

STATE OF NEW MEXICO  
**HUMAN SERVICES DEPARTMENT**  
INFORMATION TECHNOLOGY CONTRACT  
AMENDMENT No. 3

THIS AMENDMENT No. 3 to Professional Services Contract (PSC) 10-630-6000-0013 is made and entered into by and between the **State of New Mexico Human Services Department**, hereinafter referred to as the "Procuring Agency" and **Policy Studies Inc.**, hereinafter referred to as the "Contractor."

IT IS MUTUALLY AGREED BETWEEN THE PARTIES THAT THE FOLLOWING PROVISIONS OF THE ABOVE-REFERENCED CONTRACT ARE AMENDED AS FOLLOWS:

**ARTICLE 3 – COMPENSATION**, paragraph B. Payment is hereby amended to read as follows:

B. Payment. The total compensation under this agreement shall not exceed **\$1,114,729** including New Mexico gross receipts tax.

The total amount available in the Contract in:

State Fiscal year 2010 (Ending June 30, 2010) is: \$244,590

State Fiscal year 2011 (Ending June 30, 2011) is: \$319,409

State Fiscal year 2012 (Ending June 30, 2012) is: \$280,730

State Fiscal year 2013 (Ending June 30, 2013) is: \$270,000

The FY13 compensation takes into consideration the Consumer Price Index adjustment factor (1.087) as outlined in the Cost Calculation Worksheet, Exhibit A.IV in PSC 10-630-6000-0013.

Payment shall be made upon Acceptance of each Deliverable and upon the receipt and acceptance of a detailed, certified Payment Invoice. Payment will be made to the Contractor's designated mailing address. In accordance with Section 13-1-158 NMSA 1978, payment shall be tendered to the Contractor within thirty (30) days of the date of written certification of Acceptance. All Payment Invoices **MUST BE** received by the procuring agency no later than fifteen (15) days after termination of this Agreement. **Payment Invoices received after such date WILL NOT BE PAID.**

**ARTICLE 5 – TERM** is hereby amended to read as follows:

THIS AGREEMENT SHALL NEITHER BE EFFECTIVE NOR BINDING UNTIL APPROVED BY THE DoIT AND THE NEW MEXICO STATE PURCHASING AGENT. The contract resulting from this RFP will end **June 30, 2013** unless terminated pursuant to Article 6. No contract term, including extensions and renewals, shall exceed four years, except as set forth in section 13-1-150 NMSA 1978.

**ARTICLE 37 –PERFORMANCE** is hereby added as follows:

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

- A. All work will be performed under the supervision of the Contractor or the Contractor's responsible employees.
- B. Any Federal tax returns or return information (hereafter referred to as returns or return information) made available shall be used only for the purpose of carrying out the provisions of this contract. Information contained in such material shall be treated as confidential and will not be divulged or made known in any manner to any person except as may be necessary in the performance of this contract. Inspection by or disclosure to anyone other than an officer or employee of the Contractor is prohibited.
- C. All returns and return information will be accounted for upon receipt and properly stored before, during, and after processing. In additional, all related output will be given the same level of protection as required for the source material.
- D. The Contractor certifies that the data processed during the performance of this contract will be completely purged from all data storage components of his or her computer facility, and no output will be retained by the Contractor at the time the work is completed. If immediate purging of all data storage components is not possible, the contractor certifies that any IRS data remaining in any storage component will be safeguarded to prevent unauthorized disclosures.
- E. Any spoilage or any intermediate hard copy printout that may result during the processing of IRS data will be given to the Agency or his or her designee. When this is not possible, the Contractor will be responsible for the destruction of the spoilage or any intermediate hard copy printouts, and will provide the agency or his or her designee with a statement containing the date of destruction, description of material destroyed, and the method used.
- F. All computer systems receiving, processing, storing, or transmitting Federal tax information must meet the requirements defined in IRS Publication 1075. To meet functional and assurance requirements, the security features of the environment must provide for the managerial, operational, and technical controls. All security features must be available and activated to protect against unauthorized use of and access to Federal tax information.
- G. No work involving Federal tax information furnished under this contract will be subcontracted without prior written approval of the IRS.
- H. The Contractor will maintain a list of employees authorized access. Such list will be provided to the Agency and, upon request, to the IRS reviewing office.

- I. The Agency will have the right to void the contract if the Contractor fails to provide the safeguards described above.

**ARTICLE 38 – CRIMINAL/CIVIL SANCTIONS** is hereby added as follows:

- A. Each officer or employee of any person to whom returns or return information is or may be disclosed shall be notified in writing by such person that returns or return information disclosed to such officer or employee can be used only for a purpose and to the extent authorized herein, and that further disclosure of any such returns or return information for a purpose or to an extent unauthorized herein constitutes a felony punishable upon conviction by a fine of as much as \$5,000 or imprisonment for as long as five years, or both, together with the costs of prosecution. Such person shall also notify each such officer and employee that any such unauthorized future disclosure of returns or return information may also result in an award of civil damages against the officer or employee in an amount not less than \$1,000 with respect to each instance of unauthorized disclosure. These penalties are prescribed by Internal Revenue Code (IRC) Sections 7213 and 7431 and set forth at 26 CFR 301.6103(n)-1.
- B. Each officer or employee of any person to whom returns or return information is or may be disclosed shall be notified in writing by such person that any return or return information made available in any format shall be used only for the purpose of carrying out the provisions of this contract. Information contained in such material shall be treated as confidential and shall not be divulged or made known in any manner to any person except as may be necessary in the performance of this contract. Inspection by or disclosure to anyone without an official need to know constitutes a criminal misdemeanor punishable upon conviction by a fine of as much as \$1,000.00 or imprisonment for as long as 1 year, or both, together with the costs of prosecution. Such person shall also notify each such officer and employee that any such unauthorized inspection or disclosure of returns or return information may also result in an award of civil damages against the officer or employee [United States for Federal employees] in an amount equal to the sum of the greater of \$1,000.00 for each act of unauthorized inspection or disclosure with respect to which such defendant is found liable or the sum of the actual damages sustained by the plaintiff as a result of such unauthorized inspection or disclosure plus in the case of a willful inspection or disclosure which is the result of gross negligence, punitive damages, plus the costs of the action. The penalties are prescribed by IRC Sections 7213A and 7431.
- C. Additionally, it is incumbent upon the contractor to inform its officers and employees of the penalties for improper disclosure imposed by the Privacy Act of 1974, 5 U.S.C. 552a. Specifically, 5 U.S.C. 552a(i)(1), which is made applicable to contractors by 5 U.S.C. 552a(m)(1), provides that any officer or employee of a contractor, who by virtue of his/her employment or official position, has possession of or access to agency records which contain individually identifiable information, the disclosure of which is prohibited by the Privacy Act or regulations established thereunder, and who knowing that disclosure of the specific material is so prohibited, willfully discloses the material in any manner to any

person or agency not entitled to receive it, shall be guilty of a misdemeanor and fined not more than \$5,000.

- D. Granting a contractor access to FTI must be preceded by certifying that each individual understands the agency's security policy and procedures for safeguarding IRS information. Contractors must maintain their authorization to access FTI through annual recertification. The initial certification and recertification must be documented and placed in the agency's files for review. As part of the certification and at least annually afterwards, contractors should be advised of the provisions of IRC Sections 7431, 7213, and 7213A (see Exhibit 6, *IRC Sec. 7431 Civil Damages for Unauthorized Disclosure of Returns and Return Information* and Exhibit 5, *IRC Sec. 7213 Unauthorized Disclosure of Information*). The training provided before the initial certification and annually thereafter must also cover the incident response policy and procedure for reporting unauthorized disclosures and data breaches. (See Section 10 of IRS Publication 1075) For both the initial certification and the annual certification, the contractor should sign, either with ink or electronic signature, a confidentiality statement certifying their understanding of the security requirements.

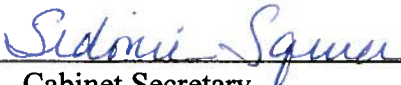
**ARTICLE 39 – INSPECTION** is hereby added as follows:

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

**All other articles of this contract remain the same.**

**The rest of this page intentionally left blank.**


**IN WITNESS WHEREOF**, parties have executed this PSC AMENDMENT as of the date of signature by the New Mexico State Purchasing Agent, below.

By:   
Cabinet Secretary  
Human Services Department

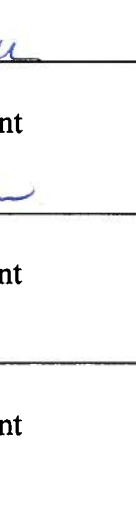
Date: 6/18/12

By:   
Chief Information Officer  
Human Services Department

Date: 6-18-12

By:   
Office of General Counsel  
Human Services Department


Date: 6/18/12

By:   
Contractor Policy Studies, Inc

Date: 6/13/12

The records of the Taxation and Revenue Department reflect that the Contractor is registered with the Taxation and Revenue Department of the State of New Mexico to pay gross receipts and compensating taxes.

ID Number: 02-170666-002


By:   
New Mexico Taxation and Revenue Department

Date: 6/21/12

By:   
Cabinet Secretary  
Department of Information Technology

Date: JUNE 27 2012

This PSC is approved by the New Mexico State Purchasing Agent:

By:   
New Mexico State Purchasing Agent

Date: 6/29/12