99% availability.
 - 3. A 50% service credit applied against future fees or eligibility for early termination of the Agreement if Vendor does not reach 95% availability.

If, however, Services meet the 99.9% service availability level for a month but are not available for a consecutive 120 minutes during that month, the Vendor shall grant to the State a credit of a pro-rated one-day of the monthly subscription Services fee against future Services charges. Such credit(s) shall be applied to the bill immediately following the month in which the Vendor failed to meet the performance requirements or other service levels, and the credit will continue to be deducted from the monthly invoice for each prior month that Vendor fails to meet the support response times for the remainder of the duration of the Agreement. If Services monthly availability averages less than 99.9% (excluding agreed-upon maintenance downtime), for three (3) or more months in a rolling twelve-month period, the State may also terminate the contract for material breach in accordance with the Default provisions hereinbelow.

- c) Support Services. If the Vendor fails to meet Support Service response times as set forth herein or in an SLA for a period of three (3) consecutive months, a 10% service credit will be deducted from the invoice in the month immediately following the third month, and the 10% service credit will continue to be deducted from the monthly invoice for each month that the Vendor fails to meet the support response times for the remainder of the duration of the Agreement.

5) EXCLUSIONS:

- a) Except as stated above in Paragraphs 3 and 4, Vendor and its parent, subsidiaries and affiliates, subcontractors and suppliers make no warranties, express or implied, as to the Services.
- b) The warranties provided in Paragraphs 3 and 4 above do not cover repair for damages, malfunctions or service failures substantially caused by:
 - i) Actions of non-Vendor personnel;
 - ii) Failure to follow Vendor's written instructions relating to the Services provided to the State; or
 - iii) Force Majeure conditions set forth hereinbelow.
 - iv) The State's sole misuse of, or its own inability to use, the Services.

6) PERFORMANCE REVIEW AND ACCOUNTABILITY: N.C.G.S. § 143B-1340(f) and 09 NCAC 06B.1207 require provisions for performance review and accountability in State IT contracts. For this procurement, these shall include the holding a retainage of ten percent (10%) of the contract value and withholding the final payment contingent on final acceptance by the State as provided in 09 NCAC 06B.1207(3) and (4), unless waived or otherwise agreed, in writing. The Services herein will be provided consistent with and under these Services performance review and accountability guarantees.

7) LIMITATION OF LIABILITY: Limitation of Vendor's Contract Damages Liability: Reserved.

8) VENDOR'S LIABILITY FOR INJURY TO PERSONS OR DAMAGE TO PROPERTY: Reserved.

9) MODIFICATION OF SERVICES: If Vendor modifies or replaces the Services provided to the State and other tenants, and if the State has paid all applicable Subscription Fees, the State shall be entitled to receive, at no additional charge, access to a newer version of the Services that supports substantially the same functionality as the then accessible version of the Services. Newer versions of the Services containing substantially increased functionality may be made available to the State for an additional subscription fee. In the event of either of such modifications, the then accessible version of the Services shall remain fully available to the State until the newer version is provided to the State and accepted. If a modification materially affects the functionality of the Services as used by the State, the State, at its sole option, may defer such modification.

10) TRANSITION PERIOD:

- a) For sixty (60) days, either prior to the expiration date of this Agreement, or upon notice of termination of this Agreement, the Vendor shall assist the State, upon written request, in extracting and/or transitioning all Data in the format determined by the State ("Transition Period").
- b) The Transition Period may be modified in an SLA or as agreed upon in writing by the parties in a contract amendment.
- c) During the Transition Period, Services access shall continue to be made available to the State without alteration.
- d) The Vendor agrees to compensate the State for damages or losses the State incurs as a result of Vendor's failure to comply with this Transition Period section in accordance with the Limitation of Liability provisions above.
- e) Upon termination, and unless otherwise stated in an SLA, and after providing the State Data to the State as indicated above in this section with acknowledged receipt by the State in writing, the Vendor shall permanently destroy or render inaccessible any portion of the State Data in the Vendor's and/or subcontractor's possession or control following the completion and expiration of all obligations in this section. Within thirty (30) days, the Vendor shall issue a written statement to the State confirming the destruction or inaccessibility of the State's Data.
- f) The State at its option, may purchase additional Transition Services as may be agreed upon in a supplemental agreement.

11) TRANSPORTATION: Transportation charges for any Deliverable sent to the State other than electronically or by download shall be FOB Destination unless delivered by internet or file-transfer as agreed by the State, or otherwise specified in the solicitation document or purchase order.

12) TRAVEL EXPENSES: Reserved.

13) PROHIBITION AGAINST CONTINGENT FEES AND GRATUITIES: Reserved.

14) AVAILABILITY OF FUNDS: Reserved.

15) PAYMENT TERMS (Applicable to SaaS only):

- a) Payment may be made by the State in advance of or in anticipation of subscription Services to be actually performed under the Agreement or upon proper invoice for other Services rendered. Payment terms are Net 30 days after receipt of correct invoice. Initial payments are to be made after final acceptance of the Services. Payments are subject to any retainage requirements herein. The Purchasing State Agency is responsible for all payments under the Agreement. Subscription fees for term years after the initial year shall be as quoted under State options herein but shall not increase more than five percent (5%) over the prior term, except as the parties may have agreed to an alternate formula to determine such increases in writing. No additional charges to the State will be permitted based upon, or arising from, the State's use of a Business Procurement Card. The State may exercise any and all rights of Set Off as permitted in Chapter 105A-1 *et seq.* of the N.C. General Statutes and applicable Administrative Rules.
- b) Upon the Vendor's written request of not less than thirty (30) days and approval by the State, the State may:
 - i) Forward the Vendor's payment check(s) directly to any person or entity designated by the Vendor or
 - ii) Include any person or entity designated in writing by Vendor as a joint payee on the Vendor's payment check(s), however,
 - iii) In no event shall such approval and action obligate the State to anyone other than the Vendor and the Vendor shall remain responsible for fulfillment of all Agreement obligations.
- c) For any third party software licensed by the Vendor or its subcontractors for use by the State, a copy of the software license including terms acceptable to the State, an assignment acceptable to the State, and documentation of license fees paid by the Vendor must be provided to the State before any related license fees or costs may be billed to the State.
- d) An undisputed invoice is an invoice for which the State and/or the Purchasing State Agency has not disputed in writing within thirty (30) days from the invoice date, unless the agency requests more time for review of the invoice. Upon the Vendor's receipt of a disputed invoice notice, the Vendor will work to correct the applicable invoice error, provided that such dispute notice shall not relieve the State or the applicable Purchasing State Agency from its payment obligations for the undisputed items on the invoice or for any disputed items that are ultimately corrected. The Purchasing State Agency is not required to pay the Vendor for any Software or Services provided without a written purchase order from the appropriate Purchasing State Agency. In addition, all such Services provided must meet all terms, conditions, and specifications of this Agreement and purchase order and be accepted as satisfactory by the Purchasing State Agency before payment will be issued.
- e) The Purchasing State Agency shall release any amounts held as retainages for Services completed within a reasonable period after the end of the period(s) or term(s) for which the retainage was withheld. Payment retainage shall apply to all invoiced items, excepting only such items as the Vendor obtains from Third Parties and for which costs are chargeable to the State by agreement of the Parties. The Purchasing State Agency, in its sole discretion, may release retainages withheld from any invoice upon acceptance of the Services identified or associated with such invoices.

16) ACCEPTANCE CRITERIA (Applicable to SaaS only):

- a) Initial acceptance testing is required for all Vendor supplied Services before going live, unless provided otherwise in the solicitation documents or a Statement of Work. The State may define such processes and procedures as may be necessary or proper, in its opinion and discretion, to ensure compliance with the State's specifications and Vendor's technical representations. Acceptance of Services may be controlled by additional written terms as agreed by the parties.
- b) After initial acceptance of Services, the State shall have the obligation to notify Vendor, in writing and within ten (10) days following provision of any Deliverable described in the contract if it is not acceptable. The notice shall specify in reasonable detail the reason(s) a Deliverable is unacceptable. Acceptance by the State of any Vendor re-performance or correction shall not be unreasonably withheld but may be conditioned or delayed as required for confirmation by the State that the issue(s) in the notice have been successfully corrected.

17) CONFIDENTIALITY: Reserved.

18) SECURITY OF STATE DATA:

- a) All materials, including software, Data, information and documentation provided by the State to the Vendor (State Data) during the performance or provision of Services hereunder are the property of the State of North Carolina and must be kept secure and returned to the State. The Vendor will protect State Data in its hands from unauthorized disclosure, loss, damage, destruction by natural event, or other eventuality. Proprietary Vendor materials shall be identified to the State by the Vendor prior to use or provision of Services hereunder and shall remain the property of the Vendor. Derivative works of any Vendor proprietary materials prepared or created during the performance or provision of Services hereunder shall be provided to the State as part of the Services. The Vendor shall not access State User accounts, or State Data, except (i) during data center operations; (ii) in response to service or technical issues; (iii) as required by the express terms of this contract; or (iv) at the State's written request. The Vendor shall protect the confidentiality of all information, Data, instruments, studies, reports, records and other materials provided to it by the State or maintained or created in accordance with this Agreement. No such information, Data, instruments, studies, reports, records and other materials in the possession of Vendor shall be disclosed in any form without the prior written agreement with the State. The Vendor will have written policies governing access to and duplication and dissemination of all such information, Data, instruments, studies, reports, records and other materials.
- b) The Vendor shall not store or transfer non-public State data outside of the United States. This includes backup data and Disaster Recovery locations. The Service Provider will permit its personnel and contractors to access State of North Carolina data remotely only as required to provide technical support.
- c) Protection of personal privacy and sensitive data. The Vendor acknowledges its responsibility for securing any restricted or highly restricted data, as defined by the Statewide Data Classification and Handling Policy (<https://it.nc.gov/document/statewide-data-classification-and-handling-policy>) that is collected by the State and stored in any Vendor site or other Vendor housing systems including, but not limited to, computer systems, networks, servers, or databases, maintained by Vendor or its agents or subcontractors in connection with the provision of the Services. The Vendor warrants, at its sole cost and expense, that it shall implement processes and maintain the security of data classified as restricted or highly restricted; provide reasonable care and efforts to detect fraudulent activity involving the data; and promptly notify the State of any breaches of security within twenty-four (24) hours of confirmation as required by N.C.G.S. § 143B-1379.
- d) The Vendor will provide and maintain secure backup of the State Data. The Vendor shall implement and maintain secure passwords for its online system providing the Services, as well as all appropriate administrative, physical, technical and procedural safeguards at all times during the term of this Agreement to secure such Data from Data Breach, protect the Data and the Services from loss, corruption, unauthorized disclosure, and the introduction of viruses, disabling devices, malware and other forms of malicious or inadvertent acts that can disrupt the State's access to its Data and the Services. The Vendor will allow periodic back-up of State Data by the State to the State's infrastructure as the State requires or as may be provided by law.
- e) The Vendor shall certify to the State:
 - i) The sufficiency of its security standards, tools, technologies and procedures in providing Services under this Agreement;
 - ii) That the system used to provide the Subscription Services under this Contract has and will maintain a valid third party security certification not to exceed one (1) year and is consistent with the data classification level and a security controls appropriate for low or moderate information system(s) per the National Institute of Standards and Technology NIST 800-53 revision 4. The State reserves the right to independently evaluate, audit, and verify such requirements.
 - iii) That the Services will comply with the following:
 - (1) Any DIT security policy regarding Cloud Computing, and the DIT Statewide Information Security Policy Manual; to include encryption requirements as defined below:
 - (a) The Vendor shall encrypt all non-public data in transit regardless of the transit mechanism.

- (b) For engagements where the Vendor stores sensitive personally identifiable or otherwise confidential information, this data shall be encrypted at rest. Examples are social security number, date of birth, driver's license number, financial data, federal/state tax information, and hashed passwords. The Vendor's encryption shall be consistent with validated cryptography standards as specified in National Institute of Standards and Technology FIPS140-2, Security Requirements. The key location and other key management details will be discussed and negotiated by both parties. When the Service Provider cannot offer encryption at rest, it must maintain, for the duration of the contract, cyber security liability insurance coverage for any loss resulting from a data breach. Additionally, where encryption of data at rest is not possible, the Vendor must describe existing security measures that provide a similar level of protection;
 - (2) Privacy provisions of the Federal Privacy Act of 1974;
 - (3) The North Carolina Identity Theft Protection Act, N.C.G.S. Chapter 75, Article 2A (e.g., N.C.G.S. § 75-65 and -66);
 - (4) The North Carolina Public Records Act, N.C.G.S. Chapter 132;
 - (5) Applicable Federal, State and industry standards and guidelines including, but not limited to, relevant security provisions of the Payment Card Industry (PCI) Data Security Standard (PCIDSS) including the PCIDSS Cloud Computing Guidelines, Criminal Justice Information, The Family Educational Rights and Privacy Act (FERPA), Health Insurance Portability and Accountability Act (HIPAA); and
 - (6) Any requirements implemented by the State under N.C.G.S. §§ 143B-1376 and -1377.
- f) Security Breach. "Security Breach" under the NC Identity Theft Protection Act (N.C.G.S. § 75-60ff) means (1) any circumstance pursuant to which applicable Law requires notification of such breach to be given to affected parties or other activity in response to such circumstance (e.g., N.C.G.S. § 75-65); or (2) any actual, attempted, suspected, threatened, or reasonably foreseeable circumstance that compromises, or could reasonably be expected to compromise, either Physical Security or Systems Security (as such terms are defined below) in a fashion that either does or could reasonably be expected to permit unauthorized Processing (as defined below), use, disclosure or acquisition of or access to any the State Data or state confidential information. "Physical Security" means physical security at any site or other location housing systems maintained by Vendor or its agents or subcontractors in connection with the Services. "Systems Security" means security of computer, electronic or telecommunications systems of any variety (including data bases, hardware, software, storage, switching and interconnection devices and mechanisms), and networks of which such systems are a part or communicate with, used directly or indirectly by Vendor or its agents or subcontractors in connection with the Services. "Processing" means any operation or set of operations performed upon the State Data or State confidential information, whether by automatic means, such as creating, collecting, procuring, obtaining, accessing, recording, organizing, storing, adapting, altering, retrieving, consulting, using, disclosing or destroying.
- g) Breach Notification. In the event the Vendor becomes aware of any Security Breach due to Vendor acts or omissions other than in accordance with the terms of the Agreement, the Vendor shall, at its own expense, (1) immediately notify the State's Agreement Administrator of such Security Breach and perform a root cause analysis thereon; (2) investigate such Security Breach; (3) provide a remediation plan, acceptable to the State, to address the Security Breach and prevent any further incidents; (4) conduct a forensic investigation to determine what systems, data and information have been affected by such event; and (5) cooperate with the State, and any law enforcement or regulatory officials, credit reporting companies, and credit card associations investigating such Security Breach. The State shall make the final decision on notifying the State's persons, entities, employees, service providers and/or the public of such Security Breach, and the implementation of the remediation plan. If a notification to a customer is required under any Law or pursuant to any of the State's privacy or security policies, then notifications to all persons and entities who are affected by the same event (as reasonably determined by the State) shall be considered legally required.
- h) Notification Related Costs. The Vendor shall reimburse the State for all Notification Related Costs

incurred by the State arising out of or in connection with any such Security Breach due to Vendor acts or omissions other than in accordance with the terms of the Agreement resulting in a requirement for legally required notifications. "Notification Related Costs" shall include the State's internal and external costs associated with addressing and responding to the Security Breach including, but not limited to, (1) preparation and mailing or other transmission of legally required notifications; (2) preparation and mailing or other transmission of such other communications to customers, agents or others as the State deems reasonably appropriate; (3) establishment of a call center or other communications procedures in response to such Security Breach (e.g., customer service FAQs, talking points and training); (4) public relations and other similar crisis management services; (5) legal and accounting fees and expenses associated with the State's investigation of and response to such event; and (6) costs for credit reporting services that are associated with legally required notifications or are advisable, in the State's opinion, under the circumstances. If the Vendor becomes aware of any Security Breach which is not due to Vendor acts or omissions other than in accordance with the terms of the Agreement, the Vendor shall immediately notify the State of such Security Breach, and the parties shall reasonably cooperate regarding which of the foregoing or other activities may be appropriate under the circumstances, including any applicable Charges for the same.

- i) The Vendor shall allow the State reasonable access to Services security logs, latency statistics, and other related Services security data that affect this Agreement and the State's Data, at no cost to the State.
- j) In the course of normal operations, it may become necessary for the Vendor to copy or move Data to another storage destination on its online system, and delete the Data found in the original location. In any such event, the Vendor shall preserve and maintain the content and integrity of the Data, except by prior written notice to, and prior written approval by, the State.
- k) Remote access to Data from outside the continental United States including, without limitation, remote access to Data by authorized Services support staff in identified support centers, is prohibited unless approved in advance by the State Chief Information Officer or the Using Agency.
- l) In the event of temporary loss of access to Services, the Vendor shall promptly restore continuity of Services, restore Data in accordance with this Agreement and as may be set forth in an SLA, restore accessibility of Data and the Services to meet the performance requirements stated herein or in an SLA. As a result, Service Level remedies will become available to the State as provided herein, in the SLA or other agreed and relevant documents. Failure to promptly remedy any such temporary loss of access may result in the State exercising its options for assessing damages under this Agreement.
- m) In the event of disaster or catastrophic failure that results in significant State Data loss or extended loss of access to Data or Services, the Vendor shall notify the State by the fastest means available and in writing, with additional notification provided to the State Chief Information Officer or designee of the contracting agency. Vendor shall provide such notification within twenty-four (24) hours after Vendor reasonably believes there has been such a disaster or catastrophic failure. In the notification, Vendor shall inform the State of:
 - (1) The scale and quantity of the State Data loss;
 - (2) What Vendor has done or will do to recover the State Data from backups and mitigate any deleterious effect of the State Data and Services loss; and
 - (3) What corrective action Vendor has taken or will take to prevent future State Data and Services loss.
 - (4) If Vendor fails to respond immediately and remedy the failure, the State may exercise its options for assessing damages or other remedies under this Agreement.

The Vendor shall investigate the disaster or catastrophic failure and shall share the report of the investigation with the State. The State and/or its authorized agents shall have the right to lead (if required by law) or participate in the investigation. The Vendor shall cooperate fully with the State, its agents and law enforcement.

- n) In the event of termination of this contract, cessation of business by the Vendor or other event preventing the Vendor from continuing to provide the Services, the Vendor shall not withhold the State Data or any other State confidential information or refuse, for any reason, to promptly return to the State the State Data and any other State confidential information (including copies thereof) if requested to do so on such

media as reasonably requested by the State, even if the State is then or is alleged to be in breach of the Agreement. As a part of the Vendor's obligation to provide the State Data pursuant to this Paragraph 18) n), the Vendor will also provide the State any data maps, documentation, software, or other materials necessary, including, without limitation, handwritten notes, materials, working papers or documentation, for the State to use, translate, interpret, extract and convert the State Data.

- o) **Secure Data Disposal.** When requested by the State, the Vendor shall destroy all requested data in all of its forms (e.g., disk, CD/DVD, backup tape, and paper). Data shall be permanently deleted and shall not be recoverable, in accordance with National Institute of Standards and Technology (NIST) approved methods, and certificates of destruction shall be provided to the State.

Section 3: TERMS AND CONDITIONS APPLICABLE TO PERSONNEL AND PERSONAL SERVICES

- 1) **VENDOR'S REPRESENTATION:** Vendor warrants that qualified personnel will provide Services in a professional manner. "Professional manner" means that the personnel performing the Services will possess the skill and competence consistent with the prevailing business standards in the information technology industry. Vendor agrees that it will not enter any agreement with a third party that might abridge any rights of the State under the Agreement. Vendor will serve as the prime Vendor under the Agreement. Should the State approve any subcontractor(s), the Vendor shall be legally responsible for the performance and payment of the subcontractor(s). Names of any third party Vendors or subcontractors of Vendor may appear for purposes of convenience in Contract documents; and shall not limit Vendor's obligations hereunder. Such third party subcontractors, if approved, may serve as subcontractors to Vendor. Vendor will retain executive representation for functional and technical expertise as needed in order to incorporate any work by third party subcontractor(s).
 - a) **Intellectual Property.** Vendor represents that it has the right to provide the Services and other Deliverables without violating or infringing any law, rule, regulation, copyright, patent, trade secret or other proprietary right of any third party. Vendor also represents that its Services and other Deliverables are not the subject of any actual or threatened actions arising from, or alleged under, any intellectual property rights of any third party.
 - b) **Inherent Services.** If any Services or other Deliverables, functions, or responsibilities not specifically described in the Agreement are required for Vendor's proper performance, provision and delivery of the Services and other Deliverables pursuant to the Agreement, or are an inherent part of or necessary sub-task included within the Services, they will be deemed to be implied by and included within the scope of the Contract to the same extent and in the same manner as if specifically described in the Contract.
 - c) Vendor warrants that it has the financial capacity to perform and to continue to perform its obligations under the Contract; that Vendor has no constructive or actual knowledge of an actual or potential legal proceeding being brought against Vendor that could materially adversely affect performance of the Agreement; and that entering into the Agreement is not prohibited by any Contract, or order by any court of competent jurisdiction.
- 2) **SERVICES PROVIDED BY VENDOR:** Vendor shall provide the State with implementation Services as specified in a Statement of Work ("SOW") executed by the parties. This Agreement in combination with each SOW individually comprises a separate and independent contractual obligation from any other SOW. A breach by Vendor under one SOW will not be considered a breach under any other SOW. The Services intended hereunder are related to the State's implementation and/or use of one or more Software Deliverables licensed hereunder or in a separate software license agreement between the parties ("License Agreement"). (Reserve if not needed)
- 3) **PERSONNEL:** Vendor shall not substitute key personnel assigned to the performance of the Agreement without prior written approval by the Agency Contract Administrator. The individuals designated as key personnel for purposes of the Agreement are those specified in the Vendor's offer. Any desired substitution shall be noticed to the Agency's Contract Administrator in writing accompanied by the names and references of Vendor's recommended substitute personnel. The Agency will approve or disapprove

the requested substitution in a timely manner. The Agency may, in its sole discretion, terminate the Services of any person providing Services under the Agreement. Upon such termination, the Agency may request acceptable substitute personnel or terminate the Contract Services provided by such personnel.

- a) Unless otherwise expressly provided in the Contract, Vendor will furnish all of its own necessary management, supervision, labor, facilities, furniture, computer and telecommunications equipment, software, supplies and materials necessary for the Vendor to provide and deliver the Services and other Deliverables.
- b) Vendor personnel shall perform their duties on the premises of the State, during the State's regular work days and normal work hours, except as may be specifically agreed otherwise, established in the specification, or statement of work.
- c) The Agreement shall not prevent Vendor or any of its personnel supplied under the Agreement from performing similar Services elsewhere or restrict Vendor from using the personnel provided to the State, provided that:
 - i) Such use does not conflict with the terms, specifications or any amendments to the Agreement, or
 - ii) Such use does not conflict with any procurement law, regulation or policy, or
 - iii) Such use does not conflict with any non-disclosure agreement, or term thereof, by and between the State and Vendor or Vendor's personnel.
- d) Unless otherwise provided by the Agency, the Vendor shall furnish all necessary personnel, Services, and otherwise perform all acts, duties and responsibilities necessary or incidental to the accomplishment of the tasks specified in the Agreement. The Vendor shall be legally and financially responsible for its personnel including, but not limited to, any deductions for social security and other withholding taxes required by state or federal law. The Vendor shall be solely responsible for acquiring any equipment, furniture, and office space not furnished by the State necessary for the Vendor to comply with the Agreement. The Vendor personnel shall comply with any applicable State facilities or other security rules and regulations.

4) PERSONAL SERVICES: The State shall have and retain the right to obtain personal Services of any individuals providing Services under the Agreement. This right may be exercised at the State's discretion in the event of any transfer of the person providing personal Services, termination, default, merger, acquisition, bankruptcy or receivership of the Vendor to ensure continuity of Services provided under the Agreement. Provided, however, that the Agency shall not retain or solicit any Vendor employee for purposes other than completion of personal Services due as all or part of any performance due under the Agreement.

- a) Vendor personnel shall perform any duties on the premises of the State during the State's regular work days and normal work hours, except as may be specifically agreed otherwise, established in the specification, or statement of work.
- b) The State has and reserves the right to disapprove the continuing assignment of Vendor personnel provided by Vendor under the Agreement. If this right is exercised and the Vendor is not able to replace the disapproved personnel as required by the State, the parties agree to employ best commercial efforts to informally resolve such failure equitably by adjustment of other duties, set-off, or modification to other terms that may be affected by Vendor's failure.
- c) Vendor will make every reasonable effort consistent with prevailing business practices to honor the specific requests of the State regarding assignment of Vendor's employees. Vendor reserves the sole right to determine the assignment of its employees. If one of Vendor's employees is unable to perform due to illness, resignation, or other factors beyond Vendor's control, Vendor will provide suitable personnel at no additional cost to the State.
- d) The Agreement shall not prevent Vendor or any of its personnel supplied under the Agreement from performing similar Services elsewhere or restrict Vendor from using the personnel provided to the State, provided that:

- i) Such use does not conflict with the terms, specifications or any amendments to the Agreement, or
- ii) Such use does not conflict with any procurement law, regulation or policy, or
- iii) Such use does not conflict with any non-disclosure agreement, or term thereof, by and between the State and Vendor or Vendor's personnel.

ATTACHMENT C: DEPARTMENT OF HEALTH AND HUMAN SERVICES TERMS AND CONDITIONS

SECURE ENVIRONMENT:

- a) The Vendor must provide a secure environment for all collections, data, records and data processing operations. The Vendor must secure all data from sabotage, manipulation, theft, disaster or breach of confidentiality. The Vendor shall be required to use existing DHHS Child Support Services security rules found at <http://info.dhhs.state.nc.us/olm/manuals/dss/cse/man/> and the IRS security rules in Attachment K to limit access and manipulation within ACTS and its related interfaces. The Vendor shall maintain a secure area for processing paper collections. Entrance to the operations facility must be controlled by the Vendor with accountability for all persons in the building at all times. Entrance to the production area must be by swipe card or key
- b) Confidentiality- Each person hired by the Vendor must be informed of the confidentiality of child support data and the penalties involved in breaching confidentiality. All personnel must be required to sign a statement that they understand and agree to abide by the requirements of confidentiality prior to receiving authorization to process collections and access ACTS.
 - i. Breach of Confidentiality- Should a breach of confidentiality occur by a person employed by the Vendor, the Vendor agrees to indemnify and hold harmless the State of North Carolina and its States and personnel. The Vendor must assume total financial liability associated with any breach of confidentiality.
 - ii. Security Clearance- The Vendor shall be required to perform a state and national level security clearance/background check of all employees of the Vendor or a sub-Vendor, who will have access to the facilities or operations in accordance with requirements as outlined in IRS Publication 1075. The Vendor shall provide written certification to the Agency that this has been completed within 60 days of all current employees and subsequent new-hire employees. The background checks shall occur every five years in accordance with the IRS Publication 1075.
 - iii. The State reserves the right to review all security clearance results and to disapprove of any Vendor's employee. The Vendor's employees who have physical access to checks or cash shall be bonded in the amount of \$13,000,000. The Vendor must provide for a security plan to be approved by the State. The Vendor shall have liability insurance against employee theft in the amount of thirteen million dollars (\$13,000,000) with a deductible of fifty thousand dollars (\$50,000).
 - iv. The Vendor must demonstrate evidence that it will provide a secure area for ACTS terminals. Vendor agrees that only those employees given security clearance on ACTS for inquiry will have access to the secure area.
 - v. Auditors may inspect the premises of the Vendor for physical security. The Vendor must agree to implement any improvements or modifications indicated by such a physical security inspection.

IRS Addendum

Agencies using support functions, including, but not limited to, consolidated data centers, shared print facilities, and disaster recovery sites, must implement appropriate controls to ensure the protection of FTI. This includes a service level agreement (SLA) between the agency authorized to receive FTI and support functions. The SLA must cover the following:

- a) The agency with authority to receive FTI is responsible for ensuring the protection of all FTI received. The state support function shares responsibility for safeguarding FTI.
- b) The Request for Proposal, Proposal and this Addendum shall constitute written notification to the state support function's management that:
 - i. The state support function is bound by the provisions of IRS Publication 1075, relative to

- protecting all FTI within their possession or control.
- ii. The IRS has a right to inspect state support function facilities and operations receiving, processing, storing, accessing, protecting and/or transmitting FTI under this agreement to assess compliance with requirements defined in IRS Publication 1075. The IRS maintains the right of inspection including the use of manual and/or automated scanning tools to perform compliance and vulnerability assessments of information technology (IT) assets that access, store, process and/or transmit FTI.
- iii. The state support function shall be responsible for addressing corrective active recommendations to resolve findings of noncompliance identified by IRS inspections.
- iv. DHHS/CSS shall conduct an internal inspection of the state support function every 18 months, as described in Section 2.D.3. Internal Inspections. Multiple agencies sharing a state support function such as a consolidated data center may partner together to conduct a single, comprehensive internal inspection. However, care must be taken to ensure agency representatives do not gain unauthorized access to other agencies' FTI during the internal inspection.
- v. Employees from the state support function with access to or use of FTI, including system administrators and programmers, must:
 - 1) Meet the background check requirements defined in Background Investigation Minimum Requirements and
 - 2) Receive disclosure awareness training and sign a confidentiality statement, prior to initial access to or use of FTI, as well as annually thereafter. These provisions also extend to any Vendors or sub-Vendors hired by the state support function that have authorized access to or use of FTI.
- vi. The specific data breach incident reporting procedures for all state support function employees, Vendors and sub-Vendors must be covered. The required disclosure awareness training must include a review of these procedures.
- vii. Responsibilities must be identified for coordination of the 45-day notification of the use of Vendors or sub-Vendors with access of FTI.
- viii. A formal sanction process is required for individuals covered by the service language agreement for failing to comply with established FTI security policies and procedures. Notification of designated agency personnel is required within 72 hours when the formal sanction is a proposed disciplinary or adverse action involving an unauthorized access or disclosure of FTI and must include the date the unauthorized access or disclosure of FTI occurred.
- c) The Vendor shall comply with Section 2.C.9 of IRS Publication 1075 (Rev 11-2021) as required below. The Request for Proposal, Proposal and this Addendum shall constitute the service level agreement required by Section 2.C.9.
- d) The Request for Proposal, Proposal and this Addendum shall constitute the state support function requirement to add the language "and amendments thereto" after the mention of IRS Publication 1075 to indicate their understanding that any updates and/or amendment to IRS Publication 1075 that parties are required to be in compliance.
- e) In accordance with IRC 3103(n), Exhibit 7 (Attachment J), Safeguarding Contract Language, from IRS Publication 1075 (11-2021) is hereby incorporated in the Request for Proposal, Proposal, executed service level agreement and all subsequent addendums, documents, etc., between DHHS/CSS and the state support function.

Contract Performance:

Vendor shall comply with all terms, conditions, requirements, performance standards, and applicable laws as set forth in the Contract or any amendments thereto including any rules, policies, or procedures incorporated pursuant to the contract.

The State reserves the right to impose any and all remedies available under the terms of the Contract, at law or equity, in the event that the State determines, in its sole discretion, that the Vendor has violated any provision of the Contract, or if Vendor does not comply with any other applicable North Carolina or federal law or regulation, compliance with which is mandated expressly or implicitly by this Contract.

a) Notice of Deficiency

- i. Prior to termination of the Contract for cause, the State will provide the Vendor with written notice detailing the nature of the violation or noncompliance, any actions the State seeks to impose against the Vendor, and, if applicable, the method and timeframes by which the Vendor may dispute the claim of noncompliance and the imposed actions.
- ii. Within three (3) business days of full remediation of the identified violation(s) in the Notice of Deficiency, or within another timeframe as requested by the State, the Vendor shall provide the State with written notice confirming the date that the noncompliant behavior was resolved and the actions the Vendor took to remediate the noncompliance.

b) Performance Reporting

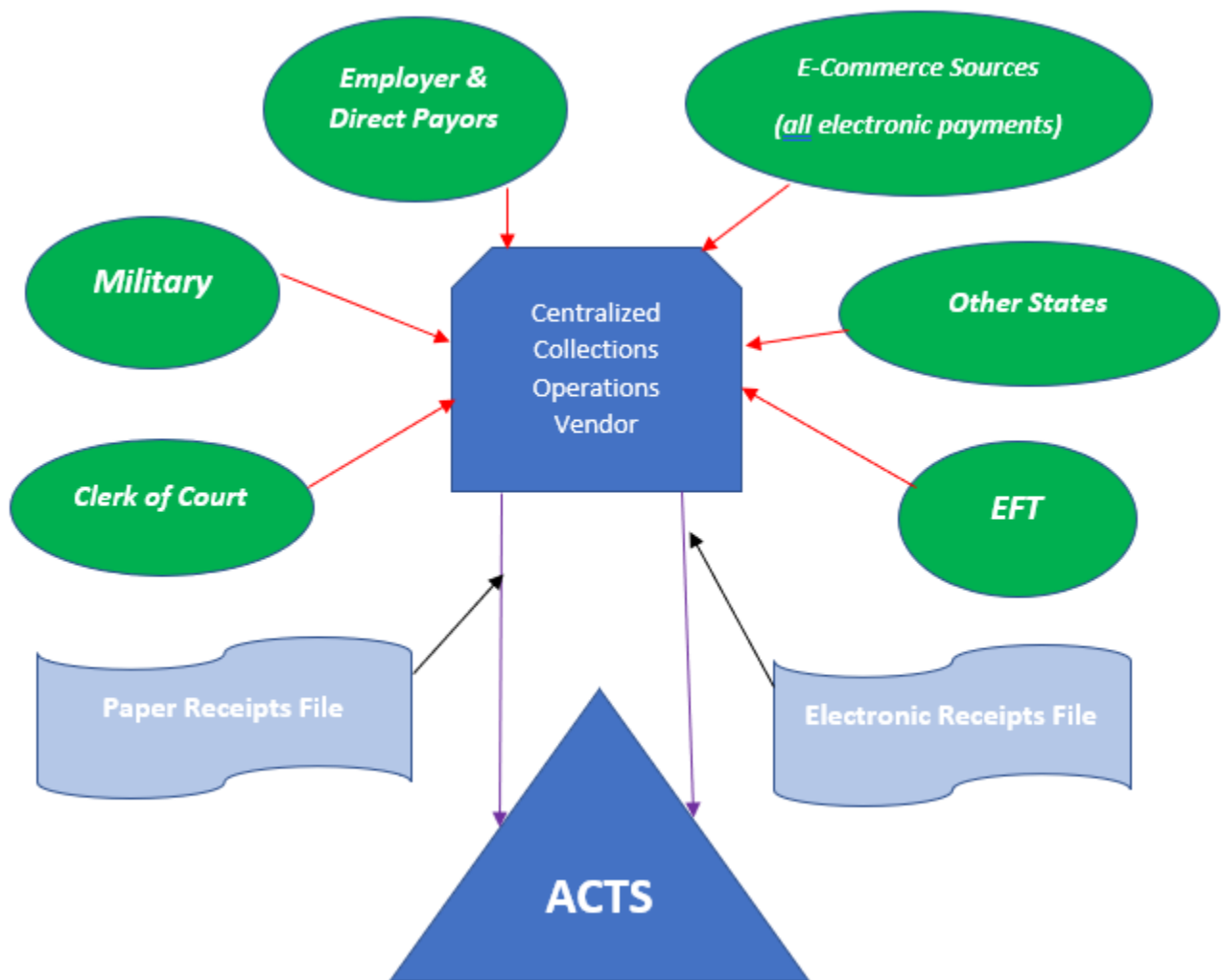
- i. Vendor shall provide reporting, as described in Table 21c(1) (CCO Performance Reporting) below to the State's Contract Administrator.
- ii. During the Implementation Period, report formats and data elements shall be determined and approved by the State.
- iii. Vendor must comply with the required scope and timelines for delivery of all performance and other reporting requirements as required within this RFP and specific reporting schedule dates as defined by the State.

c) Reporting Frequencies

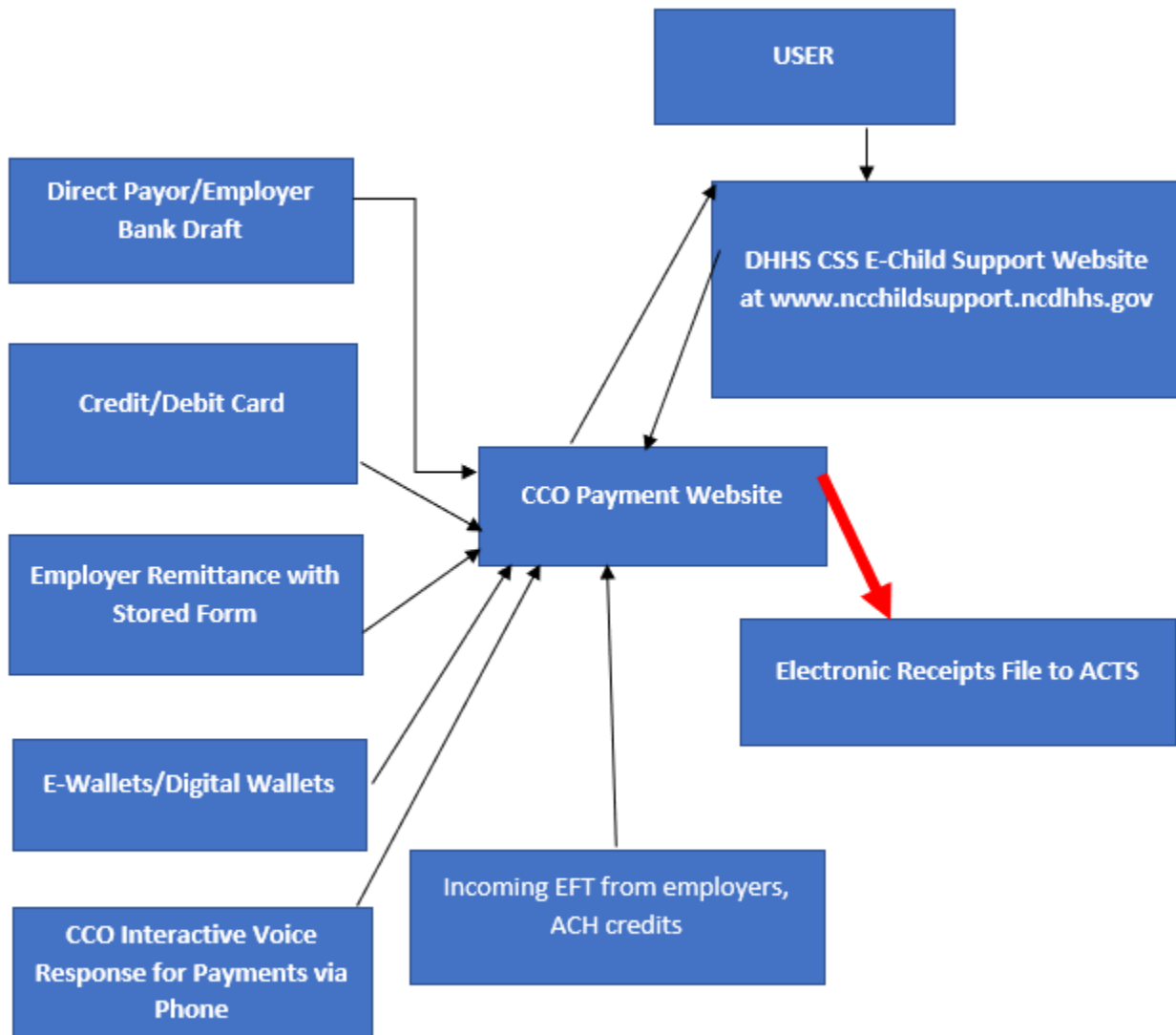
- i. Weekly reports are due on each Monday for work performed during the prior week. If the due date is a State holiday, report will be due by close of business on the next regular business day.
- ii. Monthly reports are due on the tenth (10th) Calendar Day for work performed in the prior month. If the due date is a State holiday, the report will be due on the next regular business day.

| Table 21c(1) CCO Performance Reporting | | |
|---|----------------------------|---|
| Reporting Requirement | Reporting Frequency | Description |
| Receipts Transmissions | Daily | Identified Receipts/Unidentified Receipts |
| Receipts Transmissions | Monthly | All Identified and Unidentified receipts for the prior month. |
| Unidentified Payment Rates | Monthly | Payments posted into the unidentified payments account. |
| Collections Processing Rate | Monthly | Processing Error Rate |
| Federal Reporting | As Required | To be determined by the Federal Requirements. |

ATTACHMENT D: CENTRALIZED COLLECTIONS PROCESS FLOW CHART



ATTACHMENT E: E-COMMERCE FLOW CHART



ATTACHMENT F: RECEIPTS, RECEIPTS REJECTS, PAYOR FEED, EMPLOYER THIRD PARTY AND BILL FILES

Receipts File

File Name: WSARECP
 External Name: AOC.P.ML.PROD.ACTSRECP
 File Length:

Detail Record Layout

| Field | Picture | Description |
|------------------|-----------|--|
| RECEIPT-NUM | X(20) | Receipt Number |
| DOCKET-NUM | X(17) | Docket Number* |
| ID-PART | X(10) | Participant MPI Number (blank if Unidentified) |
| RECEIPT-DATE | X(08) | Receipt Date (CCYYMMDD) |
| RECEIPT-CLS-DATE | X(08) | Batch Close Date (CCYYMMDD) |
| PAYOR NAME | X(35) | Payor Name (unidentifieds only) |
| SOC-SEC-NUM | X(09) | Social Security Number (unidentifieds only) |
| ACTS-TEND-CODE | X(02) | ACTS Tender Code: AK – Absent Parent Personal Check AM – Absent Parent Money Order AC – Absent Parent Credit Card AD – Absent Parent Debit AS – Absent Parent Cash BK – Bond Check EK – Employer Company Check EC – Employer Credit ED – Employer Debit EM – Employer Money Order ES – Employer Cash FM – Financial Institution Data Match IK – Insurance Check LK – Lien Check OK – Out-of-State Check (no Wage Withholding) PK – Purge Check PM – Purge Money Order PS – Purge Cash NK – Enforcement Form Check NM – Enforcement Form Money Order NS – Enforcement Form Cash |
| RECEIPT-AMT | 9 (08)V99 | Amount from Receipt |
| EMP-EIN | X(10) | Employer Identification Number |
| CD-REJECT | X(02) | Code for reject of record |
| Med-Supp-Ind | X(01) | Medical Support Indicator |

*Mandatory if Purge or “Administrative Enforcement” payment.

Trailer Record Layout

| Field | Picture | Description |
|------------------|-----------|--------------------------------|
| TRLR-REC-DESC | X(04) | "TRL" |
| Filler | X(10) | Filler |
| | | |
| | | |
| TRL-CLOSED-DATE | X(08) | Trailer Closed Date (CCYYMMDD) |
| TRL-TIME | X(06) | Trailer Time |
| TRLR-REC-COUNT | 9 (07) | Trailer Record Count |
| TOTAL-TEND-AMT | 9 (11)v99 | Total Tender Amount |
| TRLR-REJECT-CODE | X(02) | |
| Filler | X(82) | Filler |

Receipts Rejects File Description

If there are errors, the entire file will be written to the reject file, and a reject report will be generated.

If there are no errors, the batch is written into a posting file, and the trailer record is written to the reject file with a reject code of 'SP'

REJECT-CODES

DP - Duplicate dates within same CCO payment file
 DR - Payment already processed in ACTS
 DT - No docket present for purge payment
 EF - Zero records in the receipt file
 IA - Invalid receipt date
 IB - Invalid receipt close date
 IM - Invalid payment amount
 IN - Invalid receipt number
 IT - Invalid tender type
 TC - Trailer record count does not equal batch records read
 TD - Trailer date is not numeric or batch close date does not match trailer close date
 TM - No trailer record found in receipt file
 TT - Trailer amount tended does not equal batch total amount
 MD- Batch contain mixed dates
 SP - No errors found, batch is written into posting file and the trailer record is written to the reject file.

| | |
|----------------------------|---------------------------|
| 01 RECE-INPUT-RECORD. | |
| 05 RECE-RECEIPT-NUM | PIC X(20). |
| 05 RECE-DOCKET-NUM | PIC X(17). |
| 05 RECE-MPI-NUM | PIC X(10). |
| 05 RECE-RECEIPT-DATE | PIC X(08). |
| 05 RECE-RECEIPT-CLOSE-DATE | PIC X(08). |
| 05 RECE-PAYOR-NAME | PIC X(35). |
| 05 RECE-SSN-NUM | PIC X(09). |
| 05 RECE-ACTS-TEND-CODE | PIC X(02). |
| 05 RECE-RECIPIENT-AMT | PIC 9(08)V99. |
| 05 RECE-EMPL-EIN | PIC X(10). |
| 05 RECE-REJECT-CODE | PIC X(02). |
| 05 FILLER | PIC X(01). |
| | |
| 01 RECE-REJECT-TRL. | |
| 05 RR-TRLR | PIC X(04) VALUE 'TRL'. |
| 05 FILLER | PIC X(10) VALUE SPACES. |
| 05 RR-TDATE | PIC X(08) VALUE SPACES. |
| 05 RR-TTIME | PIC X(06) VALUE SPACES. |
| 05 RR-COUNT | PIC 9(7) VALUE ZEROS. |
| 05 RR-TRLR-TEND-AMT | PIC 9(11)V99 VALUE ZEROS. |
| 05 RR-REJECT-CODE | PIC X(02) VALUE SPACES. |
| 05 FILLER | PIC X(82) VALUE SPACES. |

Payor Feed File

File Name: WSAPAYR
External Name: DHR.FKY.FKC447-2.WSAPAYR
File Length:

Detail Record Layout:

| Field | Picture | Description |
|------------------|---------|--|
| PAYR-DOCKET-NUM | X(17) | Payor Docket Number |
| PAYR-MPI | X(10) | Payor Participant ID |
| PAYR-TRGR-DATE | X(08) | Date of on-line update (CCYYMMDD) |
| PAYR-TRGR-TIME | X(06) | Time of on-line update (HHMMSS) |
| PAYR-NAME | X(35) | Payor Name (Last, First, Middle) |
| PAYR-ADDR1 | X(30) | Payor Address One |
| PAYR-ADDR2 | X(30) | Payor Address Two |
| PAYR-CITY | X(30) | Payor City |
| PAYR-STATE | X(02) | Payor State |
| PAYR-ZIP-FIVE | X(05) | Payor Zip Code (first five digits) |
| PAYR-ZIP-FOUR | X(04) | Payor Zip Code (last four digits) |
| PAYR-SSN | X(09) | Payor Social Security # |
| PAYR-ACTION-CODE | X(01) | Action Code: I – Insert R- Remove U- Update |
| PAYR-INT-FLAG | X(01) | Payor case type 1 – IV-D 2 – NON IV-D |
| PAYR-CASE-NUM | X(10) | Payor Case Number |
| FILLER | X(52) | Filler |

Trailer Record Layout:

| Field | Picture | Description |
|---------------|---------|----------------------------|
| TRLR-REC-DESC | X(03) | "TRL" |
| FILLER | X(11) | Filler |
| DATE | X(08) | Trailer Date (CCYYMMDD) |
| TIME | X(06) | Trailer Time (HHMMSS) |
| TRLR-COUNT | 9(08) | Filler |
| FILLER | X(214) | Filler |

Notes:

The ACTS to CCO payor feed file is created daily to send docket number related changes to the CCO. The file consists of a group of detail transactions and a trailer record. The trailer record will include "TRL" as the record description, date and time created and the count of the detail records.

ACTS will send updates and if a docket number is not found, the CCO will insert the transaction.

Online activity, as well as a batch process, will create triggers that will be used to determine the transactions to be sent to the CCO. Triggers will be created for address add/update, creation/update of participant, participant name maintenance, creation/update of support order, creation/update of order extension, MPI update and Social Security Number add.

The docket number change triggers an action code of "R" to remove and contains only the docket number and MPI number.

The payor action code of "I" (insert) is used in the initial update only.

The payor action code of "U" (update) contains all date fields. The CCO simply replaces the existing record with the updated record.

There will be no rejects from this file. If the update docket number does not match an existing docket number maintained by the CCO, the CCO will add the docket number record and treat it as an insert.

Employer Third Party File

File Name: WSAEMPL
External Name: DHR.FKY.FKCXXX-1.WSAEMPL

Detail Record Layout

| Field | Picture | Description |
|-------------------|---------|---|
| ACTS-EMPL-ID-EMPL | X(10) | Employer Identification Number State EIN (Other details of the Employer will be retrieved from the Third Party Table) |
| ACTS-EMPL-ID-PART | X(10) | Participant MPI Number |
| ACTS-EMPL-NB-CASE | X(10) | IV-D Case Number |
| ACTS-EMPL-CNTY | X(03) | Case County Number |
| ACTS-EMPL-NB-DKT | X(12) | Docket Number |

| | | |
|-----------------------|------------|---|
| ACTS-EMPL-NM-PART | X(35) | Participant Name (last, first, middle name) |
| ACTS-EMPL-PAY-FREQ | X(04) | Participant pay frequency |
| ACTS-EMPL-AMT-WTHLD | 9(10)V9(2) | Amount withheld from Employer (always monthly) |
| ACTS-EMPL-ACTION-CODE | X(01) | Employer Action Code Values: I – Insert R – Remove U – Update |
| Filler | X(33) | |

Trailer Record Layout

| Field | <i>Picture</i> | Description |
|-------------------|----------------|----------------------------------|
| ACTS-EMPL-TRLR | X(03) | “TRL” |
| Filler | X(11) | Filler |
| ACTS-EMPL-DATE | X(08) | Trailer Batch date (CCYYMMDD) |
| ACTS-EMPL-TIME | X(06) | Trailer Batch Time (HHMMSS) |
| ACTS-EMPL-REC-CNT | 9(08) | Trailer Record Count |
| Filler | X(94) | Filler |

ACTS TO CCO BILLING INFORMATION FILE**File Name: WSABILL****File Length: XXX FB****External Name: DHR.FKY.FKCXXX.WSABILL**

Billing Record Layout

| Field | Picture | Description |
|----------------------|----------|--|
| BILL-ID-PART | X(10) | Participant MPI Number |
| BILL-NB-CASE | X(10) | Case Number |
| BILL-CASE-TYPE | X(01) | Case Type |
| BILL-NB-DKT | X(17) | Docket Number |
| BILL-CD-FIPS | X(10) | FIPS Code |
| BILL-NB-PART | X(35) | Participant Name (first middle initial last name) |
| BILL-PART-SSN | X(09) | Participant Social Security Number |
| BILL-ADDR-LN-1 | X(40) | Participant Street Address |
| BILL-ADDR-LN-2 | X(40) | Participant Street Address 2 |
| BILL-ADDR-CTY | X(25) | Participant City |
| BILL-ADDR-ST | X(02) | Participant State |
| BILL-ADDR-ZIP-5 | X(05) | Zip Code (first 5 digits) |
| BILL-ADDR-ZIP-4 | X(04) | Zip Code (last 4 digits) |
| BILL-DT-BILL | X(08) | Billing Date (ccyyymmdd) |
| BILL-TTL-PYMTS-RCVD | 9(08)V99 | Total Payments Received |
| BILL-RCVD-DT-FR | X(08) | Payments received from date range |
| BILL-RCVD-DT-TO | X(08) | Payments received to date range |
| BIL-CD_SUPT | X(20) | Support Type Occurs 5 times |
| BILL-AM-CSUP | 9(08)V99 | Current Support due Occurs 5 times |
| BILL-AM-IN-ST-ARR | 9(08)V99 | In State arrears due Occurs 5 times |
| BILL-AM-FEE-BAL | 9(08)V99 | Fee balance Occurs 5 times |
| Filler | X(190) | |
| BILL-TTL-DUE-MNTH | 9(08)V99 | Total amount due |
| BILL-TTL-DUE-DT | X(08) | Payment due date |
| BILL-ARRS-DUE-DT | X(08) | Balance Totals due as of bill date |
| BILL-TTL-IN-ST-ARRS | 9(08)V99 | Total in State arrears |
| BILL-TTL-OUT-ST-ARRS | 9(08)V99 | Total out of State arrears |
| BILL-AM-FEE-DUE | 9(08)V99 | Total Fee balance due |
| BILL-NO-COUPON | 9(01) | Number of coupons to be printed for the period Occurs 5 times |
| BILL-AM-COUPON | 9(08)V99 | Coupon Amount Occurs 5 times |
| BILL-CD-DELQ | X(01) | |
| Filler | X(06) | |

Trailer Record Layout

| Field | Picture | Description |
|----------------|---------|----------------------------------|
| BILL-TRLR-REC | X(03) | 'TRL' |
| Filler | X(11) | Filler |
| BILL-TRLR-DATE | X(08) | Trailer Batch Date (CCYYMMDD) |
| BILL-TRLR-TIME | X(06) | Trailer batch time (HHMMSS) |
| BILL-REC-CNT | 9(08) | Trailer record count |
| Filler | X(764) | Filler |

ATTACHMENT G: MONTHLY PERFORMANCE STATISTICS FOR RECEIPTING COLLECTIONS

| Month/Year | Payment Posting Error Rate | Payments turned over within 48 hrs. | Payment Identified Rate |
|------------|----------------------------|-------------------------------------|-------------------------|
| Dec-13 | 0.000384046 | 99.88% | 99.99% |
| Nov-13 | 0.000264166 | 99.93% | 99.99% |
| Oct-13 | 0.000210297 | 99.98% | 99.99% |
| Sep-13 | 0.000162584 | 99.98% | 99.99% |
| Aug-13 | 0.000333847 | 99.96% | 99.99% |
| Jul-13 | 0.000442466 | 99.96% | 99.99% |
| Jun-13 | 0.000229229 | 99.91% | 99.99% |
| May-13 | 0.000300115 | 99.92% | 99.99% |
| Apr-13 | 0.000129068 | 99.94% | 99.99% |
| Mar-13 | 0.000254415 | 99.84% | 99.99% |
| Feb-13 | 0.000317953 | 99.88% | 99.99% |
| Jan-13 | 0.000310466 | 99.89% | 99.99% |
| Dec-12 | 0.000278567 | 99.85% | 99.99% |
| Nov-12 | 0.000490143 | 99.94% | 99.99% |
| Oct-12 | 0.000419366 | 99.95% | 99.99% |
| Sep-12 | 0.000487926 | 99.94% | 99.99% |
| Aug-12 | 0.000440570 | 99.89% | 99.99% |
| Jul-12 | 0.000203054 | 99.91% | 99.99% |
| Jun-12 | 0.000137336 | 99.88% | 99.99% |
| May-12 | 0.000372262 | 99.98% | 99.99% |
| Apr-12 | 0.000449202 | 99.95% | 99.99% |
| Mar-12 | 0.000376474 | 99.93% | 99.99% |
| Feb-12 | 0.000198028 | 99.94% | 99.99% |
| Jan-12 | 0.000399469 | 99.96% | 99.99% |
| Dec-11 | 0.000493257 | 99.93% | 99.99% |
| Nov-11 | 0.000314207 | 99.95% | 99.98% |
| Oct-11 | 0.000591692 | 99.89% | 99.99% |
| Sep-11 | 0.000317704 | 99.88% | 99.99% |
| Aug-11 | 0.000662435 | 99.95% | 99.99% |
| Jul-11 | 0.000530549 | 99.83% | 99.99% |
| Jun-11 | 0.000437917 | 99.91% | 99.99% |
| May-11 | 0.000382241 | 99.92% | 99.99% |
| Apr-11 | 0.000274717 | 99.98% | 99.98% |
| Mar-11 | 0.000305328 | 99.98% | 99.99% |
| Feb-11 | 0.000226555 | 99.99% | 99.99% |
| Jan-11 | 0.000254713 | 99.96% | 99.98% |
| Dec-10 | 0.000124251 | 99.97% | 99.98% |
| Nov-10 | 0.000247439 | 99.97% | 99.99% |
| Oct-10 | 0.000555859 | 99.98% | 99.99% |

ATTACHMENT H: BONDING OF EMPLOYEES

DATE: 10-01-1995
SOURCE: 45 CFR Parts 200-499
PART: 302
SECTION: 302.19
TITLE: Bonding of Employees.
TOPIC: Financial Controls; Collection and Distribution; State Plan Requirements;
Accounting
PAGES: 1

SECTION: 302.19

The State plan shall provide that the following requirements and criteria to bond employees are in effect:

- (a) IV-D responsibility. The IV-D agency will insure that every person, who has access to or control over funds collected under the child support enforcement program, is covered by a bond against loss resulting from employee dishonesty.
- (b) Scope. The requirement in paragraph (a) of this section applies to every person who, as a regular part of his or her employment, receives, disburses, handles or has access to support collections, which includes:
 - (1) IV-D agency employees and employees of any other State or local agency to which IV D functions have been delegated.
 - (2) Employees of a court or law enforcement official performing under a cooperative agreement with the IV-D agency.
 - (3) Employees of any private or governmental entity from which the IV-D agency purchases services.
- (c) Bond. The bond will be for an amount which the State IV-D agency deems adequate to indemnify the State IV D program for loss resulting from employee dishonesty.
- (d) Self-bonding System. A State or political subdivision may comply with the requirement in paragraph (a) of this section:
 - (1) By means of a self-bonding system established under State law or,
 - (2) In the case of a political subdivision, by means of a self-bonding system approved by the State IV-D agency.
- (e) IV-D liability. The requirements of this section do not reduce or limit the ultimate liability of the IV-D agency for losses of support collections from the State's IV-D program. (44 FR 28 3, May 17, 1979; 44 FR 45137, Aug. 1, 1979, as amended at 47 FR 57281, Dec. 23, 1982)

ATTACHMENT I: SEPARATION OF CASH HANDLING AND ACCOUNTING FUNCTIONS

DATE: 10-01-1995
SOURCE: 45 CFR Parts 200-499
PART: 302
SECTION: 302.20
TITLE: Separation of Cash Handling and Accounting Functions.
TOPIC: Accounting; Financial Controls; Collection and Distribution; State Plan Requirements; Organization; Staffing
PAGES: 1

SECTION: 302.20

The State plan shall provide that the following requirements and criteria to separate the cash handling and accounting functions are in effect.

- (a) IV-D responsibility. The IV-D agency will maintain methods of administration designed to assure that persons responsible for handling cash receipts of support do not participate in accounting or operating functions, which would permit them to conceal in the accounting records the misuse of support receipts. Such methods of administration shall follow generally recognized accounting standards.
- (b) Scope. The requirement in paragraph (a) of this section applies to persons who participate in the collection, accounting or operating functions, which include:
 - (1) IV-D agency employees and employees of any other State or local agency to which IV-D functions have been delegated.
 - (2) Employees of a court or law enforcement official performing under a cooperative agreement with the IV-D agency.
 - (3) Employees of any private or governmental entity from which the IV D agency purchases services.
- (c) Exception. The Regional Office may grant a waiver to sparsely populated geographical areas, where the requirements in paragraph (a) of this section would necessitate the hiring of unreasonable numbers of additional staff. The IV-D agency must document such administrative infeasibility and provide an alternative system of controls that reasonably insures that support collections will not be misused.

(44 FR 28 3, May 17, 1979, as amended at 47 FR 57281, Dec. 23, 1982)

ATTACHMENT J: EXHIBIT 7 SAFEGUARDING CONTRACT LANGUAGE – IRS PUBLICATION 1075

(REV 11-2021)

Pub. 1075 Exhibit 7 Safeguarding Contract Language Obligations To the extent that this Pub. 1075 Exhibit 7 Safeguarding Contract Language Obligations (the “Attachment”) is incorporated into the Contract by reference, the Vendor agrees to comply with the obligations set forth in this Attachment. This Contract Attachment supplements and is made a part of the Contract between the purchasing Agency and the Vendor. To the extent that Vendor provides notice that it does not accept an amended Attachment, any agreed alteration not part of the then current Attachment shall have no force or effect until the agreed alteration is reduced to a Contract amendment and signed by the Vendor and the purchasing Agency. In such a case, the existing Attachment will continue to remain a part of the Contract until such time as the parties agree to a newly amended Pub 1075 Exhibit 7 compliance attachment.

PERFORMANCE

In performance of this Contract, the Vendor 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 Vendor.
- (2) The Vendor and Vendor’s officers or employees to be authorized access to federal and/or state tax information (“FTI”) must meet background check requirements defined in IRS Publication 1075. The Vendor 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 Vendor or the Vendor’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 Vendor 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 Vendor at the time the work is completed. If immediate purging of physical and electronic data storage is not possible, the Vendor 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 Vendor 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. 2
- (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) Vendor 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 Vendor shall assume toward the subVendor all obligations, duties and responsibilities that the agency under this Contract assumes toward the Vendor, and the subVendor shall assume toward the Vendor all the same obligations, duties and responsibilities which the Vendor assumes toward the agency under this Contract.

(11) In addition to the subVendor's obligations and duties under an approved subcontract, the terms and conditions of this Contract apply to the subVendor, and the subVendor is bound and obligated to the Vendor hereunder by the same terms and conditions by which the Vendor is bound and obligated to the agency under this Contract.

(12) For purposes of this Contract, the term "Vendor" includes any officer or employee of the Vendor with access to or who uses FTI, and the term "subVendor" includes any officer or employee of the subVendor with access to or who uses FTI.

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

II. CRIMINAL/CIVIL SANCTIONS

(1) Each officer or employee of a Vendor 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 Vendor 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 Vendor 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.

(4) Additionally, it is incumbent upon the Vendor 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 Vendors by 5 U.S.C. 552a(m)(1), provides that any officer or employee of a

Vendor, 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.

(5) Granting Vendor access to FTI must be preceded by certifying that each officer or employee understands the agency's security policy and procedures for safeguarding FTI. Vendor 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, Vendor and each officer or employee must be advised of the provisions of IRC sections 7213, 7213A, and 7431 (see IRS Pub. 1075, 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 Vendor 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 Vendor 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 Vendor is found to be noncompliant with FTI safeguard requirements.

ATTACHMENT K: DESCRIPTION OF OFFEROR

Provide the information about the offeror.

| | |
|--|--|
| Offeror's full name | |
| Offeror's address | |
| Offeror's telephone number | |
| Ownership | <input type="checkbox"/> Public <input type="checkbox"/> Partnership <input type="checkbox"/> Subsidiary <input type="checkbox"/> Other (specify) |
| Date established | |
| If incorporated, State of incorporation. | |
| North Carolina Secretary of State Registration Number, if currently registered | |
| Number of full-time employees on January 1 st for the last three years or for the duration that the Vendor has been in business, whichever is less. | |
| Offeror's Contact for Clarification of offer: Contact's name Title Email address and Telephone Number | |
| Offeror's Contact for Negotiation of offer: Contact's name Title Email address and Telephone Number | |
| If Contract is Awarded, Offeror's Contact for Contractual Issues: Contact's name Title Email address and Telephone Number | |
| If Contract is Awarded, Offeror's Contact for Technical Issues: Contact's name Title Email address and Telephone Number | |

HISTORICALLY UNDERUTILIZED BUSINESSES

Historically Underutilized Businesses (HUBs) consist of minority, women and disabled business firms that are at least fifty-one percent owned and operated by an individual(s) of the categories. Also included as HUBs are disabled business enterprises and non-profit work centers for the blind and severely disabled.”

Pursuant to N.C.G.S. §§ 143B-1361(a), 143-48 and 143-128.4, the State invites and encourages participation in this procurement process by businesses owned by minorities, women, disabled, disabled business enterprises and non-profit work centers for the blind and severely disabled. This includes utilizing subcontractors to perform the required functions in this RFP. Contact the North Carolina Office of historically Underutilized Businesses at 919-807-2330 with questions concerning NC HUB certification. <http://ncadmin.nc.gov/businesses/hub>

Respond to the questions below.

1. Is Vendor a Historically Underutilized Business? ☐ Yes ☐ No
2. Is Vendor Certified with North Carolina as a Historically Underutilized Business? ☐ Yes ☐ No

If so, state HUB classification:

ATTACHMENT L: COST FORM

Offerors must complete the Cost Proposal as instructed and include as a separate section on their proposal. Do not enter any technical information on the Cost Page. All other cost proposal information must be set apart from these cost with explanation in the same section with the cost page.

| Type of Payments | Cost per Payment Transaction | | Estimated Annual Costs (based on approx. 4 million transactions per year) |
|--|---|--|--|
| Paper Payments (approx. 70% of transactions) | | | |
| Electronic Payments (approx. 30% of transactions) | | | |
| Annual Costs | | | |
| Type of Services | Printing Cost per monthly account statement | Mailing Cost per monthly account statement | Total Monthly Costs (100,000 account statements per month) |
| Printing and mailing monthly account statements | | | |

ATTACHMENT M: VENDOR CERTIFICATION FORM

1) ELIGIBLE VENDOR

The Vendor certifies that in accordance with N.C.G.S. §143-59.1(b), Vendor is not an ineligible vendor as set forth in N.C.G.S. §143-59.1 (a).

The Vendor acknowledges that, to the extent the awarded contract involves the creation, research, investigation or generation of a future RFP or other solicitation; the Vendor will be precluded from bidding on the subsequent RFP or other solicitation and from serving as a subcontractor to an awarded vendor.

The State reserves the right to disqualify any bidder if the State determines that the bidder has used its position (whether as an incumbent Vendor, or as a subcontractor hired to assist with the RFP development, or as a Vendor offering free assistance) to gain a competitive advantage on the RFP or other solicitation.

2) CONFLICT OF INTEREST

Applicable standards may include: N.C.G.S. §§143B-1352 and 143B-1353, 14-234, and 133-32. The Vendor shall not knowingly employ, during the period of the Agreement, nor in the preparation of any response to this solicitation, any personnel who are, or have been, employed by a Vendor also in the employ of the State and who are providing Services involving, or similar to, the scope and nature of this solicitation or the resulting contract.

3) E-VERIFY

Pursuant to N.C.G.S. § 143B-1350(k), the State shall not enter into a contract unless the awarded Vendor and each of its subcontractors comply with the E-Verify requirements of N.C.G.S. Chapter 64, Article 2. Vendors are directed to review the foregoing laws. Vendors claiming exceptions or exclusions under Chapter 64 must identify the legal basis for such claims and certify compliance with federal law regarding registration of aliens including 8 USC 1373 and 8 USC 1324a. Any awarded Vendor must submit a certification of compliance with E-Verify to the awarding agency, and on a periodic basis thereafter as may be required by the State.

4) CERTIFICATE TO TRANSACT BUSINESS IN NORTH CAROLINA

As a condition of contract award, awarded Vendor shall have registered its business with the North Carolina Secretary of State and shall maintain such registration throughout the term of the Contract.

Signature: _____

Date:

Printed Name: _____

Title:

ATTACHMENT N: LOCATION OF WORKERS UTILIZED BY VENDOR

In accordance with N.C.G.S. §143B-1361(b), Vendor must identify how it intends to utilize resources or workers located outside the U.S., and the countries or cities where such are located. The State will evaluate additional risks, costs, and other factors associated with the Vendor's utilization of resources or workers prior to making an award for any such Vendor's offer. The Vendor shall provide the following:

- a) The location of work to be performed by the Vendor's employees, subcontractors, or other persons, and whether any work will be performed outside the United States. The Vendor shall provide notice of any changes in such work locations if the changes result in performing work outside of the United States.
- b) Any Vendor or subcontractor providing support or maintenance Services for software, call or contact center Services shall disclose the location from which the call or contact center Services are being provided upon request.

Will Vendor perform any work outside of the United States?

☐ YES ☐ NO

ATTACHMENT O: REFERENCES

REFERENCES:

The Vendor shall provide three (3) references of customers utilizing the proposed solution fully implemented in a setting similar to this solicitation's scope of work. References within like North Carolina communities / industries are encouraged.

The Vendor should have implemented the respective proposed service within the last three (3) years. Customer references whose business processes and data needs are similar to those performed by the Agency needing this solution in terms of functionality, complexity, and transaction volume are encouraged.

The Vendor shall provide a list of all states wherein the Vendor has previously provided or is currently providing Centralized Collection Operations services as the states' SDU. Agency reserves the right to contact any state wherein the Vendor is or has provided SDU services.

For each reference, the Vendor shall provide the following information:

- a. Customer name.
- b. Customer address.
- c. Current telephone number of a customer employee most familiar with the offered solution implementation.
- d. Customer email address
- e. Time period over which each offered solution implementation was completed.
- f. Brief summary of the offered solution implementation.
- g. List of offered solution products installed and operational.
- h. Number of vendor or technical staff supporting, maintaining and managing the offered solution
- i. Number of end users supported by the offered solution.
- j. Number of sites supported by the offered solution.

ATTACHMENT P: FINANCIAL REVIEW FORM

Vendor shall review the Financial Review Form, provide responses in the gray-shaded boxes, and submit the completed Form as an Excel file with its offer. Vendor shall not add or delete rows or columns in the Form, or change the order of the rows or column in the file.

- 1. Vendor Name:
- 2. Company structure for tax purposes (C Corp, S Corp, LLC, LLP, etc.):
- 3. Have you been in business for more than three years? ☐ Yes ☐ No
- 4. Have you filed for bankruptcy in the past three years? ☐ Yes ☐ No
- 5. In the past three years, has your auditor issued any notification letters addressing significant issues? If yes, please explain and provide a copy of the notification letters. ☐ Yes ☐ No
- 6. Are the financial figures below based on audited financial statements? ☐ Yes ☐ No
- 7. Start Date of financial statements:
End Date of financial statements:
- 8. Provide a link to annual reports with financial statements and management discussion for the past three complete fiscal years:
- 9. Provide the following information for the past three complete fiscal years:

| | Latest complete fiscal year minus two years | Latest complete fiscal year minus one year | Latest complete fiscal year |
|---|---|--|--------------------------------|
| BALANCE SHEET DATA | | | |
| a. Cash and Temporary Investments | | | |
| b. Accounts Receivable (beginning of year) | | | |
| c. Accounts Receivable (end of year) | | | |
| d. Average Account Receivable for the Year (calculated) | | | |
| e. Inventory (beginning of year) | | | |
| f. Inventory (end of year) | | | |
| g. Average Inventory for the Year (calculated) | | | |
| h. Current Assets | | | |
| i. Current Liabilities | | | |
| j. Total Liabilities | | | |
| k. Total Stockholders' Equity (beginning of year) | | | |
| l. Total Stockholders' Equity (end of year) | | | |
| m. Average Stockholders' Equity during the year (calculated) | | | |
| INCOME STATEMENT DATA | | | |
| a. Net Sales | | | |
| b. Cost of Goods Sold (COGS) | | | |
| c. Gross Profit (Net Sales minus COGS) (calculated) | | | |
| d. Interest Expense for the Year | | | |
| e. Net Income after Tax | | | |
| f. Earnings for the Year before Interest & Income Tax Expense | | | |
| STATEMENT OF CASH FLOWS | | | |
| a. Cash Flow provided by Operating Activities | | | |
| b. Capital Expenditures (property, plant, equipment) | | | |

ATTACHMENT Q: IRS 1075 BACKGROUND INVESTIGATION CERTIFICATION

Vendor shall provide the 1075 Background Investigation Certification form for each vendor employee with access to the ACTS system within 90 days the date of contract execution. If vendor employee hiring occurs subsequent to the contract execution then within 90 days of hire. Vendor employees shall also undergo the same background checks every five years thereafter and certification shall be provided within 90 days of the 5 year anniversary date of the prior background check pursuant to IRS Publication 1075 requirements.

Department of Health and Human Services

NC Child Support Services

IRS 1075 Background Investigation Certification

| | |
|---------------|--|
| Agency/Unit | Centralized Collection Operations Vendor |
| Employee | |
| Certification | <input type="checkbox"/> Initial Investigation Date_____ <input type="checkbox"/> Five Year Re-Investigation Date_____ |

| Requirement | Date Initiated | Date Completed |
|---|----------------|----------------|
| Authorization for Criminal Record Check | | |
| Fingerprint Submission Release of Information | | |
| Applicant Information Form | | |
| Applicant FD-258 card | N/A Electronic | |
| Form I-9 Employment Eligibility Verification | | |

☐ The individual named above can be authorized to access FTI.

☐ The individual named above cannot be authorized to access FTI.

AUTHORIZED STATE/COUNTY OFFICIAL: _____
(PLEASE PRINT)

SIGNATURE: _____

DATE: _____