



TEXAS LOTTERY COMMISSION

REQUEST FOR PROPOSALS

FOR

SECURITY STUDY SERVICES

ISSUED September 9, 2019, 4:00 P.M. Central Time
Request for Proposal No. 362-2019-0004



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GLOSSARY OF TERMS

This Glossary assigns definitions to the listed terms. The definition given to a term listed in this Glossary applies whenever the term appears in this Request for Proposals (RFP) and in any response, including a Proposal, to this Request for Proposals.

Term	Definition
Apparent Successful Proposer	The Proposer recommended by the evaluation committee and approved by the Executive Director, subject to the execution of a completed contract.
Business Hours	The Texas Lottery's business hours are 8:00 a.m. to 5:00 p.m. CT, Monday through Friday, except State holidays.
Contract	The agreement entered into by the Texas Lottery and the Successful Proposer, which will incorporate the contents of this RFP and the Successful Proposer's Proposal, except as specifically provided to the contrary in the Contract and any amendments to the Contract.
Contract Award	The day of the contract announcement after the signing of a Contract between the Texas Lottery and the Successful Proposer.
CPA	Texas Comptroller of Public Accounts.
Day	A calendar day.
Executive Director	The Executive Director of the Texas Lottery Commission or an employee of the Texas Lottery Commission authorized to act on behalf of the Executive Director.
Executive Management	The Executive Director of the Texas Lottery Commission and the Charitable Bingo Operations Director.
Fiscal Year	The Texas Lottery's fiscal year, which begins on September 1 and ends on August 31 of the following year.
Historically Underutilized Business (HUB)	A Historically Underutilized Business is a business that is certified by the State of Texas that (1) is at least 51% owned by Asian Pacific Americans, Black Americans, Hispanic Americans, Native Americans, American women, and/or Veteran (as defined by 38 U.S.C. Section 101(2)) who have suffered at least a 20 percent service-connected disability as defined by 38 U.S.C. Section 101(16); (2) is a for-profit entity that has not exceeded the size standards prescribed by 34 Texas Administrative Code (TAC) §20.294, and has its principal place of business in Texas; and (3) has an owner residing in Texas with a proportionate interest who actively participates in the control, operations and management of the entity's affairs. For further explanation, see the Comptroller of Public Accounts (CPA) HUB rule definitions at 34 TAC §20.282.
HSP	The Historically Underutilized Business Subcontracting Plan (HSP) required by Chapter 2161 of the Texas Government Code



	and by Texas Lottery Commission Rule, 16 TAC §403.301 (See Attachment C.).
Intellectual Property Rights	The worldwide legal rights or interests evidenced by or embodied in: (i) any idea, design, concept, personality right, method, process, technique, apparatus, invention, discovery, enhancement or improvement, including any patents, trade secrets, and know-how; (ii) any work of authorship, including any copyrights, moral rights, reversionary rights or neighboring rights; and any derivative work thereto (iii) any trademark, service mark, trade dress, trade name, or other indicia of source or origin; (iv) domain names (v) any other proprietary or similar rights, and (vi) any applications, provisionals, registrations, renewals, continuations, continuations-in-part, or divisionals relating thereto. The Intellectual Property Rights of a party include all worldwide legal rights or interests that the party may have acquired by assignment or license with the right to grant sublicenses.
Major And Prime Contracts	The following Texas Lottery contracts are considered major or prime contracts: lottery operations and services, scratch (instant) ticket manufacturing and services, advertising services, lottery drawings certified public accounting services, document management services, drawings studio and production services, promotional products, TLC Headquarters lease, TLC warehouse lease, internal audit services, internal control system, security management system and monitoring services, risk review and compliance monitoring, security officer services, website hosting services, Houston claim center lease, trademark license and promotional agreements with the Dallas Cowboys and the Houston Texans. The Texas Lottery may add or delete major or prime contracts at its sole option.
Offered Option	Offered Options are not requested in the response to this RFP, but may be identified by the Proposer and included in its Proposal. A Proposer is not obligated to include an Offered Option in the Proposal. This is an opportunity for Proposers to offer options that the Texas Lottery may not have been aware of at the time the RFP was written. The Texas Lottery makes no commitment to quantity or timing for acquisition of Offered Options and offered options are not considered during evaluation of Proposals.
Proposal	All information and materials submitted by a Proposer in response to this RFP. This includes the sealed Cost Proposal, Technical Proposal, and other information and materials provided to the Texas Lottery by the Proposer prior to Contract Award.



Proposer	An individual or entity that submits a Proposal. The term includes anyone acting on behalf of the individual or entity that submits a Proposal, such as agents, employees and representatives.
Responsive Proposal	A Proposal submitted which conforms in all material respects to the RFP, as determined solely by the Texas Lottery.
RFP	This Request for Proposals.
SPD	Statewide Procurement Division (SPD) is a division of the Texas Comptroller of Public Accounts.
State	The State of Texas and its agencies, boards and commissions, officers and employees.
Subcontractor	A person who contracts with the Successful Proposer to work, to supply commodities, or contribute toward completing work for the Texas Lottery.
Successful Proposer	The Proposer with whom the Texas Lottery executes a Contract to provide the goods and services that this RFP requires.
Texas Lottery Commission, Texas Lottery, Lottery or TLC	That agency created by Chapters 466 and 467, Texas Government Code. The Texas Lottery Commission may be referred to as the Texas Lottery, Lottery or TLC throughout this document.
Working Days	Business days occurring Monday through Friday except for the legal holidays observed by the State of Texas. The terms “working days” and “business days” may be used interchangeably.
Works	Any tangible or intangible items or things that have been or will be prepared, created, maintained, serviced or developed by a Successful Proposer (or such third parties as the Successful Proposer may be permitted to engage) at any time following the effective date of the Contract, for or on behalf of TLC under the Contract, including but not limited to any (i) works of authorship (such as literary works, musical works, dramatic works, choreographic works, pictorial, graphic and sculptural works, motion pictures and other audiovisual works, sound recordings and architectural works, which includes but is not limited to lottery games, game names, game designs, ticket format and layout, manuals, instructions, printed material, graphics, artwork, images, illustrations, photographs, computer software, scripts, object code, source code or other programming code, HTML code, data, information, multimedia files, text web pages or web sites, other written or machine readable expression of such works fixed in any tangible media, and all other copyrightable works and any derivative works thereto), (ii) trademarks, service marks, trade dress, trade names, logos, or other indicia of source or origin, (iii) ideas, designs, concepts, personality rights, methods, processes, techniques, apparatuses, inventions, formulas,



	discoveries, enhancements or improvements, including any patents, trade secrets and know-how, (iv) domain names, (v) any copies, and similar or derivative works to any of the foregoing, (vi) all documentation and materials related to any of the foregoing, (vii) all other goods, services or deliverables to be provided to TLC under the Contract, and (viii) all Intellectual Property Rights in any of the foregoing.
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1 GENERAL INFORMATION

1.1 PURPOSE

- 1.1.1 The purpose of this Request for Proposals ("RFP") is to obtain Proposals from qualified Proposers to perform a comprehensive review and evaluation of security for the Texas Lottery, including cyber security, computer security, systems security, and all aspects of lottery security in accordance with:
- 1) The State Lottery Act, Tex. Gov't Code ch. 466, specifically §§ 466.020(e) – (f) (Attachment J);
 - 2) Texas Administrative Code (TAC), Title 1, Part 10, Chapter 202 (Attachment K); and
 - 3) Tex. Gov't Code §2054.077 (Attachment L)
- 1.1.2 This security study involves, but is not limited to, the Texas Lottery Commission, the Texas Lottery's lottery operator vendor (IGT Solutions Corporation, formerly IGT Corporation), the Texas Lottery's scratch ticket manufacturers (Scientific Games International, Pollard Banknote Limited Partnership and IGT Solutions Corporation), and other agency services contracts/vendors of the Texas Lottery Commission.
- 1.1.3 Proposers responding to this RFP are expected to provide the Texas Lottery with information, evidence and demonstrations that will permit awarding a contract in a manner that provides the best value to the Texas Lottery. Proposers must propose on all components and submit a single proposal for all services in response to this RFP.
- 1.1.4 Former or current Texas Lottery vendors are not prohibited from submitting a proposal. However, to enhance independence and objectivity, the Texas Lottery supports rotation of vendor assigned personnel in performance of Texas Lottery security study contracts.

1.2 OUR VISION AND MISSION

- 1.2.1 Vision – To be the preeminent Lottery and Charitable Bingo agency through innovative leadership.
- 1.2.2 Texas Lottery Mission – The Texas Lottery is committed to generating revenue for the State of Texas through the responsible management and sale of entertaining lottery products. The Texas Lottery will incorporate the highest standard of security, integrity and responsible gaming principles, set and achieve challenging goals, provide quality customer service and utilize a TEAM approach.
- 1.2.3 Charitable Bingo Mission – Provide authorized organizations the opportunity to raise funds for their charitable purposes by conducting bingo. Determine that all charitable bingo funds are used for a lawful purpose. Promote and maintain the integrity of the charitable bingo industry throughout Texas.



1.3 OUR CORE VALUES

- 1.3.1 Integrity and Responsibility — The Texas Lottery Commission works hard to maintain the public trust by protecting and ensuring the security of our lottery games, systems, drawings and operational facilities. We value and require ethical behavior by our employees, licensees and vendors. We promote the integrity of Charitable Bingo in Texas for the benefit of charitable organizations.
- 1.3.2 Innovation — We strive to incorporate innovation into our products to provide the citizens of Texas with the best entertainment experience available through our products. We pursue the use of technology that enhances the services that we provide to our customers and reduces our operating expenses. All proposed innovations must be authorized by Texas law, and do not include video lottery, casino gaming, internet-based lottery sales, fantasy sports, or any other activities not authorized by law.
- 1.3.3 Fiscal Accountability — We emphasize fiscal accountability by ensuring that all expenditures directly or indirectly generate revenue, enhance security, fulfill regulatory requirements, improve customer service and/or boost productivity. We recognize our responsibility in generating revenue for the State of Texas without unduly influencing players to participate in our games. We maximize benefits to charities through the continual examination and review of Charitable Bingo operations.
- 1.3.4 Customer Responsiveness — The Texas Lottery Commission takes pride in providing exemplary service to the people of Texas through the courteous dissemination of clear and accurate information about our products, services and regulatory functions. We seek and respond to feedback expressed by our employees, retailers, licensees and the playing and non-playing public. We apply this feedback in the development of our products and in the services that we provide.
- 1.3.5 Teamwork — We are committed to creating an environment of mutual respect where open, honest communication is our cornerstone. We embrace the diversity of our team and individual perspectives in working together to achieve our common goals.
- 1.3.6 Excellence — We strive for excellence by taking a position of leadership on issues that impact the Texas Lottery Commission and achieve challenging goals by focusing on our core values.

1.4 SCHEDULE OF EVENTS

The following time periods are set forth for informational and planning purposes only. The Texas Lottery reserves the right to change any of the time periods and will post all changes on the Electronic State Business Daily, <http://txsmartbuy.com/sp>, and/or the Texas Lottery website, <http://www.txlottery.org/> (Click on About Us, Doing Business with TLC, Procurement).



Date	Event
September 9, 2019 (4:00 p.m., CENTRAL TIME)	Issuance of RFP
September 24, 2019 (1:30 p.m., CENTRAL TIME)	Pre-Proposal Conference at Texas Lottery Headquarters
October 1, 2019 (4:00 p.m., CENTRAL TIME) (Late Questions will not be answered)	Written Questions Due
On or before October 9, 2019	Responses to Written Questions Issued
October 9, 2019 (4:00 p.m., CENTRAL TIME)	Final date for submission of draft HSP forms and final date to conduct one-on-one workshops (in person or via telephone conference)
October 22, 2019 (4:00 p.m., CENTRAL TIME) (Late Proposals will not be considered)	Deadline for Proposals
on or before December 5, 2019 (or as soon as possible thereafter)	Announcement of Apparent Successful Proposer

1.5 SUCCESSFUL PROPOSER’S / LOTTERY RELATIONSHIP

The Texas Lottery Commission is a part of the Executive Branch of Texas State Government. The Texas Lottery will not relinquish control over lottery operations. The Successful Proposer shall function under the supervision of the Texas Lottery. Its operations will be subject to the same scrutiny and oversight that would apply if all operations were performed by Texas Lottery employees. Accordingly, all operations must be conducted in adherence to applicable statutes and the highest ethical standards.

1.6 PROCUREMENT AUTHORITY

This RFP and all activities leading toward the execution of a written contract under this RFP are being conducted in accordance with the State Lottery Act (Tex. Gov't Code. §§ 466.001, et seq.), as amended; the Texas Lottery's administrative regulations (16 TAC §§ 401.101, et seq.); and other applicable laws of the State of Texas. All Proposers should read and be familiar with the State Lottery Act and 16 TAC §401.101.

1.7 PROPOSALS SUBJECT TO THE TEXAS PUBLIC INFORMATION ACT

1.7.1 The Texas Lottery is subject to the Texas Public Information Act (Act) (Chapter 552, Government Code). Proposals submitted to the Texas Lottery in response to this RFP are subject (in their entirety) to release by the Texas Lottery as public information. A Proposal,



or specific parts thereof, may, however, be shown by the Proposer to fall within one or more of the exceptions to disclosure provided in the Act, the State Lottery Act or other applicable law. **Marking an entire Proposal as “confidential” or “copyrighted” is unacceptable.** If a Proposer believes that parts of its Proposal are confidential under the Act, it should specify the confidential information by marking “Confidential” on each page or by each paragraph containing such information prior to submitting the Proposal to the Texas Lottery. In response to this section, Proposers shall provide the Texas Lottery with specific and detailed reasons for each item marked “Confidential”. Vague and general claims to confidentiality are not acceptable. This detail is necessary so that the Texas Lottery will have sufficient information to provide to the Attorney General of Texas, if a ruling regarding the confidentiality of such information is requested. Failure of a Proposer to respond to such notification may result in the release of all or part of the Proposal as public information. It is the Proposer’s obligation to submit briefing to the Attorney General setting forth the basis upon which the requested information should remain confidential. The Attorney General may determine all or part of a Proposal to be public information even though parts of the Proposal were marked “Confidential” by the Proposer. Additionally, see Sec. 552.0222 of the Act relating to contracting information that is considered public and must be released. (SB 943. Act of May 23, 2019, R.S., ch. 1216, Sec. 1, 2019 *Vernon’s Texas Session Law Service*, effective January 1, 2020.)

- 1.7.2 The Texas Lottery assumes no responsibility for asserting legal arguments to the Attorney General on behalf of Proposers.
- 1.7.3 Proposers are advised to consult with their legal counsel concerning disclosure issues resulting from this procurement process and to take precautions to safeguard trade secrets and other proprietary information.
- 1.7.4 Under SB 943 (Act of May 23, 2019, R.S., ch. 1216, Sec. 1, 2019 *Vernon’s Texas Session Law Service*, effective January 1, 2020): The requirements of Subchapter J of the Act may apply to this Proposal and the Proposer, contractor, or vendor agrees that the contract can be terminated if the Proposer, contractor or vendor knowingly or intentionally fails to comply with a requirement of that subchapter. *See Attachment I.*

1.8 MISUNDERSTANDING OR LACK OF INFORMATION

By submitting a Proposal, a Proposer covenants and agrees that it fully understands and will abide by the terms and conditions of the RFP and it will not make any claims for, or have any rights to, cancellation or relief without penalty because of any misunderstanding or lack of information. The Executive Director reserves the right to accept Proposals by waiving minor technicalities if the Executive Director, within his or her sole discretion, determines it to be in the best interests of the Texas Lottery. The decision of the Executive Director shall be conclusive, and subject to protest under Section 2.17 of this RFP.



1.9 REJECTION OF PROPOSALS AND CANCELLATION OF RFP

Issuance of this RFP and/or retention of Proposals does not constitute a commitment on the part of the Texas Lottery to award a Contract. The Texas Lottery maintains the right to reject any or all Proposals, and to cancel this RFP, if the Texas Lottery, in its sole discretion, considers it to be in its best interests to do so.

1.10 OWNERSHIP OF PROPOSALS

All materials submitted by a Proposer will become the property of the Texas Lottery and may be used as the Texas Lottery deems appropriate.

1.11 INCURRED EXPENSES

The Texas Lottery accepts no obligations for costs incurred in preparing and submitting a Proposal. Proposals shall be submitted at the sole expense of the Proposer. All Proposals shall be prepared simply and economically, providing a straightforward, concise delineation of the Proposer's capabilities to satisfy the requirements of this RFP.

1.12 PROPOSAL TENURE

All Proposals shall be valid for a period of one hundred and eighty (180) Days from the deadline for submitting Proposals.

1.13 NO TEXAS LOTTERY OBLIGATIONS

The Texas Lottery reserves the right to select qualified Proposals to this RFP without discussion of the Proposals with Proposers. It is understood that all Proposals will become a part of the Texas Lottery's official procurement files after the Contract has been awarded or the procurement has been terminated, and will be available for public inspection except for portions that the Proposer has designated as proprietary and confidential (see Sections 552.110 and 552.305 of the Public Information Act and RFP Section 1.7 above).

1.14 SUCCESSFUL PROPOSER'S OBLIGATIONS

The Successful Proposer shall always be responsible for the performance of any contractual obligations that may result from the award of the Contract and shall be liable for the non-performance of any or all Subcontractors.

1.15 CAPTIONS

The captions to the sections of this RFP are for convenience only and are not part of the RFP's substantive terms.



1.16 PARTS INCORPORATED

All attachments listed in the Table of Contents are incorporated into and expressly made a part of this RFP.



2 PROPOSAL PROCESS

2.1 CONTACT PERSON

The sole point of contact for communications concerning this RFP will be Tammy Williams, whose mailing address and email address, are as follows:

Tammy Williams CTCD, CTCM
Contract Specialist
Texas Lottery Commission
P. O. Box 16630
Austin, TX 78761-6630
Phone (512) 344-5351
contracts@lottery.state.tx.us

The Texas Lottery Headquarters physical address for deliveries is:

Tammy Williams CTCD, CTCM
Contracts Management and Procurement
Texas Lottery Commission
611 East 6th Street
Austin, TX 78701

2.2 PROHIBITION AGAINST UNAUTHORIZED CONTACT

- 2.2.1 The Texas Lottery is committed to a procurement process that maintains the highest level of integrity. Accordingly, Proposers, as well as their agents, liaisons, advocates, lobbyists, “legislative consultants,” representatives or others promoting their position, are limited to those communications authorized by and described in this RFP. Any attempt to influence any of the participants, whether that attempt is oral or written, formal or informal, direct or indirect, outside of this RFP process is strictly prohibited.
- 2.2.2 Should allegations of improper contact be made prior to Contract Award, the Executive Director may investigate those allegations and, in his sole discretion, disqualify a Proposer.

2.3 PRE-PROPOSAL CONFERENCE

Prospective Proposers should plan to attend a Pre-Proposal Conference to be held at the Texas Lottery Headquarters (611 East 6th Street, Austin, Texas). See the Schedule of Events for the date and time. The Pre-Proposal Conference will include an overview of the RFP and a presentation on the HUB Subcontracting Plan (HSP) requirements. A question-and-answer session will also take place regarding general, technical and HSP questions. Attendance at the Pre-Proposal Conference is recommended, but not mandatory. A video



of the Pre-Proposal Conference will be posted on the Texas Lottery website at www.txlottery.org. All prospective Proposers are highly encouraged to view the video.

2.4 INQUIRIES

- 2.4.1 Written inquiries concerning this RFP will be accepted and responses posted on the Electronic State Business Daily (ESBD), <http://txsmartbuy.com/sp>, and the Texas Lottery website, www.txlottery.org, according to the timetable established in the Schedule of Events. Inquiries received after the deadlines set in the Schedule of Events may be reviewed by the Texas Lottery, but will not be answered. Any addenda or amendments, whether made as a result of a prospective Proposer's written inquiries or otherwise, will be posted on the ESBD and the Texas Lottery website. It is the responsibility of the Proposer to check these websites for any additional information regarding this RFP.
- 2.4.2 Inquiries shall be submitted by email by the inquiry submission deadline to:
- contracts@lottery.state.tx.us
- 2.4.3 A Proposer shall inquire in writing and should obtain clarification as to any ambiguity, conflict, discrepancy, exclusionary specification, omission or error in this RFP (collectively, "errors") prior to submitting a Proposal, but in no event shall be entitled to additional compensation, relief or time by reason of any error or its later correction. If a Proposer fails to obtain written clarification of any errors, the Proposer shall submit a Proposal at its own risk; and, if awarded a Contract, the Proposer shall be deemed to have waived any claim to contest the Texas Lottery's interpretation thereof.

2.5 SUBMISSION OF PROPOSAL

- 2.5.1 Proposals must be delivered to Tammy Williams at the address provided in Section 2.1 and received no later than the deadline established in the Schedule of Events. Late Proposals will not be considered. No exceptions will be made.
- 2.5.2 The Proposer shall submit one (1) signed original and ten (10) copies of its Proposal. For Part 5 only, Proposers shall provide one (1) signed original and two (2) copies of all required HSP documentation. All Proposals submitted must be bound in a three-ring binder, organized and arranged to correspond directly with the numbered sections of this RFP, and all pages must be numbered. For Parts 1, 2 and 3 only, Proposers may provide a blanket acknowledgment and acceptance in lieu of a section-by-section response, unless a section requires a specific detailed answer from the Proposer. For Parts 4 and 6 only, Proposers shall provide a section-by-section response to the RFP. For Part 5, Proposers shall follow the instructions for completing and submitting a HSP.
- 2.5.3 If a Proposer is claiming any part(s) of its Proposal is confidential, the Proposer must provide a detailed response to Section 1.7 and mark the material as "Confidential". A Proposer may not amend a commitment to comply with a specific section of this RFP by a later reference back to that section.



- 2.5.4 The Proposer's Commitment (Attachment A) and the Background Information Certification (Attachment D-1) shall be signed by an officer or agent of the Proposer with authority to contractually bind the Proposer, and the attachment must be included with the original Proposal.
- 2.5.5 Proposers are required to propose a complete solution, in their Proposal, to the Texas Lottery's requirements. Any items not specifically requested, but integral to the requested services, shall be included in the Proposal and identified in the appropriate sections thereof.
- 2.5.6 Proposers responding to this RFP must fully and completely address all goods, services and other requirements described in this RFP. Incomplete or partial Proposals will not be considered. The Proposer shall provide all information that the Proposer believes would be helpful to the Texas Lottery in evaluating the Proposer's ability to fulfill the RFP requirements.
- 2.5.7 In addition to the printed Proposal, the Proposer must also submit one copy of the text portion of its Proposal, excluding the Cost Proposal, on a CD or USB drive in a searchable PDF file. If there is any disparity between the contents of the printed Proposal and the contents of the Proposal contained in electronic format, the contents of the printed Proposal shall take precedence. The electronic or soft copy required herein will not be accepted in lieu of the signed original and copies as required in Section 2.5.2.
- 2.5.8 Proposals that have been copyrighted, in whole or in part, by any Proposer are unacceptable and may be rejected as non-responsive.

2.6 RESPONSE FORMAT & CONTENTS

The Proposer must demonstrate its understanding of the requested goods and services and must address specifically, in writing, the Proposer's approach to providing each requirement in this RFP. Each Proposal must be organized in the manner described below:

- (a) Letter of Transmittal;
- (b) Executive Summary;
- (c) Section-by-section response to the RFP (see Section 2.5.2 above);
- (d) Sealed Cost Proposal (Attachment to the original proposal only);
- (e) Proposer's Commitment (Attachment A); and
- (f) Background Information Certification (Attachment D-1).

2.7 LETTER OF TRANSMITTAL

- 2.7.1 Proposers must submit a Letter of Transmittal that identifies the entity submitting the Proposal and includes a commitment by that entity to provide the goods and services required by the Texas Lottery in this RFP. The Letter of Transmittal must state that the Proposal is valid for one hundred and eighty (180) Days from the Day after the deadline for submitting Proposals. Any Proposal containing a term of less than one hundred and eighty (180) Days for acceptance shall be rejected. The Letter of Transmittal must be signed by a person(s) legally authorized to bind the Proposer to the representations in the Proposal. The Proposer should also indicate, in its Letter of Transmittal, why it believes it



is the most qualified Proposer to provide the goods and services required by the Texas Lottery in this RFP.

- 2.7.2 The Letter of Transmittal must include a statement of acceptance of the terms and conditions set forth in Part 3 of this RFP that will be included in the Contract. If the Proposer takes exception to any of the proposed terms and conditions, those exceptions must be noted in the Letter of Transmittal. Proposers shall provide specific and detailed reasons for each exception, together with suggested alternative language. Vague and general exceptions are not acceptable. Proposers should realize, however, that failure to accept the terms and conditions specified in Part 3 of the RFP may result in disqualification of the Proposal.

2.8 EXECUTIVE SUMMARY

- 2.8.1 Proposers must provide an executive summary of their Proposal (excluding cost information) that asserts that the Proposer is providing, in its Proposal, all the requirements of this RFP. If the Proposer is providing goods or services beyond those specifically requested, those goods or services must be identified. If the Proposer is offering goods or services that do not meet the specific requirements of this RFP, but in the opinion of the Proposer are equivalent or superior to those specifically requested, any such differences must be noted in the Executive Summary. The Proposer should realize, however, that failure to provide the goods and services specifically requested may result in disqualification.
- 2.8.2 The Proposer must demonstrate its understanding of the requested goods and services and must address specifically, in writing, the Proposer's approach to providing each requirement in this RFP.
- 2.8.3 The Executive Summary must not exceed five (5) pages and should represent a full and concise summary of the contents of the Proposal.

2.9 PROPOSER'S CONTRACTING AUTHORITY

The Proposer warrants and represents that the person named on the Proposer's Commitment (Attachment A) has the full right, power and is legally authorized to execute the Contract resulting from this RFP on behalf of the Proposer. Commitments must be unqualified, not limited, and fully commit the Proposer to provide the goods and services required under this RFP.

2.10 PROPOSER'S COST PROPOSAL

- 2.10.1 The Proposer must state its pricing for all goods and services rendered during the course of the proposed Contract, including any and all costs involved that are to be paid or reimbursed by the Texas Lottery. The pricing for the required goods and services is to be presented only in the format set forth in Attachment H of the RFP. Pricing information shall include all costs associated with providing the required goods and services and must be submitted in a separate, sealed envelope clearly marked as such, attached to the original



Proposal only. No reimbursement is available to the Successful Proposer beyond the amount agreed to be paid for the goods and services provided. Pricing agreed to in any resulting Contract shall be firm and remain constant through the life of the Contract.

2.10.2 The Proposer shall not disclose its Cost Proposal or other cost information in the body of its written Proposal. Including cost information in the written Proposal may be cause for disqualification.

2.11 MULTIPLE PROPOSALS

Each Proposer may submit only one Proposal. If a Proposer submits more than one Proposal, all Proposals from that Proposer may be rejected.

2.12 CHANGES, MODIFICATIONS AND CANCELLATION

The Texas Lottery reserves the right to make changes to and/or cancel this RFP and will post all changes and modifications, whether made as a result of a potential Proposer's written inquiries or otherwise, and cancellation notices on the Electronic State Business Daily and the Texas Lottery websites. **It is the responsibility of the Proposer to check these websites for any additional information regarding this RFP. If the Proposer fails to monitor the ESD and TLC websites for any changes or modifications to the RFP, such failure will not relieve the Proposer of its obligation to fulfill the requirements as posted.**

2.13 UPDATES TO INFORMATION SUPPORTING A PROPOSAL

Following the submission of Proposals and prior to the signing of a Contract, the Proposer is under a continuing obligation to notify the Texas Lottery in writing of any updates or changes to information offered in support of its Proposal that might reasonably be expected to affect the Texas Lottery's consideration of the Proposal. Nothing in this section shall be interpreted to permit the unilateral modification by a Proposer of its commitment to provide goods and services described in its Proposal as filed for the cost stated therein.

2.14 ADDITIONAL INFORMATION

By submitting a Proposal, the Proposer grants the Executive Director the right to obtain any information from any lawful source regarding the past history, practices, conduct, ability and eligibility under the State Lottery Act of the Proposer to supply goods, services and to fulfill requirements under this RFP, and the past history, practices, conduct, ability and eligibility of any director, officer or key employee of the Proposer. By submitting a Proposal, the Proposer generally releases from liability and waives all claims against any party providing information about the Proposer at the request of the Executive Director. Such information may be taken into consideration in evaluating Proposals.



2.15 PROPOSAL EVALUATION AND CONTRACT AWARD

- 2.15.1 The Texas Lottery Commission intends to conduct a fair, comprehensive and impartial evaluation of all Proposals received in response to this RFP using an evaluation committee. The evaluation committee will be selected by the Executive Director and may consist of Texas Lottery employees or outside individuals with expertise in particular areas. In addition, the Texas Lottery's General Counsel, other in-house legal counsel, and outside legal counsel may assist by advising the evaluation committee. Texas Lottery employees and consultants may also assist in the process as technical non-voting members of the evaluation committee.
- 2.15.2 Each member of the evaluation committee will independently score each Proposal responsive to this RFP. Evaluation committee members may seek, obtain and consider the opinions of other committee members or subject matter experts (including Texas Lottery staff, staff from other Texas agencies and consultants retained by the Texas Lottery) when evaluating and independently scoring particular areas of the Proposals.
- 2.15.3 The evaluation committee may request clarification of information or representations in a Proposal before completing the initial evaluation. Requests for clarification and responses to requests for clarification will be in writing and will become part of the evaluation record.
- 2.15.4 The procurement process will be conducted in accordance with 16 TAC §401.101.
- 2.15.5 At a minimum, the factors to be considered by the evaluation committee in evaluating Proposals shall include:
- (i) the proposer's price to provide the goods or services;
 - (ii) the probable quality of the offered goods or services;
 - (iii) The agency's evaluation of the likelihood of the proposal to produce the desired outcome for the agency, considering, among other criteria:
 - (I) the quality of the proposer's past performance in contracting with the agency, with other state entities, or with private sector entities;
 - (II) the qualifications of the proposer's personnel;
 - (III) the experience of the proposer in providing the requested goods or services;
 - (IV) the financial status of the proposer; and
 - (iv) whether the proposer performed the good faith effort required by the HUB subcontracting plan, when the agency has determined that subcontracting is probable.

The evaluation committee also may consider vendor performance reviews maintained by the Texas Comptroller of Public Accounts under Tex. Gov't Code §2262.055.

A copy of the scoring matrix is included as Attachment G.

- 2.15.6 A written notice of Contract Award will be posted on the ESBD, and sent to all Proposers immediately following execution of the Contract.



2.16 SITE VISITS AND/OR ORAL PRESENTATIONS

The Texas Lottery, in its sole discretion, reserves the right to conduct site visits and/or to require Proposers to make oral presentations prior to the Contract Award and may consider such presentations and visits when evaluating Proposals. Proposers will be notified in writing and will be provided with equal advance notification of site visits and/or oral presentation assignments and guidelines.

2.17 PROTEST PROCEDURE

Any protest shall be governed by Tex. Gov't Code §466.101 and 16 TAC §§ 401.102-103.



3 CONTRACTUAL TERMS AND CONDITIONS

3.1 INTRODUCTION

This part sets forth terms and conditions applicable to the procurement process as well as terms and conditions that will become part of the Contract. The Texas Lottery reserves the right to incorporate additional provisions in the Contract in the best interest of the Texas Lottery.

3.2 GOVERNING LAW AND VENUE

The procurement process, the award procedure, and the Contract shall be governed by, construed and interpreted in accordance with the applicable laws of the State of Texas. Any and all actions or suits brought by a Proposer or any related party regarding this RFP or the Contract shall be brought in the state district court located in Austin, Travis County, Texas. By submitting a Proposal, a Proposer is deemed to waive the right to bring any action in any other court. This section is purely a venue provision and shall not be deemed a waiver of sovereign immunity.

3.3 CONTRACT ELEMENTS

- 3.3.1 The Contract between the Texas Lottery and the Successful Proposer will follow the general format specified by the Texas Lottery. The Texas Lottery reserves the right to negotiate provisions in addition to those stipulated in this RFP. The contents of this RFP, as modified by published addenda or amendments, and the Successful Proposer's Proposal will be incorporated into the Contract. In the event of any conflict or contradiction between or among these documents, the documents shall control in the following order of precedence: the written Contract, the RFP, and the Successful Proposer's Proposal. Specific exceptions to this general rule may be noted in the Contract.
- 3.3.2 The Texas Lottery has determined that subcontracting opportunities are probable under this RFP. Therefore, the Texas Lottery requires the submission of an HSP as a part of each Proposal, as discussed further in Part 5 of this RFP. The HSP, if accepted by the Texas Lottery, will become a provision of the Contract.
- 3.3.3 If any term or provision of this RFP or the Contract is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the RFP or Contract shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

3.4 AMENDMENTS

The Contract may be amended only by written agreement signed by both parties.



3.5 NON-WAIVER

The failure of the Texas Lottery to object to, or to take affirmative action with respect to, any conduct of the Successful Proposer which is in violation or breach of the terms of the Contract shall not be construed as a waiver of the violation or breach, or of any future violation or breach. Nothing in this RFP, or the Contract, shall constitute or be construed as a waiver of any of the privileges, rights, defenses, remedies, or immunities available to the Texas Lottery Commission, as an agency of the State of Texas. The failure to enforce, or any delay in the enforcement, of any privileges, rights, defenses, remedies, or immunities available to the Texas Lottery Commission under this contract or under applicable law shall not constitute a waiver of such privileges, rights, defenses, remedies, or immunities, or be considered as a basis for estoppel.

3.6 CLARIFICATION OF TEXAS LOTTERY'S INTENT

It is the responsibility of the Successful Proposer to address and resolve all questions with the Texas Lottery's designated points of contact, and to achieve a clear understanding of all Texas Lottery requirements during each stage of the Contract term. The Texas Lottery will use reasonable efforts to provide timely responses to questions of policy or procedure as they may affect the Successful Proposer's performance. Key Texas Lottery staff will be available to the Successful Proposer on a reasonable basis, but may not be available on State or national holidays, as defined in Tex. Gov't Code §662.003 or weekends.

3.7 RELATIONSHIP OF THE PARTIES

The Successful Proposer and the Texas Lottery agree and understand that the Successful Proposer shall render the goods, services and requirements under the Contract as an independent contractor, and nothing contained in the Contract will be construed to create or imply a joint venture, partnership, employer/employee relationship, principal agent relationship or any other relationship between the parties. Employees of the Successful Proposer will not be considered employees of the Texas Lottery within the meaning of any federal, state, or local law, ordinance, or regulation including, but not limited to, laws, ordinances, or regulations concerning unemployment insurance, social security benefits, workers compensation, or withholding requirements. The Successful Proposer shall be responsible for complying with any such laws, ordinances, or regulations, and shall indemnify and hold harmless the Texas Lottery from any costs or damages, including attorney's fees, sustained by the Texas Lottery resulting from the Successful Proposer's breach of its obligations under this section. The Texas Lottery will withhold indemnified losses from payments to the Successful Proposer, or, if no payments are made, the Texas Lottery will make demand of payment of indemnified losses. The Successful Proposer must make payment within thirty (30) Days of the Texas Lottery's demand.



3.8 PAYMENT

- 3.8.1 All payments will be made in accordance with Tex. Gov't Code ch. 2251 ("Payments for Goods and Services"). The Successful Proposer shall submit separate invoices monthly for the previous month's services in a format prescribed by the Texas Lottery. Each invoice shall note the contract number, services rendered and date of services. Invoices may be submitted by mail to the Texas Lottery Commission, P. O. Box 16630, Austin, Texas 78761-6630, Attn: Accounts Payable or by e-mail to AccountsPayable@lottery.state.tx.us. Payments will be made only upon the completion of services or after the delivery of goods authorized in an approved invoice.
- 3.8.2 Under Tex. Gov't Code §2251.025, interest is not due on a payment until it becomes "overdue." A payment is not "overdue" until the 31st day after the latter of: (1) the date the Texas Lottery receives the goods covered by the contract; (2) the date the performance of service under the contract is completed; or (3) the date the Texas Lottery receives an invoice for the goods or services. Tex. Gov't Code §2251.021. Services are "completed" when accepted by the Texas Lottery.
- 3.8.3 The Successful Proposer agrees that if the Texas Comptroller of Public Accounts is prohibited from issuing a warrant to the Successful Proposer under Tex. Gov't Code §403.055, any payments owed to the Successful Proposer under the Contract will be applied towards the debt or delinquent taxes that the Successful Proposer owes the State of Texas until the debt or delinquent taxes are paid in full.

3.9 ASSIGNMENTS

- 3.9.1 No right or obligation of the Successful Proposer under the Contract may be assigned by the Successful Proposer without the prior written approval of the Texas Lottery, and in the event of any such approval, the terms and conditions hereof shall apply to and bind the party or parties to whom the right or obligation is assigned as fully and completely as the Successful Proposer is hereunder bound and obligated. No assignment shall operate to release the Successful Proposer from its liability for the timely and effective performance of its obligations hereunder. Assignments made in violation of this provision shall be null and void.
- 3.9.2 Subject to the limitations on assignment contained herein, the Contract shall inure to the benefit of, and be binding upon, the successors and assigns of the respective parties hereto.

3.10 SUBCONTRACTING

- 3.10.1 If any part of the Contract between the Texas Lottery and the Successful Proposer is to be subcontracted, the Successful Proposer must obtain prior written approval from the Texas Lottery, and the Subcontractor must comply with all applicable requirements of the Texas Lottery. The Texas Lottery reserves the sole right to require the Successful Proposer to terminate any Subcontractor with or without cause.



- 3.10.2 In the event the Texas Lottery approves of the use of any Subcontractor under an approved HUB Subcontracting Plan in accordance with Part 5, the Successful Proposer is not relieved of its responsibility and obligation to meet all the requirements of this RFP.
- 3.10.3 The Texas Lottery will incur no additional obligations and the obligations of the Successful Proposer will not be reduced as a result of any such subcontracts.
- 3.10.4 The Successful Proposer agrees to indemnify and hold the Texas Lottery harmless from all claims and actions of the Successful Proposer's Subcontractors. The Texas Lottery will withhold indemnified losses from payments to the Successful Proposer, or, if no payments are made, the Texas Lottery will make demand of payment of indemnified losses. The Successful Proposer must make payment within thirty (30) Days of the Texas Lottery's demand.
- 3.10.5 The Successful Proposer's obligation to pay Subcontractors is governed by Tex. Gov't Code §2251.022 ("Time for Payment by Vendor"), as it may be amended.

3.11 LOTTERY APPROVAL OF STAFFING

- 3.11.1 The Successful Proposer shall not employ or contract with or permit the employment of unfit or unqualified persons or persons not skilled in the tasks assigned to them. The Successful Proposer shall at all times employ sufficient labor to carry out functions and services in the manner and time prescribed by the Contract. "Unfit" is defined as any person convicted of a felony, criminal fraud, gambling or gambling-related offense or a person convicted of a misdemeanor involving moral turpitude whose sentence, parole, mandatory supervision or probation ended less than ten (10) years ago. (See Section 3.12.) The Successful Proposer shall be responsible to the Texas Lottery for the acts and omissions of the Successful Proposer's employees, agents (including, but not limited to, lobbyists) and Subcontractors and the Successful Proposer shall enforce strict discipline among the Successful Proposer's employees, agents (including, but not limited to, lobbyists) and Subcontractors performing the services under the Contract.
- 3.11.2 The Successful Proposer shall provide the Texas Lottery written notification and justification within three (3) Working Days of any changes involving the Successful Proposer's key personnel (as defined by the Proposer in Section 4.4) assigned to the Texas Lottery account. The Successful Proposer shall provide the Texas Lottery with the résumé of the person who is to be hired or placed on the TLC account and must receive written approval from the Texas Lottery prior to the person's working on the account.
- 3.11.3 Notwithstanding anything herein to the contrary, any person employed by the Successful Proposer shall, at the written request of the Texas Lottery, and within the Texas Lottery's sole discretion, be removed immediately by the Successful Proposer from work relating to the Contract.



3.12 BACKGROUND INVESTIGATIONS

- 3.12.1 Under Tex. Gov't Code §466.103, the Executive Director of the Texas Lottery is prohibited from awarding a contract for goods or services related to lottery operations to a person or legal entity who would not qualify for a sales agent license under the requirements of Tex. Gov't Code §466.155.
- 3.12.2 The Texas Lottery Commission may initiate investigations into the backgrounds of (a) the Successful Proposer; (b) any of the Successful Proposer's officers, directors, investors, owners, partners and other principals, as more particularly described in Tex. Gov't Code §466.155 (collectively, Successful Proposer Principals); (c) any of the Successful Proposer's employees; (d) any of the Successful Proposer's Subcontractors, or any of the Subcontractors' officers, directors, investors, owners, partners, principals or employees (collectively, Subcontractor Personnel); or (e) any other associates of the Successful Proposer it deems appropriate. The Texas Lottery Commission may also request background information for a spouse, child, brother, sister or parent residing as a member of the same household in the principal place of residence of the Successful Proposer, any Successful Proposer Principals, or Successful Proposer employees described above. Such background investigations may include fingerprint identification by the Texas Department of Public Safety, the Federal Bureau of Investigation, and any other law enforcement agency. The Texas Lottery may terminate the Contract based solely upon the results of these background investigations. (See Attachment D.)
- 3.12.3 The Successful Proposer agrees that, during the term of the Contract and any renewal thereof, it shall be obligated to provide such information about any Successful Proposer Principals, Successful Proposer employees, and Subcontractor Personnel as the Texas Lottery may prescribe. The Successful Proposer also agrees that the Texas Lottery may conduct background investigations of such persons.
- 3.12.4 Upon notification by the Texas Lottery to the Successful Proposer that the Texas Lottery objects to an employee based on the results of a background investigation, the Successful Proposer shall prevent that employee from working on the Texas Lottery account and shall deny that employee access to the Texas Lottery systems.

3.13 COMPLIANCE

The Successful Proposer agrees to comply with all applicable laws, rules and regulations, including without limitation those involving non-discrimination on the basis of race, color, religion, national origin, age, sex and disability.

3.14 TERM OF CONTRACT

- 3.14.1 The Contract will commence on execution date and continue through August 31, 2020, subject to the termination provisions in this RFP and subject to the Texas Lottery being continued and funded by the Texas Legislature.



3.14.2 At the end of the Contract term, or upon earlier termination under any provision of this Contract, the Successful Proposer shall, in good faith and with reasonable cooperation, aid in the transition to any new arrangement and provider, if requested by the Texas Lottery.

3.15 TERMINATION AT WILL

The Texas Lottery, in its sole discretion, may terminate, in whole or in part, the Contract at will and without cause, upon no less than thirty (30) Days' advance written notice. The Texas Lottery also may terminate the Contract immediately with written notice if the Executive Director, in his or her sole judgment, believes that the integrity or security of the Texas Lottery is in jeopardy and it is in the best interest of the Texas Lottery to do so. The Texas Lottery's right to terminate for convenience the Contract is cumulative of all rights and remedies which exist now or in the future.

3.16 TERMINATION FOR CAUSE

The Texas Lottery reserves the right to terminate the Contract, in whole or in part unless otherwise provided by the Federal Bankruptcy Code or any successor law, upon no less than five (5) Days' notice under any of the following conditions:

- (a) A receiver, conservator, liquidator or trustee of the Successful Proposer, or of any of its property, is appointed by order or decree of any court or agency or supervisory authority having jurisdiction; or an order for relief is entered against the Successful Proposer under the Federal Bankruptcy Code; or the Successful Proposer is adjudicated bankrupt or insolvent; or any portion of the property of the Successful Proposer is sequestered by court order and such order remains in effect for more than thirty (30) Days after such party obtains knowledge thereof; or a petition is filed against the Successful Proposer under any state, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation, or receivership law of any jurisdiction, whether now or hereafter in effect, and such petition is not dismissed within thirty (30) Days, or
- (b) The Successful Proposer makes an assignment for the benefit of its creditors, or admits in writing its inability to pay its debts generally as they become due, or consents to the appointment of a receiver, trustee, or liquidator of the Successful Proposer or of all or any part of its property; or judgment for the payment of money in excess of \$50,000.00 (which is not covered by insurance) is rendered by any court or governmental body against the Successful Proposer, and the Successful Proposer does not discharge the same or provide for its discharge in accordance with its terms, or procure a stay of execution thereof within thirty (30) Days from the date of entry thereof, and within said 30-Day period or such longer period during which execution of such judgment shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal while providing



such reserves therefore as may be required under generally accepted accounting principles; or a writ or warrant of attachment or any similar process shall be issued by any court against all or any material portion of the property of the Successful Proposer, and such writ or warrant of attachment or any similar process is not released or bonded within thirty (30) Days after its entry, or

- (c) A court of competent jurisdiction finds that the Successful Proposer has failed to adhere to any laws, ordinances, rules, regulations or orders of any public authority having jurisdiction, or
- (d) The Successful Proposer fails to communicate with the Texas Lottery as required by the Contract, or
- (e) The Successful Proposer fails to remove any person from work relating to the Contract upon written notice from the Texas Lottery, or
- (f) The Successful Proposer breaches the RFP's standard of confidentiality with respect to this RFP or the goods or services provided thereunder, or
- (g) The Texas Lottery makes a written determination that the Successful Proposer has failed to substantially perform under the Contract and specifies the events resulting in the Texas Lottery's determination thereof, or
- (h) The Successful Proposer fails to comply with any of the terms, conditions or provisions of the Contract, in any manner whatsoever, or
- (i) The Successful Proposer engages in any conduct that results in a negative public impression including, but not limited to, creating even an appearance of impropriety with respect to the Texas Lottery, Texas Lottery games, the Successful Proposer, or the State of Texas.

3.17 TERMINATION RELATED TO AVAILABILITY OF LEGISLATIVE APPROPRIATIONS

All obligations of the Texas Lottery are subject to the availability of legislative appropriations, and are subject to statutory restrictions of the Texas Legislature and the Texas Constitution. The Successful Proposer acknowledges the ability of the Texas Lottery to make payments under the Contract is contingent upon the continued availability and authorization for expenditure of funds. The Successful Proposer further acknowledges funds may not be specifically appropriated for the Contract and the Texas Lottery's continual ability to make payments under the Contract is contingent upon the funding levels appropriated to the agency. The Texas Lottery will use all reasonable and lawful efforts to ensure funds are available. The Successful Proposer agrees if future levels of funding for the Texas Lottery are not sufficient to continue operations without operational reductions,



the Texas Lottery, in its sole discretion, may terminate the Contract, either in whole or in part. In the event of such termination, the Texas Lottery will not be considered to be in default or breach under the Contract, nor shall it be liable for any damages or other amounts caused by or associated with such termination. The Texas Lottery shall make reasonable best efforts to provide advance written notice of Contract termination to the Successful Proposer. In the event of termination, the Successful Proposer shall, unless otherwise mutually agreed upon in writing, cease all work immediately. The Texas Lottery shall be liable for payments limited only to the portion of work the agency authorized in writing before the termination date that the Successful Proposer has completed, delivered to the agency, and that is accepted by the agency.

3.18 TERMINATION WITHOUT PENALTY

Under Tex. Gov't Code §466.014(c), the Executive Director is permitted to terminate the Contract, without penalty, if an investigation reveals that the Successful Proposer would not be eligible for a sales agent license under Tex. Gov't Code §466.155.

3.19 NO LIABILITY UPON TERMINATION

If the Contract is terminated for any reason, the Texas Lottery and the State of Texas shall not be liable to the Successful Proposer for any damages, losses, financial obligations, breach of contract, or any other claims or amounts arising from or related to any such termination. However, the Successful Proposer may be entitled to the remedies provided in Tex. Gov't Code ch. 2260.

3.20 WARRANTIES

- 3.20.1 The Successful Proposer warrants and agrees that it is lawfully organized and constituted under all applicable national, international, state and local laws, ordinances and other authorities of its domicile and is otherwise in full compliance with all legal requirements of its domicile.
- 3.20.2 The Successful Proposer warrants and agrees that it has the legal authority and capacity to enter into and perform the Contract, and that it has the financial ability to perform its obligations under such Contract.
- 3.20.3 The Successful Proposer warrants and agrees that it is duly authorized to operate and do business in all places where it will be required to do business under the Contract; that it has obtained or will obtain all necessary licenses and permits required in connection with such Contract; and that it will fully comply with all laws, decrees, labor standards and regulations of its domicile and wherever performance occurs during the term of such Contract.
- 3.20.4 The Successful Proposer warrants and agrees that it has no present interest and shall not acquire, or assign to any third party, any interest that would conflict in any manner with its duties and obligations under the Contract.



- 3.20.5 The Successful Proposer warrants and agrees that all goods and services it supplies in its performance under the Contract shall meet the performance standards required thereunder and shall be performed in a prompt, high quality, professional and competent manner using only qualified personnel.
- 3.20.6 The Successful Proposer warrants and agrees that it shall not take any action inconsistent with any of the terms, conditions, agreements, or covenants set forth in this RFP without the express written consent of the Texas Lottery.
- 3.20.7 The Successful Proposer warrants that it is eligible for a sales agent license under Tex. Gov't Code §466.155 (Chapter 466 is also known as the State Lottery Act).
- 3.20.8 The Successful Proposer warrants and agrees that it shall not sell, assign, lease, transfer, pledge, hypothecate, or otherwise dispose of any component of any goods or system proposed in response to the RFP or any interest therein, or permit any of it to become a fixture or accession to other goods or property.

3.21 LICENSES AND PERMITS

The Successful Proposer shall obtain, maintain and pay for all licenses, permits and certificates, including all professional licenses required by any statute, ordinance, rule or regulation. The Successful Proposer shall immediately notify the Texas Lottery of any suspension, revocation or other detrimental action against its licenses, permits or certificates.

3.22 SUCCESSFUL PROPOSER SITE VISITS

The Texas Lottery shall have the free and unrestricted right, acting by itself or through its authorized representatives, to enter the premises of the Successful Proposer and any Subcontractors, and to enter any other sites involved in providing goods and/or services under the Contract, to examine their operations and to inspect and copy the records of the Successful Proposer and/or Subcontractors pertaining to goods and services provided under the Contract. The Successful Proposer agrees that the Successful Proposer and its Subcontractors shall implement all reasonable quality control and security procedures requested by the Texas Lottery or representatives as designated by the Texas Lottery. The Texas Lottery will use reasonable efforts not to disrupt the normal business operations of the Successful Proposer (or Subcontractor, as applicable) during site visits announced or unannounced.

3.23 INTELLECTUAL PROPERTY RIGHTS

- 3.23.1 *Ownership.* As between the Successful Proposer and the Texas Lottery, the Works and Intellectual Property Rights in the Works are and shall be owned exclusively by the Texas Lottery, and not the Successful Proposer. The Successful Proposer specifically agrees that all Works shall be considered “works made for hire” and that the Works shall, upon creation, be owned exclusively by the Texas Lottery. To the extent that the Works, under applicable law, may not be considered works made for hire, the Successful Proposer hereby



agrees that the Contract transfers, grants, conveys, assigns, and relinquishes exclusively to the Texas Lottery all right, title and interest in and to the Works, and all Intellectual Property Rights in the Works, without the necessity of any further consideration, and the Texas Lottery shall be entitled to obtain and hold in its own name all Intellectual Property Rights in and to the Works, subject to any exceptions with respect to pre-existing or third party rights as set forth below.

- 3.23.2 *Ownership of Prior Rights by the Texas Lottery.* All property and tangible or intangible items, including the Intellectual Property Rights therein, that were created, developed or owned by the Texas Lottery prior to the issuance of this RFP or execution of the Contract (e.g., copyrights, trademarks, etc.) shall continue to be exclusively owned by the Texas Lottery, and the Successful Proposer shall have no ownership thereof, and no rights thereto, other than the limited, non-exclusive right to use such property or tangible and intangible items solely for the purposes set forth in this RFP or the Contract, if any, and only for the duration of such Contract.
- 3.23.3 *Ownership of Prior Rights by the Successful Proposer.* All property and tangible or intangible items, including the Intellectual Property Rights therein, that were created, developed or owned by the Successful Proposer prior to the issuance of this RFP shall continue to be exclusively owned by the Successful Proposer, and the Texas Lottery shall have no ownership thereof, and no rights thereto, other than the limited, non-exclusive right to use such property or tangible or intangible items solely for the purposes set forth in this RFP or the Contract. All intellectual property relating to the goods and/or services set forth herein or under the Contract, including the Intellectual Property Rights in those goods and/or services, that was created, developed or licensed by the Successful Proposer prior to the issuance of this RFP or the execution of the Contract, or during the term of the Contract, to the extent such intellectual property is not considered "Works" as defined above, shall be, and is, licensed to the Texas Lottery on a non-exclusive, perpetual, irrevocable, royalty-free, worldwide basis, to allow the Texas Lottery or its designees to provide, and continue to provide, the goods and services set forth herein or under the Contract, including after the expiration or termination of the Contract.
- 3.23.4 *Further Actions.* The Successful Proposer, upon request and without further consideration, shall perform any acts that may be deemed necessary or desirable by the Texas Lottery to evidence more fully the transfer of ownership of all Works to the Texas Lottery to the fullest extent possible, including but not limited to the execution, acknowledgement and delivery of such further documents in a form determined by the Texas Lottery. In the event the Texas Lottery shall be unable for any reason to obtain the Successful Proposer's signature on any document necessary for any purpose set forth in the foregoing sentence, the Successful Proposer hereby irrevocably designates and appoints the Texas Lottery and its duly authorized officers and agents as the Successful Proposer's agent and the Successful Proposer's attorney-in-fact to act for and in the Successful Proposer's behalf and stead to execute and file any such document and to do all other lawfully permitted acts to further any such purpose with the same force and effect as if executed and delivered by the Successful Proposer.



- 3.23.5 *Waiver of Moral Rights.* The Successful Proposer hereby irrevocably and forever waives, and agrees never to assert, any Moral Rights in or to the Works which the Successful Proposer may now have or which may accrue to the Successful Proposer's benefit under U.S. or foreign copyright laws and any and all other residual rights and benefits which arise under any other applicable law now in force or hereafter enacted. The term "Moral Rights" shall mean any and all rights of paternity or integrity of the Works, the right to object to any modification, translation or use of the Works, any automatic reversion or right to demand a reversion of ownership of the Works or Intellectual Property Rights therein from the Texas Lottery to the Successful Proposer, and any similar rights existing under the judicial or statutory law of any country in the world or under any treaty, regardless of whether or not such right is denominated or referred to as a moral right.
- 3.23.6 *Confidentiality.* All Works and all materials forwarded to the Successful Proposer by the Texas Lottery for use in and preparation of the Works, shall be deemed the confidential information of the Texas Lottery, and the Successful Proposer shall not use, disclose, or permit any person to use or obtain the Works, or any portion thereof, in any manner without the prior written approval of the Texas Lottery.
- 3.23.7 *Injunctive Relief.* The RFP and the Contract are intended to protect the Texas Lottery's proprietary rights pertaining to the Works, and the Intellectual Property Rights therein, and any misuse of such rights would cause substantial and irreparable harm to the Texas Lottery's business. Therefore, the Successful Proposer acknowledges and stipulates that a court of competent jurisdiction should immediately enjoin any material breach of the intellectual property, licensing, and confidentiality provisions of the RFP or Contract, upon a request by the Texas Lottery, without requiring a bond or proof of irreparable injury as same should be presumed.
- 3.23.8 *Return of Works.* Upon the request of the Texas Lottery, but in any event upon expiration or termination of the Contract, the Successful Proposer shall surrender to the Texas Lottery all documents and things pertaining to the Works, including but not limited to drafts, memoranda, notes, records, drawings, manuals, computer software, reports, data, and all other documents or materials (and copies of same) generated or developed by the Successful Proposer or furnished by the Texas Lottery to the Successful Proposer, including all materials embodying the Works, any Texas Lottery confidential information, or Intellectual Property Rights, regardless of whether complete or incomplete. This section is intended to apply to all Works made or compiled by the Successful Proposer, as well as to all documents and things furnished to the Successful Proposer by the Texas Lottery or by anyone else that pertains to the Works.
- 3.23.9 *Successful Proposer's Name or Logo.* The Successful Proposer shall not affix its company name, label, logo, or any other similar identifying information to or on any products, equipment or any other goods provided under the Contract.

3.24 PRE-EXISTING AND THIRD PARTY RIGHTS

- 3.24.1 To the extent that any pre-existing rights and/or third party rights or limitations are embodied, contained, reserved or reflected in the Works, the Successful Proposer shall



either (a) grant to the Texas Lottery the irrevocable, perpetual, non-exclusive, worldwide, royalty-free right and license to (i) use, execute, reproduce, display, perform, distribute copies of, and prepare derivative works based upon such pre-existing rights and any derivative works thereof in connection with the sale, offering for sale, marketing, advertising, and promotion of the Texas Lottery's goods and services, and in all forms of media, media channels and/or publicity that may now exist or hereafter be created or developed, including but not limited to television, radio, print, Internet, and social media (e.g., Facebook, Twitter, YouTube, etc.) and (ii) authorize others to do any or all of the foregoing, or (b) where the obtaining of the aforementioned rights is not reasonably practical or feasible, provide written notice to the Texas Lottery of such pre-existing or third party rights or limitations, request the Texas Lottery's approval of such pre-existing or third party rights, obtain a limited right and license to use such pre-existing or third party rights on such terms as may be reasonably negotiated, and obtain the Texas Lottery's written approval of such pre-existing or third party rights and the limited use of same. The Successful Proposer shall provide the Texas Lottery with documentation indicating a third party's written approval for the Successful Proposer to use any pre-existing or third party rights that may be embodied, contained, reserved or reflected in the Works. The Successful Proposer shall indemnify, defend and hold the Texas Lottery harmless from and against any and all claims, demands, regulatory proceedings and/or causes of action, and all losses, damages, and costs (including attorneys' fees and settlement costs) arising from or relating to, directly or indirectly, any claim or assertion by any third party that the Works infringe any third party rights. The foregoing indemnity obligation shall not apply to instances in which the Texas Lottery either (y) exceeded the scope of the limited license that was previously obtained by the Successful Proposer and agreed to by the Texas Lottery, or (z) obtained information or materials, independent of the Successful Proposer's involvement or creation, and provided such information or materials to the Successful Proposer for inclusion in the Works, and such information or materials were included by the Successful Proposer, in an unaltered and unmodified fashion, in the Works.

- 3.24.2 The Successful Proposer agrees that it shall have and maintain, during performance of the Contract, written agreements with all employees, Subcontractors, or agents engaged by the Successful Proposer in performance hereunder, granting the Successful Proposer rights sufficient to support all performance and grants of rights by the Successful Proposer. Copies of such agreements shall be provided to the Texas Lottery promptly upon request.

3.25 REMEDIATION

If the Works or the Intellectual Property Rights therein become the subject of a lawsuit or claim of infringement, or the Successful Proposer becomes aware that such items are likely to become the subject of a lawsuit or claim of infringement, the Successful Proposer shall exercise one (1) of the following two (2) options in order to provide the Texas Lottery with continued and uninterrupted use of the Works and Intellectual Property Rights therein: (a) obtain for the Texas Lottery the right to continue the use of the alleged infringing Works at no additional cost to the Texas Lottery, or (b) obtain alternative, substitute or new Works for the allegedly infringing Works, which are of equivalent or superior quality to the



allegedly infringing Works, at no additional cost to the Texas Lottery, and subject to the acceptance of the Texas Lottery in its sole discretion.

3.26 ACCOUNTING RECORDS

The Successful Proposer and its Subcontractors are required to maintain and retain their books, records, information and any and all other supporting fiscal documents relevant to showing any payments under the Contract were expended in accordance with the laws and regulations of the State of Texas, including, but not limited to, requirements of the Texas Comptroller of Public Accounts and the Texas State Auditor. These records shall be available to the Texas Lottery, its internal auditors or external auditors (and other designees) and the Texas State Auditor at all times during the Contract period and for a period of seven (7) full years after (i) the expiration date of the Contract, or (ii) final payment under the Contract, whichever is later.

3.27 RIGHT TO AUDIT

The Successful Proposer understands that acceptance of state funds under this Contract acts as acceptance of the authority of the State Auditor's Office to conduct an audit or investigation in connection with those funds. The Successful Proposer further agrees to cooperate fully with the State Auditor's Office in the conduct of the audit or investigation, including providing all records requested. The Successful Proposer will ensure that this clause concerning the State Auditor's Office's authority to audit state funds and the requirement to cooperate fully with the State Auditor's Office is included in any subcontracts it awards. Additionally, the State Auditor's Office shall at any time have access to and the rights to examine, audit, excerpt, and transcribe any pertinent books, documents, audit documentation, and records of the Successful Proposer relating to this Contract for any purpose.

3.28 INDEMNIFICATION

3.28.1 THE SUCCESSFUL PROPOSER SHALL INDEMNIFY, DEFEND AND HOLD THE TEXAS LOTTERY, ITS COMMISSION MEMBERS, THE STATE OF TEXAS, AND ITS AGENTS, ATTORNEYS, EMPLOYEES, REPRESENTATIVES AND ASSIGNS (THE "INDEMNIFIED PARTIES") HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, CAUSES OF ACTION, LIABILITIES, LAWSUITS, LOSSES, DAMAGES, COSTS, EXPENSES OR ATTORNEYS' FEES (COLLECTIVELY, "CLAIM"), AND INCLUDING ANY LIABILITY OF ANY NATURE OR KIND ARISING OUT OF A CLAIM FOR OR ON ACCOUNT OF THE WORKS, OR OTHER GOODS, SERVICES OR DELIVERABLES PROVIDED AS THE RESULT OF THE CONTRACT, WHICH MAY BE INCURRED, SUFFERED, OR REQUIRED IN WHOLE OR IN PART BY AN ACTUAL OR ALLEGED ACT OR OMISSION OF THE SUCCESSFUL PROPOSER, OR A SUBCONTRACTOR OF THE SUCCESSFUL PROPOSER, OR ANY PERSON DIRECTLY OR INDIRECTLY EMPLOYED BY THE



SUCCESSFUL PROPOSER OR A SUBCONTRACTOR OF THE SUCCESSFUL PROPOSER, WHETHER THE CLAIM IS BASED ON NEGLIGENCE, STRICT LIABILITY, INTELLECTUAL PROPERTY INFRINGEMENT OR ANY OTHER CULPABLE CONDUCT, WHETHER FRIVOLOUS OR NOT. THE FOREGOING INDEMNITY OBLIGATIONS OF THE SUCCESSFUL PROPOSER SHALL NOT APPLY TO CLAIMS ARISING OUT OF OR RELATED TO THE EXCEPTIONS (Y) AND (Z) SET FORTH IN SECTION 3.24.1 ABOVE.

- 3.28.2 THE SUCCESSFUL PROPOSER'S LIABILITY SHALL EXTEND TO AND INCLUDE ALL REASONABLE COSTS, EXPENSES AND ATTORNEYS' FEES INCURRED OR SUSTAINED BY THE INDEMNIFIED PARTIES IN: (A) MAKING ANY INVESTIGATION AND IN PROSECUTING OR DEFENDING ANY CLAIM ARISING OUT OF OR IN CONNECTION WITH THE WORKS, OR OTHER GOODS, SERVICES OR DELIVERABLES PROVIDED UNDER THE CONTRACT (INCLUDING BUT NOT LIMITED TO ANY CLAIM THAT ALL OR ANY PORTION OF THE WORKS INFRINGES THE PATENT, COPYRIGHT, TRADE SECRET, TRADEMARK, CONFIDENTIAL INFORMATION, OR OTHER INTELLECTUAL PROPERTY RIGHTS OF ANY THIRD PARTY); (B) OBTAINING OR SEEKING TO OBTAIN A RELEASE THEREFROM; OR (C) ENFORCING ANY OF THE PROVISIONS CONTAINED IN THIS RFP OR THE CONTRACT. THE TEXAS LOTTERY WILL WITHHOLD ALL INDEMNIFICATION COSTS AND RELATED EXPENSES AND FEES (INCURRED OR SUSTAINED BY THE INDEMNIFIED PARTIES) FROM PAYMENTS TO THE SUCCESSFUL PROPOSER UNDER THE CONTRACT, OR IF NO CONTRACT PAYMENTS ARE TO BE MADE, THE TEXAS LOTTERY WILL MAKE DEMAND OF PAYMENT FROM THE SUCCESSFUL PROPOSER OR SEEK RECOVERY AGAINST THE SUCCESSFUL PROPOSER'S PERFORMANCE BOND. THE INDEMNIFIED PARTIES, UPON GIVING NOTICE TO THE SUCCESSFUL PROPOSER, SHALL HAVE THE RIGHT IN GOOD FAITH TO PAY, SETTLE OR COMPROMISE, OR LITIGATE ANY CLAIM UNDER THE BELIEF THAT THE CLAIM IS WELL FOUNDED, WHETHER IT IS OR NOT, WITHOUT THE CONSENT OR APPROVAL OF THE SUCCESSFUL PROPOSER. THE TEXAS LOTTERY HAS SOLE DISCRETION AS TO THE CHOICE AND SELECTION OF ANY ATTORNEY WHO MAY REPRESENT THE TEXAS LOTTERY. TO THE EXTENT THAT THE SUCCESSFUL PROPOSER MAKES ANY PAYMENTS TO OR ON BEHALF OF THE INDEMNIFIED PARTIES UNDER THE CONTRACT, AND TO THE EXTENT PERMISSIBLE BY LAW, THE SUCCESSFUL PROPOSER SHALL BE FULLY SUBROGATED TO ALL RIGHTS AND CLAIMS OF THE INDEMNIFIED PARTIES IN CONNECTION THEREWITH. IN ANY EVENT, THE INDEMNIFIED PARTIES SHALL PROVIDE REASONABLE NOTICE TO THE SUCCESSFUL PROPOSER OF ANY CLAIM KNOWN TO THE INDEMNIFIED PARTIES TO ARISE OUT OF THE CONTRACT.**



3.29 INSURANCE

- 3.29.1 All required insurance must be issued by companies or financial institutions which are financially rated Excellent or better by A.M. Best Company and duly licensed, admitted, and authorized to do business in Texas by the Texas Department of Insurance.
- 3.29.2 Each insurance policy, except those for crime insurance, workers' compensation, employer's liability and professional liability, must name the Texas Lottery (and its officers, agents and employees) as an additional insured on the original policy and all renewals or replacements.
- 3.29.3 Each insurance policy except for crime insurance must include a waiver of subrogation in favor of the Texas Lottery, its officers, and employees for any and all insured losses, including bodily injury (including death) and property damage.
- 3.29.4 The insurance shall be evidenced by delivery to the Texas Lottery of certificates of insurance executed by the insurer or its authorized agency stating coverage, limits, expiration dates, and compliance with all applicable required provisions. Upon request, the Texas Lottery shall be entitled to receive, without expense, certified copies of the policies and all endorsements. Except as otherwise expressly provided herein, required coverage must remain in full force and effect throughout the term of the Contract and any extensions thereof, and provide adequate coverage for incidents discovered after termination of the Contract. Insurance coverage shall not be canceled, non-renewed or materially changed except after thirty (30) Days' notice by certified mail to the Texas Lottery.
- 3.29.5 The Successful Proposer must submit original certificates of insurance for each required insurance contract, and any renewals thereof, within fifteen (15) Days after Contract execution. Renewal certificates shall be submitted prior to or within fifteen (15) Days after expiration of the existing policy.

3.30 SELF INSURANCE

The Successful Proposer may not elect to provide entirely or in part for the insurance protections described in this RFP through self-insurance. A deductible provision contained in an insurance policy that meets the requirements of this RFP is not considered as self-insurance unless the deductible amount exceeds five percent (5%) of the face amount of the insurance policy.

3.31 COMMERCIAL GENERAL LIABILITY INSURANCE

The Successful Proposer must maintain general liability insurance coverage with limits of not less than one million dollars (\$1,000,000) per occurrence, two million dollars (\$2,000,000) aggregate, two million dollars (\$2,000,000) products/completed operations aggregate, one million dollars (\$1,000,000) personal and advertising injury, fifty thousand dollars (\$50,000) damage to premises rented to you, and five thousand dollars (\$5000) medical expense each person.



3.32 WORKERS' COMPENSATION & EMPLOYER'S LIABILITY INSURANCE

The Successful Proposer must maintain Workers' Compensation insurance coverage in accordance with statutory limits, and Employer's Liability insurance coverage with minimum limits for bodily injury:

- (a) \$1,000,000 per each accident;
- (b) by disease, \$1,000,000 per employee; and
- (c) by disease, policy limit \$1,000,000.

Coverage must include a waiver of subrogation in favor of the Texas Lottery Commission, its officers and employees.

3.33 PROFESSIONAL LIABILITY (ERRORS AND OMISSIONS) INSURANCE

The Successful Proposer must maintain professional liability (including errors and omissions) insurance coverage including but not limited to loss due to any equipment error, machine error, system down time, communication problems or errors, and any error or omission caused by the Successful Proposer, its officers, employees, agents, or Subcontractors of the Successful Proposer regardless of negligence, with minimum limits of one million dollars (\$1,000,000) per occurrence, to be in full force and effect during the term of the Contract, including any extension thereof and one year thereafter. Coverage must indemnify the Texas Lottery for direct loss due to errors and omissions caused by the Successful Proposer, its officers, employees, agents, or Subcontractors of the Successful Proposer regardless of negligence.

3.34 BUSINESS AUTOMOBILE INSURANCE

The Successful Proposer must maintain Business Automobile Insurance covering owned, hired, and non-owned vehicles, with a minimum combined single limit to include bodily injury (including death) and property damage of one million dollars (\$1,000,000) per occurrence.

3.35 PERFORMANCE BOND

3.35.1 The Successful Proposer shall provide an original performance bond (as shown in Attachment F attached hereto and incorporated for all purposes) in the amount of fifty thousand dollars (\$50,000) within fifteen (15) Days of execution of the Contract. Failure to have and keep a bond in place shall constitute a breach of the Contract.

3.35.2 All required bonds must be issued by companies or financial institutions which are financially rated Excellent or better by A.M. Best Company and duly licensed, admitted, and authorized to do business in Texas by the Texas Department of Insurance. The Texas Lottery shall be named as the obligee in each required bond.



3.35.3 The bond must be maintained in full force and effect for the initial term and any renewal term of the Contract. The bond shall be forfeited to the Texas Lottery if the Successful Proposer fails to perform as required by the Contract, pay sanctions or liquidated damages, or indemnify the Texas Lottery. Any alterations to the bond language as shown in Attachment F must be approved in advance by the Texas Lottery.

3.36 DISCLOSURE OF LITIGATION

3.36.1 The Proposer must include in its Proposal a complete disclosure of any material civil or criminal litigation or indictment either threatened or pending involving the Proposer. "Threatened litigation" as used herein shall include governmental investigations and civil investigative demands. "Litigation" as used herein shall include administrative enforcement actions brought by governmental agencies. The Proposer must also disclose any material litigation threatened or pending involving Subcontractors, consultants, and/or lobbyists. For purposes of this section, "material" refers, but is not limited, to any action or pending action that a reasonable person knowledgeable in the gaming industry would consider relevant to any gaming operation or any development such a person would want to be aware of in order to stay fully apprised of the total mix of information relevant to the gaming industry and its operations, together with any litigation threatened or pending that may result in a substantial change in the Proposer's financial condition, as described in Section 4.7.

3.36.2 This is a continuing disclosure requirement; any litigation commencing after submission of a Proposal (and for the Successful Proposer, after Contract Award) must be disclosed in a written statement to the Texas Lottery's General Counsel within fifteen (15) Days of its occurrence.

3.37 CHANGES IN OWNERSHIP

During the term of the Contract or any extension or renewal thereof, the Successful Proposer shall notify the Texas Lottery in writing of any substantial change in the ownership or control of the Successful Proposer as soon as possible, but no later than fifteen (15) Days after its occurrence.

3.38 FORCE MAJEURE / DELAY OF PERFORMANCE

3.38.1 Except as otherwise provided, neither the Successful Proposer nor the Texas Lottery shall be liable to the other for any delay in, or failure of performance of, any covenant contained herein caused by force majeure. The existence of such causes of delay or failure shall extend the period of performance in the exercise of reasonable diligence until after the causes of delay or failure have been removed. For purposes of this RFP and the Contract, "force majeure" is defined as "an act of God or any other cause of like kind not reasonably within a party's control and which, by the exercise of due diligence of such party, could not have been prevented or is unable to be overcome." The Successful Proposer must



inform the Texas Lottery in writing within three (3) Days of the existence of any such force majeure or otherwise waives this right as a defense.

- 3.38.2 The Successful Proposer shall immediately upon discovery notify the Executive Director in writing of any delays in performance regardless of responsibility, fault or negligence. If the Successful Proposer contends that the delay is the responsibility, fault or negligence of Texas Lottery staff, the Successful Proposer must provide written notice within three (3) Days of the discovery, and to the extent possible, identify the event or individual responsible so that the Executive Director may take appropriate action to remedy the situation. Failure to provide such notice to the Executive Director as required in this section shall constitute a waiver of the Successful Proposer's right to assert the Texas Lottery's action/inaction as a defense.

3.39 TAXES, FEES AND ASSESSMENTS

- 3.39.1 The Texas Lottery shall have no responsibility whatsoever for the payment of any federal, state or local taxes which become payable by the Successful Proposer or its Subcontractors, or their agents, officers or employees. The Successful Proposer shall pay and discharge when due all such taxes, license fees, levies, and other obligations or charges of every nature.
- 3.39.2 The Successful Proposer shall be responsible for payment of all taxes attributable to the Contract and any and all such taxes shall be identified under the Successful Proposer's federal tax identification number. The Successful Proposer shall pay all federal, state and local taxes of any kind, including without limitation income, franchise, ad valorem personal property, sales, use, lease, payroll, consumption, distribution and storage taxes, for the goods, services and systems relating thereto provided by the Successful Proposer, whether or not such taxes are in effect as of the date the Contract is signed or scheduled to go into effect, or become effective during the initial Contract term and any and all renewal terms, if any.

3.40 MEDIA RELEASES

The Successful Proposer shall not issue any media releases or publish information to the public, including on social media platforms, pertaining to this procurement process or the performance of the Contract without prior written approval of the Texas Lottery. For any required disclosure or any public release of information of any kind, including a non-required disclosure, that is under a deadline imposed by any statutory or regulatory authority, the Successful Proposer shall seek approval from the Texas Lottery no less than two (2) Working Days prior to the deadline for the release of the information. In any case in which a deadline for the release of information exists, approval of the release by the Texas Lottery shall neither be construed as an endorsement of the release, as assent to the content of the release, as an indication of the accuracy of the information in the release, nor as any admission of any kind regarding any subject covered in the release.



3.41 ADVERTISING

The Successful Proposer agrees not to use the Texas Lottery's name, logos, images, nor any data or results arising from this procurement process or the Contract as a part of any commercial advertising, or to promote the Successful Proposer in another jurisdiction's procurement process, without prior written approval by the Texas Lottery.

3.42 HIRING OF TEXAS LOTTERY PERSONNEL

3.42.1 At all times following issuance of this RFP and ending with either the award of a Contract or the rejection of all Proposals, prospective Proposers are prohibited from officially or unofficially making any employment offer or proposing any business arrangement whatsoever to any Texas Lottery employee involved in the evaluation of Proposals, the Contract Award, or contract negotiations. A prospective Proposer making such an offer or proposition may be disqualified from further consideration.

3.42.2 At all times following the issuance of this RFP and ending with either the award of a Contract or the rejection of all Proposals, Proposers shall not engage the services of any State of Texas employee while such person remains employed by the State without the written consent of the Texas Lottery. During the term of the Contract, the Successful Proposer shall not engage the services of any State of Texas employee while such person remains employed by the State without the written consent of the Lottery.

3.42.3 Under Tex. Gov't Code §572.069, the Successful Proposer certifies that it has not employed and will not employ a former state officer or employee of the Texas Lottery who participated in a procurement or contract negotiation for the Texas Lottery involving the Successful Proposer before the second anniversary of the date the contract was signed or the procurement was terminated or withdrawn.

3.43 HIRING OF LOBBYIST, CONSULTANT AND/OR ADVISOR; SUPPLEMENTAL INFORMATION

The Proposer shall list the names, addresses and telephone numbers for all lobbyists, consultants, and/or advisors who will perform services related to the Proposer's operations or interests in the State of Texas, under previously executed contracts, or during the three (3) years prior to the issuance of the RFP, who have performed services related to the Proposer's operations or interests in the State of Texas for the Proposer or any Subcontractors of the Proposer. The Proposer shall immediately notify the Texas Lottery in the event of change of lobbyist, consultant, or advisor information.

3.44 NOTICES

The Proposer shall indicate in its Proposal the name and address of the person to whom any notices shall be given. Notices to the Texas Lottery shall be made by personal delivery or by certified (or registered) mail return receipt requested to the Texas Lottery at the address below unless the Proposer is notified in writing by the Texas Lottery of any change:



Texas Lottery Commission
Attention: Contracts Management and Procurement
P.O. Box 16630
Austin, Texas 78761-6630
Fax (512) 344-5058
Contracts@lottery.state.tx.us

3.45 NON-DISCLOSURE

The Successful Proposer shall maintain as confidential, and shall not disclose to third parties without the Texas Lottery's prior written consent, any Texas Lottery information including but not limited to the Texas Lottery's business activities, practices, systems, conditions, products, services, public information and education plans and related materials, and game and marketing plans.

3.46 USUFRUCT

If, for any reason other than breach of contract by the Texas Lottery, the Successful Proposer should lose its ability to service the Contract, the Texas Lottery shall acquire a usufruct in all contractual items owned by the Successful Proposer in conjunction with the Contract and which are necessary to provide such services. Said usufruct shall be limited to the right of the Texas Lottery to possess and make use of such contractual items solely for the use and benefit of the Texas Lottery in operating, maintaining, altering, replacing and improving the programs and systems being used by the Texas Lottery under the Contract. Such usufruct shall be limited in time to the duration of the Contract and any extension thereof, and in scope for programs, systems, and other items being used by the Texas Lottery under the Contract.

3.47 TICKET PURCHASE

3.47.1 Under Tex. Gov't Code §466.254 (Purchase of Ticket by or Payment of Prize to Certain Persons), no member, officer or employee of the Successful Proposer directly involved in selling or leasing the goods or performing the services that are the subject of the Contract shall purchase a Texas Lottery ticket or be paid a prize in any Texas Lottery game. No spouse, child, brother, sister, or parent of such member, officer or employee who resides in the same household in the principal place of residence of such member, officer or employee (collectively, "Family Members"), shall purchase a Texas Lottery ticket or be paid a prize in any Texas Lottery game. The Successful Proposer shall ensure that these statutory prohibitions are made known to each member, officer and employee of the Successful Proposer, prior to that person becoming involved in selling or leasing the goods or performing the services that are the subject of the Contract. The Successful Proposer shall require its members, officers and employees to make the statutory prohibition known to Family Members. The Successful Proposer shall promptly notify the Texas Lottery of any violation of Tex. Gov't Code §466.254.



3.47.2 TLC considers “directly involved” to mean, by way of illustration only, responsible for and/or actively participating in (1) Contract negotiations (including Contract signatories); (2) Contract administration (e.g., regular or direct contact with TLC staff); or (3) Contract performance (including assigned project/team leaders and members and anyone else who oversees or performs the work or provides the services). Again, by way of illustration, support staff (such as clerical, accounting or delivery employees) are not considered to be “directly involved” unless they also serve in the roles listed above for “directly involved” employees.

3.48 LIQUIDATED DAMAGES

3.48.1 **General.** It is agreed by the Texas Lottery and the Successful Proposer that:

- (1) If the Successful Proposer does not provide or perform the requirements referred to or listed in this RFP or fulfill the obligations of the Contract, damage to the Texas Lottery will result;
- (2) establishing the precise measure of damages in the event of default by the Successful Proposer may be (i) costly, (ii) time consuming, or (iii) difficult or impossible to calculate;
- (3) the liquidated damage assessments contained herein represent a good faith effort to quantify the damages that could reasonably be anticipated at the time of execution of the Contract;
- (4) the damages set forth herein are just and reasonable;
- (5) nothing contained in this section shall be construed as relieving the Successful Proposer from performing all Contract requirements whether or not said requirements are set forth herein; and
- (6) the Texas Lottery may, therefore, in its sole discretion, deduct damages from the compensation otherwise due to the Successful Proposer. All assessments of damages shall be within the sole discretion of the Texas Lottery.

3.48.2 **Liquidated Damages Assessment.** Once the Texas Lottery has determined that liquidated damages are to be assessed, the Executive Director or Executive Director’s designee shall notify the Successful Proposer of the assessment(s). Failure to notify does not impact the Texas Lottery’s assessment of damage and is not a condition precedent thereto. The Texas Lottery will withhold liquidated damages from payments to the Successful Proposer, or, if no payments have been made, the Texas Lottery will make demand of payment of liquidated damages. The Successful Proposer must make payment within thirty (30) Days of the Texas Lottery’s demand. In the event the Successful Proposer fails to pay within the thirty (30) day period, the Texas Lottery may make a claim for payment against the performance bond, with or without notice to the Successful Proposer.

3.48.3 **Failure to Assess Liquidated Damages.** The failure of the Texas Lottery to assess liquidated damages in any instance where the Texas Lottery is entitled to liquidated damages under the terms of this RFP or Contract shall not constitute waiver in any fashion of the Texas Lottery’s rights to assessment of liquidated damages.



- 3.48.4 ***Severability of Individual Liquidated Damages Clauses.*** If any portion of these liquidated damages provisions are determined to be unenforceable, the other portions of these provisions shall remain in full force and effect.
- 3.48.5 ***Failure to Meet Project Deadlines.*** The failure of the Successful Proposer to meet the deadlines set forth in the work plan and project schedule as approved by the TLC Administration Director pursuant to Section 6.6 of the RFP and/or any other deadlines required in this RFP or resulting Contract may result in the Successful Proposer being assessed liquidated damages in the amount of one thousand dollars (\$1,000) per Day for each Day, or part thereof, that the deadline is not met.
- 3.48.6 ***Failure to Prepare Security Study in Accordance with RFP and Contract Requirements.*** The failure of the Successful Proposer to prepare the security study in accordance with all applicable RFP and Contract requirements resulting in either delay in the Successful Proposer's submitting the final reports to the Texas Lottery and/or the Texas Lottery's rejection of the reports – may result in the Successful Proposer's being assessed liquidated damages in the amount of five thousand dollars (\$5,000) per Day, or part of a Day, until the final reports are approved by the Texas Lottery.

3.49 SANCTIONS AND REMEDIES SCHEDULE

- 3.49.1 ***General.*** Section 2261.101 of Tex. Gov't Code requires that all state contracts contain a remedies schedule, a graduated sanctions schedule, or both. Pursuant to that statutory provision, sanctions and remedies will apply for the incidents specified in this section. The sanctions and remedies will be referred to as "sanctions."
- 3.49.2 ***Assessment of Sanctions.*** Once the Texas Lottery has determined that sanctions are to be assessed, the Executive Director or Executive Director's designee may notify the Successful Proposer of the assessment(s). Failure to notify does not impact the Texas Lottery's assessment of sanctions and is not a condition precedent thereto. The Texas Lottery will withhold sanctions from payments to the Successful Proposer, or, if no payments are to be made, the Texas Lottery will make demand of payment of sanctions. The Successful Proposer must make payment within thirty (30) Days of the Texas Lottery's demand. In the event the Successful Proposer fails to pay within the thirty (30) day period, the Texas Lottery may make a claim for payment against the performance bond, with or without notice to the Successful Proposer.
- 3.49.3 ***Failure to Assess Sanctions.*** The failure of the Texas Lottery to assess sanctions in any instance where the Texas Lottery is entitled to sanctions under the terms of this RFP or the Contract shall not constitute waiver in any fashion of the Texas Lottery's rights to assess sanctions.
- 3.49.4 ***Severability of Individual Sanctions Clauses.*** If any portion of these sanctions provisions are determined to be unenforceable, the other portions of these provisions shall remain in full force and effect.



- 3.49.5 ***Failure to Disclose Litigation.*** The failure of the Successful Proposer to disclose litigation as required by Section 3.36 of this RFP may result in the Successful Proposer being assessed sanctions in the amount of one hundred dollars (\$100) per incident.
- 3.49.6 ***Failure to Report Significant Incidents and Anomalies and/or to Comply with the RFP Code of Conduct Requirements.*** The failure of the Successful Proposer to report all significant incidents and anomalies to the Texas Lottery as required by Section 3.62 of this RFP may result in the Successful Proposer being assessed sanctions in the amount of two hundred dollars (\$200) per Day for each Day not reported. The failure of the Successful Proposer to comply with the code of conduct requirements in Section 3.60 of this RFP may result in the Successful Proposer being assessed sanctions in the amount of five hundred dollars (\$500) per incident.
- 3.49.7 ***Failure to Notify the Texas Lottery of a Change of Ownership or Control or Change in Financial Condition.*** The failure of the Successful Proposer to notify the Texas Lottery of a change of ownership or control or change in financial condition as required by RFP Sections 3.37 and 4.7 may result in the Successful Proposer being assessed sanctions in the amount of one hundred dollars (\$100) per incident.
- 3.49.8 ***Unauthorized Disclosure.*** The failure of the Successful Proposer to comply with the non-disclosure requirement in Section 3.45 of this RFP may result in the Successful Proposer being assessed sanctions in the amount of five thousand dollars (\$5000) per incident.
- 3.49.9 ***Failure to Obtain Prior Written Approval before Issuing Media Release.*** The failure of the Successful Proposer to comply with RFP Section 3.40 regarding the issuance of media releases may result in the Successful Proposer being assessed sanctions in the amount of one hundred dollars (\$100) per incident.
- 3.49.10 ***Purchase of Texas Lottery Tickets.*** The failure of the Successful Proposer to comply with the requirements of RFP Section 3.47 regarding the purchase of Texas Lottery tickets may result in the Successful Proposer being assessed sanctions in the amount of five thousand dollars (\$5000) per incident.
- 3.49.11 ***Failure to Safeguard TLC Information; Loss or Compromise of Data.*** The failure of the Successful Proposer to safeguard all TLC information as required by this RFP, including, but not limited to, properly encrypting any data removed from TLC premises (see RFP Section 6.7), may result in the Successful Proposer being assessed sanctions in the amount of twenty-five thousand dollars (\$25,000) per incident.
- 3.49.12 ***Failure to Provide Written Notification of Staffing Changes Timely.*** The failure of the Successful Proposer to provide written notification of staffing changes as required by RFP Section 3.11 may result in the Successful Proposer being assessed sanctions in the amount of one hundred dollars (\$100) per Day for each Day the written notification is not received.



3.50 DISPUTE RESOLUTION

The dispute resolution process provided for in Tex. Gov't Code ch. 2260, and 16 TAC Ch. 403 must be used by the Successful Proposer to attempt to resolve any disputes brought by the Successful Proposer arising under this Contract.

3.51 CERTIFICATIONS

- 3.51.1 Under Tex. Gov't Code §466.103, the Executive Director may not award a contract for the purchase or lease of facilities, goods or services related to lottery operations to a person who would be denied a license as a sales agent under Tex. Gov't Code §466.155. All Proposers must read and be familiar with Tex. Gov't Code §466.155, attached hereto as Attachment D. All Proposals shall include a completed Background Information Certification Form, attached hereto as Attachment D-1, which certifies that the Proposer has reviewed Tex. Gov't Code §466.155 and neither the Proposer nor any of the following persons would be denied a license as a sales agent under said section: (a) Proposer's officers, directors, investors, owners, partners and other principals, as more particularly described in Tex. Gov't Code §466.155 (collectively, Proposer Principals); or (b) any spouse, child, brother, sister or parent residing as a member of the same household in the principal place of residence of the Proposer or any of the Proposer Principals.
- 3.51.2 Under §231.006 of the Tex. Fam. Code, the Proposer certifies that the individual or business entity named in the Proposal or Contract is not ineligible to receive the specified grant, loan or payment and acknowledges that the Contract may be terminated and payment may be withheld if this certification is inaccurate. Furthermore, any Proposer subject to §231.006 must include names and social security numbers of each person with at least 25% ownership of the business entity submitting the Proposal. This information must be provided prior to Contract Award.
- 3.51.3 Under §2261.053 of the Tex. Gov't Code, a state agency may not accept a bid or award a contract that includes proposed financial participation by a person who, during the five-year period preceding the date of the bid or award, has been: (1) convicted of violating a federal law in connection with a contract awarded by the federal government for relief, recovery, or reconstruction efforts as a result of Hurricane Rita, as defined by Section 39.459, Utilities Code, Hurricane Katrina, or any other disaster occurring after September 24, 2005; or (2) assessed a penalty in a federal civil or administrative enforcement action in connection with a contract awarded by the federal government for relief, recovery, or reconstruction efforts as a result of Hurricane Rita, as defined by Section 39.459, Utilities Code, Hurricane Katrina, or any other disaster occurring after September 24, 2005; or convicted of any offense related to the direct support or promotion of human trafficking. In submitting a Proposal under this RFP, the Proposer certifies as follows: "Under Section 2261.053 of the Texas Government Code, the contractor certifies that the individual or business entity named in this bid or contract is not ineligible to receive the specified contract and acknowledges that this contract may be terminated and payment withheld if this certification is inaccurate."



- 3.51.4 The Proposer certifies that: (a) the Proposer has not given, offered to give, nor intends to give at any time hereafter any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant in connection with the submitted Proposal; and (b) neither the Proposer nor the firm, corporation, partnership, or institution represented by the Proposer, nor anyone acting for such firm, corporation, partnership, or institution has violated the antitrust laws of the State of Texas (Tex. Bus. & Comm. Code §15.01, et seq.), or the antitrust laws of the United States (15 U.S.C.A. Section 1, et seq.), nor communicated directly or indirectly the submitted Proposal to any competitor or any other person engaged in such line of business.
- 3.51.5 The Proposer certifies that it is in compliance with Tex. Gov't Code §669.003, relating to contracting with the executive head of a state agency. If §669.003 applies, the Proposer will complete the following information in order for the Proposal to be evaluated:
- Name of Former Executive
 - Name of State Agency
 - Date of Separation from State Agency
 - Position with Proposer
 - Date of Employment with Proposer
- 3.51.6 The Proposer certifies that if a Texas address is shown as the address of the Proposer, the Proposer qualifies as a Texas Resident Bidder as defined in Tex. Gov't Code §2252.001.
- 3.51.7 The Texas Lottery is federally mandated to adhere to the directions provided in the President's Executive Order (EO) 13224, Executive Order on Terrorist Financing – Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism, effective 9/24/2001 and any subsequent changes made to it via cross-referencing respondents/vendors with the Federal Government's System for Award Management (SAM, <https://www.sam.gov/>), which is inclusive of the United States Treasury's Office of Foreign Assets Control (OFAC) Specially Designated National (SDN) list.
- 3.51.8 Under §2155.004 of the Tex. Gov't Code , the Proposer has not received compensation from the Texas Lottery for participating in the preparation of the specifications for this RFP and certifies as follows: "Under Section 2155.004, Government Code, the vendor certifies that the individual or business entity named in this bid or contract is not ineligible to receive the specified contract and acknowledges that this contract may be terminated and payment withheld if this certification is inaccurate."
- 3.51.9 Under §2252.907 of the Tex. Gov't Code, the Successful Proposer is required to make any information created or exchanged with the State under this Contract, and not otherwise excepted from disclosure under the Texas Public Information Act, available in a format that is accessible by the public at no additional charge to the State.
- 3.51.10 Under §2271.002 of the Tex. Gov't Code, the Executive Director may not award a contract for goods or services unless the contract contains a written verification from the Proposer that it: (1) meets exemption criteria under §2271.002; or (2) will not boycott Israel during the term of the contract. Proposer shall state any facts that make it exempt from the boycott



certification in its bid. By signing and submitting a Proposal, the Proposer certifies that it does not boycott Israel and will not boycott Israel during the term of the Contract.

3.51.11 Under §2252.152 of the Tex. Gov't Code, a state agency may not award a contract to a company engaged in business with Iran, Sudan, or known to have contracts with or provide supplies or services to a foreign terrorist organization. The Proposer certifies it is not ineligible to receive a state contract under §2252.152.

3.51.12 Under §2155.0061 of the Tex. Gov't Code, a state agency may not accept a proposal or award a contract if the contract includes the financial participation who, within a five-year period from the date of the proposal or award, has been convicted of any offense related to the direct support or promotion of human trafficking. The Proposer certifies that the individual or business entity named in this Proposal is not ineligible to receive the specified contract and acknowledges that this contract may be terminated and payment withheld if this certification is inaccurate.

3.52 PREFERENCES

Any Proposer entitled to a preference(s) under Texas law shall claim the preference(s) in its Proposal.

3.53 DECEPTIVE TRADE PRACTICES; UNFAIR BUSINESS PRACTICES

The Successful Proposer represents and warrants that it has not been the subject of allegations of Deceptive Trade Practices violations under Tex. Bus. & Com. Code, Chapter 17, or allegations of any unfair business practice in any administrative hearing or lawsuit and that the Successful Proposer has not been found to be liable for such practices in such proceedings. The Successful Proposer certifies that it has no officers who have served as officers of other entities that have been the subject of allegations of Deceptive Trade Practices violations or allegations of any unfair business practices in an administrative hearing or lawsuit and that such officers have not been found to be liable for such practices in such proceedings.

3.54 IMMIGRATION

The Successful Proposer represents and warrants that it shall comply with the requirements of the Immigration Reform and Control Act of 1986, the Immigration Act of 1990 and the Illegal Immigrant Reform and Immigrant Responsibility Act of 1996 regarding employment of any individual who will perform labor or services under the Contract.



3.55 ELECTRONIC AND INFORMATION RESOURCES ACCESSIBILITY STANDARDS, AS REQUIRED BY 1 TAC CHAPTERS 206 AND 213 (APPLICABLE TO STATE AGENCY AND INSTITUTION OF HIGHER EDUCATION PURCHASES ONLY).

- 3.55.1 Effective September 1, 2006, state agencies and institutions of higher education shall procure products which comply with the State of Texas Accessibility requirements for Electronic and Information Resources specified in 1 TAC Chapters 206 and 213 when such products are available in the commercial marketplace or when such products are developed in response to a procurement solicitation.
- 3.55.2 Upon request, but not later than thirty (30) calendar days after request, the Successful Proposer shall provide TLC with a completed Voluntary Product Accessibility Template (VPAT) of the specified product or a URL to the VPAT for reviewing compliance with the State Accessibility requirements (based on the federal standards established under Section 508 of the Rehabilitation Act).

3.56 CYBERSECURITY TRAINING

Under Tex. Gov't Code §2054.5192, any contractor with access to a TLC computer system or database shall complete a cybersecurity training program certified under §2054.519. The contractor shall verify completion with TLC prior to receiving access to computer systems or databases.

3.57 FALSE STATEMENTS; BREACH OF REPRESENTATIONS

By submitting a Proposal, the Proposer makes all the representations, warranties, guarantees, certifications and affirmations included in its Proposal. If a Proposer signed its Proposal with a false statement or is selected as the Apparent Successful Proposer and signs the Contract with a false statement, or it is subsequently determined that the Proposer has violated any of the representations, warranties, guarantees, certifications or affirmations included in the RFP or the Contract, the Proposer shall be in default and if the determination is made before Contract Award, the Texas Lottery may reject the Proposal or if the determination is made after Contract Award, the Texas Lottery may terminate the Contract for cause and pursue all other remedies available to the Texas Lottery under the RFP, the Contract and applicable law.

3.58 LIMITATION ON AUTHORITY; NO OTHER OBLIGATIONS

The Successful Proposer shall have no authority to act for or on behalf of the Texas Lottery or the State of Texas except as expressly provided for in this RFP or the Contract. The Successful Proposer is not authorized to sign any contract or subcontracts as the Texas Lottery's agent; any such contract or subcontract is invalid and cannot be enforced against the Texas Lottery. The Successful Proposer may not incur any debts, obligations, expenses or liabilities of any kind on behalf of the State of Texas or the Texas Lottery.



3.59 PROPOSER ASSIGNMENT

The Successful Proposer hereby assigns to the Texas Lottery any and all claims for overcharges associated with the Contract arising under the antitrust laws of the United States, 15 U.S.C.A. Section 1, et seq., and the antitrust laws of the State of Texas, Tex. Bus. & Comm. Code §15.01, et seq.

3.60 CODE OF CONDUCT

The Texas Lottery is an extremely sensitive enterprise because its success depends on maintaining the public trust by protecting and ensuring the security of lottery products. The Texas Lottery incorporates the highest standards of security and integrity in the management and sale of entertaining lottery products, and lottery vendors are held to the same standards. Therefore, it is essential that operation of the Texas Lottery, and the operation of other enterprises which would be linked to it in the public mind, avoid not only impropriety, but also the appearance of impropriety. Because of this, the Successful Proposer shall:

- (a) Offer goods and services only of the highest quality and standards.
- (b) Use its best efforts to prevent the industry from becoming embroiled in unfavorable publicity.
- (c) Make presentations in a responsible manner and when it is felt necessary to point out the superiority of its goods or services over those of its competitors, do so in such a manner as to avoid unfavorable publicity for the industry.
- (d) Avoid activities, operations, and practices that could be interpreted as improper and cause embarrassment to the Texas Lottery and/or to the industry.
- (e) Report security problems or potential security problems with any services provided pursuant to this RFP immediately and only to the Texas Lottery.
- (f) Otherwise comply with the State Lottery Act (Tex. Gov't Code Ch. 466) and Texas Lottery rules, procedures and policies.
- (g) Provide best practices related to security and integrity standards within the industry.

3.61 CONTACT WITH TEXAS LOTTERY COMMISSION

- 3.61.1 Employees, Subcontractors and agents of all prospective Proposers and employees, Subcontractors and agents of the Successful Proposer may not offer or give a gift to a Texas Lottery employee. For purposes of this section, "gift" has the meaning as defined in Tex. Gov't Code §467.001(4) and as may be subsequently changed or amended by acts of the Texas Legislature.
- 3.61.2 Employees, Subcontractors and agents of all prospective Proposers and employees, Subcontractors and agents of the Successful Proposer should not engage in nonprofessional socialization (socialization outside of a work context) with a Texas Lottery employee. There may be circumstances, however, in which nonprofessional socialization is acceptable, for example, because of family relationships, common acquaintances, or



common outside activities. The restrictions on nonprofessional socialization are not meant to apply to unplanned, incidental social contact. In such circumstances, employees, Subcontractors and agents of all prospective Proposers and employees, Subcontractors and agents of the Successful Proposer should not discuss Texas Lottery business with any Texas Lottery employee.

- 3.61.3 Professional socialization at activities such as industry trade conferences and site visits is permitted.

3.62 INCIDENTS AND ANOMALIES

The Successful Proposer shall report immediately all significant incidents and anomalies to the Texas Lottery, followed by a written report to be submitted within one workday of the incident or anomaly. At a minimum, incident and anomaly reporting shall include a description of the incident, its cause, and corrective action taken. For purposes of this section, "significant" incidents include, by way of illustration only, any occurrence that affects the Texas Lottery, lottery retailers, or players, and deviation from established procedures and those items where sanctions or liquidated damages are applicable.

3.63 U.S. DEPARTMENT OF HOMELAND SECURITY'S E-VERIFY SYSTEM

By entering into this Contract, the Successful Proposer certifies and ensures that it utilizes and will continue to utilize, for the term of this Contract, the U.S. Department of Homeland Security's E-Verify system to determine the eligibility of:

1. All persons employed to perform duties within Texas, during the term of the Contract; and
2. All persons (including subcontractors) assigned by the Successful Proposer to perform work pursuant to the Contract, within the United States of America.

3.64 NON-EXCLUSIVE CONTRACT

The Texas Lottery intends to enter into a non-exclusive contract with the Successful Proposer to provide the services described in this RFP and expressly reserves the right to engage other vendor(s) to perform similar services and/or to conduct such services itself.

3.65 SURVIVAL

Provisions of this RFP which of their nature and effect are necessary to enable the Lottery to function normally and to meet all of its obligations shall survive any termination of the Contract. These provisions include, but are not limited to, all of the warranties and representations and any provision that by its terms provides for applicability beyond the end of any Contract period.



4 REQUIRED INFORMATION

4.1 GENERAL

Overall, the Proposal shall demonstrate the Proposer's experience; the expertise of its personnel who will perform the requested services; the Proposer's ability to plan, conduct and complete the security study; and the Proposer's ability to successfully deliver the final reports in accordance with the established deadline. The Proposal shall demonstrate the Proposer's understanding of the services requested under Part 6 of this RFP.

4.2 PROPOSER'S CONTACT PERSON

- 4.2.1 A senior-level contact must be assigned to the Texas Lottery account. Each Proposer shall provide the name, address, telephone number, email address and facsimile number of its senior-level contact person.
- 4.2.2 Proposers shall provide the name, address, telephone number, email address, and facsimile number of a person to contact (if different than person identified in Section 4.2.1) concerning questions regarding its Proposal.

4.3 EXPERIENCE OF PROPOSER

- 4.3.1 Proposers shall provide a detailed description of their firm, qualifications and background.
- 4.3.2 Proposers must demonstrate the ability to conduct a comprehensive study of all aspects of lottery security as detailed in Part 6, the Scope of Services. Proposers should have relevant work experience and background in the performance of security risk assessments and evaluations. Each Proposer shall provide descriptions for all engagements of comparable complexity and sensitivity to the requirements of this RFP that have been conducted within the past five (5) years. The descriptions shall be detailed and cover all contracts the Proposer and any Subcontractors have had and all experience which qualifies the Proposer to meet the requirements of this Contract, including but not limited to:
- (a) Size of contract (including dollar value).
 - (b) Reason for contract termination/expiration, if contract is no longer in effect.
 - (c) Types of services directly provided by the Proposer and whether the Proposer was the contractor or subcontractor.
 - (d) Term and type of contract, including effective dates.
 - (e) Any problems encountered



- 4.3.3 Proposer shall provide the results of any independent external third party reviews (such as a peer review) of the Proposer conducted within the last three (3) years. The Successful Proposer agrees that, during the term of the Contract and any extension thereof, it shall be obligated to provide a copy of any report received resulting from a peer review.
- 4.3.4 Proposer shall provide information regarding any disciplinary action taken during the past three (3) years against the Proposer at any level including, but not limited to, the American Institute of Certified Public Accountants (AICPA) and/or the Texas State Board of Public Accountancy, for substandard work and unethical practices.
- 4.3.5 If Proposer is a certified public accounting firm, Proposer shall provide evidence that the Proposer has a current license in good standing issued by the Texas State Board of Public Accountancy.
- 4.3.6 The Proposer shall state whether or not any of the following have occurred during the last five (5) years:
- (a) The Proposer has had a contract terminated, and, if so, shall provide full details, including the other party's name, address and telephone number.
 - (b) The Proposer has been assessed any penalties or liquidated damages under any existing or past contracts, and, if so, note the reason for and the amount of the penalty or liquidated damages for each incident.
 - (c) The Proposer was the subject of any order, judgment or decree of any federal or state authority barring, suspending or otherwise limiting the right of the Proposer to engage in any business, practice or activity.
 - (d) The Proposer has been involved in any litigation related to contract performance.

4.4 EXPERIENCE OF KEY PERSONNEL

- 4.4.1 Proposers must provide a list of personnel (including name, title and job description) to be assigned to the Texas Lottery project and include resumes for all project personnel.
- 4.4.2 Resumes must include, at a minimum, information regarding length of time spent doing present duties or related duties; a description of duties; projects accomplished, including scope and name of client's company; education; and any relevant professional certifications. If duties were performed for an employer other than the Proposer, the Proposal must include the information above and indicate that employer's name.

4.5 PROPOSER REFERENCES

A minimum of five (5) verifiable references must be provided that include contact person, name of company, phone and fax numbers, and e-mail address. Proposers' references shall include references for which the Proposer has provided similar services as described in Part 6 of this RFP within the last five (5) years. The Texas Lottery reserves the right to verify all information in the



Proposal submitted by the Proposer and seek other information it deems necessary to conduct a thorough review.

4.6 CONFLICT OF INTEREST

4.6.1 The Proposer must disclose any actual, potential or perceived conflict of interest relative to the performance of the requirements of this RFP. The Proposer must disclose any personal or business relationship of (a) itself; (b) any of its principals, officers, directors, investors, owners, partners, and employees (collectively, Proposer Personnel); (c) any spouse, child, brother, sister, or parent residing as a member of the same household in the principal place of residence of any Proposer Personnel; (d) any affiliate; or (e) any Subcontractor with (1) any employee or representative of the Texas Lottery (including the Texas Lottery Executive Director and its commissioners) or (2) the Lottery's vendors with contracts over \$100,000. The list for all Texas Lottery contracts over \$100,000, including major and prime contracts, is regularly updated at the following website link:

[http://www.txlottery.org/export/sites/lottery/About_Us/Doing_Business_with_TLC/Contracts_Over_\\$100x000/](http://www.txlottery.org/export/sites/lottery/About_Us/Doing_Business_with_TLC/Contracts_Over_$100x000/).

Additionally, any such relationship that might be perceived or represented as a conflict must be disclosed. Failure to disclose any such relationship may be a cause for disqualification of a Proposal.

4.6.2 This is a continuing disclosure requirement. The Proposer shall disclose to the Texas Lottery in writing any actual, potential or perceived conflict of interest, relative to the performance of the requirements of this RFP, prior to Contract Award and for the Successful Proposer after Contract Award, at the time the conflict is identified. Failure to promptly notify the Texas Lottery may be a cause for rejecting the Proposal.

4.7 FINANCIAL SOUNDNESS

4.7.1 Each Proposer must provide evidence of financial responsibility and stability for performance of the Contract and must demonstrate the ability to finance the project described in its submission.

4.7.2 Each Proposer shall provide evidence of financial responsibility and stability based on any and/or all of the following:

1. If the Proposer is the sole source of financial resources, the Proposer must submit financials showing the Proposer's ability to finance the project on its own with current resources;
2. If the Proposer is the subsidiary of a parent corporation and the parent corporation is providing financial resources or assurance, the parent corporation must complete Attachment B, and the Proposer must submit financials for both the Proposer and the parent;



3. If the Proposer is a joint venture or a group of affiliated companies, the Proposal must include financials for each member or affiliate of such joint venture or group, as applicable.

If 1, 2 or 3 applies, then the Proposer shall submit the following documentation with its Proposal:

- (a) Copies of audited financial statements and/or complete tax returns for each of the Proposer's (and its parent corporation, if applicable, or joint venture member or affiliate, if applicable) two (2) most recently ended fiscal years; and/or
 - (b) If documentation under (a) is not available, the Proposer shall provide other proof of financial assurance.
4. If the Proposer is relying on financial resources other than items 1 through 3 above, then the Proposer shall submit the following documentation with its Proposal:
 - (a) Other proof of financial assurance that is verified by a third party financial institution. Examples of such items are as follows:
 - i. Unaudited financial statements accompanied by a line of credit from a third party financial institution stating the credit amount and available balance.
 - ii. Unaudited financial statements accompanied by a bank statement provided by a third party financial institution confirming the Proposer's average bank balance for at least the previous six (6) months.
 - iii. Any other financial information Proposer would like to be considered.

4.7.3 If the information in Section 4.7.2 is not available at the time of submission, the Proposer shall provide other proof of financial responsibility acceptable to the Texas Lottery prior to the deadline for submission of Proposals.

4.7.4 The Texas Lottery reserves the right to require any additional information necessary to determine the financial responsibility and stability of the Proposer.

4.7.5 The Proposal must include a certification that the Proposer will notify the Texas Lottery of a change in financial condition during the Contract term and any renewal thereof. If a Proposer experiences a substantial change in its financial condition prior to the award of the Contract, or if the Successful Proposer experiences a substantial change in its financial condition during the term of the Contract or any extension thereof, the Texas Lottery must be notified of the change in writing at the time the change occurs or is identified. Failure to notify the Texas Lottery of such substantial change in financial condition will be sufficient grounds for rejecting the Proposal or terminating the Contract. For the purposes of this section, examples of a substantial change in financial condition are events such as insolvency, bankruptcy or receivership.



4.8 BACKGROUND INVESTIGATIONS

- 4.8.1 **Vendor Background Investigation.** Under Tex. Gov't Code §466.103, the Executive Director of the Texas Lottery is prohibited from awarding a contract for goods or services related to lottery operations to a person or legal entity who would not qualify for a sales agent license under the requirements of §466.155.

The Texas Lottery Commission may initiate investigations into the backgrounds of (a) any Apparent Successful Proposer; (b) any of the Apparent Successful Proposer's officers, directors, investors, owners, partners and other principals, as more particularly described in Tex. Gov't Code §466.155 (collectively, Apparent Successful Proposer Principals); (c) any of the Apparent Successful Proposer's employees; (d) any of the Apparent Successful Proposer's Subcontractors, or the Subcontractors' officers, directors, investors, owners, partners, principals or employees (collectively, Subcontractor Personnel); or (e) any other associates of the Apparent Successful Proposer it deems appropriate. The Texas Lottery Commission may also request background information for a spouse, child, brother, sister or parent residing as a member of the same household in the principal place of residence of the Apparent Successful Proposer, any Apparent Successful Proposer Principals, or Apparent Successful Proposer employees described above. Such background investigations may include fingerprint identification by the Texas Department of Public Safety and the Federal Bureau of Investigation, and any other law enforcement agency.

The Apparent Successful Proposer shall be obligated to provide such information about any Apparent Successful Proposer Principals, Apparent Successful Proposer employees, and Subcontractor Personnel as the Texas Lottery may prescribe. The Apparent Successful Proposer also agrees that the Texas Lottery may conduct background investigations of such persons. The Texas Lottery may reject a Proposal and/or terminate the Contract based solely upon the Apparent Successful Proposer's failure to provide information to complete a background investigation or the results of these background investigations.

- 4.8.2 **Contractually Defined Vendor Principal(s) Background Investigation.** The Texas Lottery may initiate background investigations on the Apparent Successful Proposer Principals who will be directly involved in selling or leasing the goods or performing the services that are the subject of this RFP or the Contract. This includes any oversight function performed by such individuals. For purposes of this section and the attachments, these individuals are called "contractually defined vendor principals."
- 4.8.3 **Vendor Employee Background Investigations.** The Successful Proposer agrees that, during the term of the Contract and any extension thereof, it shall be obligated to provide such information about any principals, employees, and Subcontractor Personnel as the Texas Lottery may prescribe. The Successful Proposer also agrees that the Texas Lottery may conduct background investigations of such persons.

The Texas Lottery will conduct vendor employee background investigations on any of the Successful Proposer's principals, employees, and Subcontractor Personnel who meet one or more of the following criteria:



- they perform services that may impact the security and integrity of the core gaming business as determined by the Texas Lottery;
- they provide audit, financial, legal, or compliance services;
- they provide goods and/or services that control or monitor access to lottery premises;
- they have unescorted access to TLC facilities; and/or
- they have direct access to TLC information systems.

4.8.4 **Apparent Successful Proposer.** If requested by the Texas Lottery, the Apparent Successful Proposer may be required to complete and return the following forms within ten (10) Working Days, or as otherwise directed by the Texas Lottery, after the written Announcement of the Apparent Successful Proposer is issued:

- a. Vendor Background Investigation Form (Attachment E).
- b. Certified List of Vendor Principals Form (Attachment E-1).
- c. Certified List of Contractually Defined Vendor Principals Form (Attachment E-2).
- d. Consent to Background Investigation and Release of Personal Information Form (Attachment E-4). A separate form shall be completed for each vendor principal included on *Attachment E-2 Certified List of Contractually Defined Vendor Principals Form* and each vendor/Subcontractor employee included on *Attachment E-3 Vendor Employee Background Investigation List*.
- e. Vendor Employee Background Investigation List (Attachment E-3).

4.9 DISCLOSURE OF INTERESTED PARTIES

4.9.1 In 2015, the Texas Legislature adopted House Bill 1295, which added §2252.908 of the Government Code. The law states that a governmental entity or state agency may not enter into certain contracts with a business entity unless the business entity submits a disclosure of interested parties (Form 1295) to the governmental entity or state agency at the time the business entity submits the signed contract to the governmental entity or state agency. The Texas Ethics Commission has adopted rules requiring the business entity to file Form 1295 electronically with the Ethics Commission (See <https://www.ethics.state.tx.us/rules/commission/ch46.php>). If requested by the Texas Lottery, the Apparent Successful Proposer may be required to complete and file the Form 1295 with the Ethics Commission after the written Announcement of the Apparent Successful Proposer is issued and prior to contract execution.



5 HISTORICALLY UNDERUTILIZED BUSINESS (HUB) PARTICIPATION

5.1 HSP REQUIREMENT

The Texas Lottery has adopted the rules promulgated by the Comptroller of Public Accounts (CPA) regarding Historically Underutilized Businesses (HUBs) in 34 Texas Administrative Code (TAC) §§ 20.281 – 20.298 (See [http://texreg.sos.state.tx.us/public/readtac\\$ext.ViewTAC?tac_view=5&ti=34&pt=1&ch=20&sch=D&div=1&rl=Y](http://texreg.sos.state.tx.us/public/readtac$ext.ViewTAC?tac_view=5&ti=34&pt=1&ch=20&sch=D&div=1&rl=Y)). By submitting a Proposal, the Proposer certifies that it has reviewed 34 TAC §§ 20.281 - 20.298. Rule 20.285 addresses the specific requirements of Historically Underutilized Business subcontracting plans (HSPs).

5.2 HSP SUBMISSION AND TEXAS LOTTERY REVIEW

- 5.2.1 All proposals must include an HSP (Attachment C, including Method A or B, if applicable) in the format required by the CPA. Proposers may access the HSP forms on-line at the following CPA website link: <https://www.comptroller.texas.gov/purchasing/vendor/hub/forms.php>. The forms must be printed, signed and submitted with your Proposal. The HSP is a pass/fail requirement. PROPOSALS THAT DO NOT INCLUDE A COMPLETED HUB SUBCONTRACTING PLAN PREPARED IN ACCORDANCE WITH 34 TAC §20.285 SHALL BE REJECTED AND WILL NOT BE EVALUATED.
- 5.2.2 The HSP form is provided in Attachment C of this RFP. To determine whether a Proposer has performed a good faith effort in preparing its HSP as required by the CPA's HUB rules, the Texas Lottery may request clarifications, if necessary. The HSP will be reviewed based on the Proposer's submission and any clarifications requested by the agency.

5.3 ASSISTANCE FOR PREPARATION OF HSP

- 5.3.1 *Pre-Proposal Conference.* Proposers are encouraged to attend the pre-Proposal conference, which will include a brief overview of the HSP requirements. Proposers may ask questions at the pre-Proposal conference regarding the HSP. A copy of the TLC's Pre-Bid/Proposal Conference Booklet regarding HSP requirements is available on the agency's website at: http://www.txlottery.org/export/sites/lottery/About_Us/Doing_Business_with_TLC/Procurement/ Proposers should review the HSP booklet thoroughly to ensure they fill out and submit all forms correctly.
- 5.3.2 *HSP Quick Check List and HUB Subcontracting Opportunity Notification Form.* Attached to this RFP are an HSP Quick Check List (Attachment C-1) prepared by the CPA and a HUB Subcontracting Opportunity Notification Form (Attachment C-2). Attachment C-1 is intended to assist Proposers in preparing the HSP forms, but is not required to be submitted



with Proposals. Proposers are encouraged to use Attachment C-2 when sending notice of subcontracting opportunities.

5.3.3 *Additional TLC Assistance.* As stated above, if an HSP is rejected, the Proposal will be disqualified and will not be considered. **Therefore, Proposers are strongly encouraged to start preparing HSP forms as soon as possible and take advantage of the following TLC assistance. Please note there are deadlines associated with this process and Proposers have a limited amount of time to cure any deficiencies.**

- Written questions regarding the HSP can be submitted at any time up until the Proposal deadline. The TLC will compile and post a separate HSP question-and-answer document on the TLC website. The document will be updated as questions are submitted. **It is the Proposer's responsibility to check the TLC website for this information.**
- The TLC will conduct one-on-one HSP workshops with Proposers upon request. The workshops will cover detailed information on how to complete the HSP forms. Workshops must be concluded by the date and time listed in the Schedule of Events. Workshops may be conducted in person or via telephone conference. **Proposers are responsible for contacting the Texas Lottery to schedule a workshop during the specified time period. Proposers may schedule a workshop either before or after the Pre-Proposal Conference.**
- The TLC will review and provide individual written feedback on draft HSP forms submitted by Proposers. Draft HSP forms must be submitted by the date and time listed in the Schedule of Events. Upon request, the TLC may also provide verbal feedback.

Note that "draft HSP forms" consist only of the forms included in Attachments C, C-1 and C-2 of the RFP and documentation related to performance of the good faith effort. In reviewing draft forms, the TLC will not comment on responses to any other sections of the RFP, even if they are referred to in the HSP forms. Proposers are instructed not to submit any other portions of their Proposal to the TLC as part of the draft HSP.

One-on-one workshops and the TLC's review of draft HSP forms do not guarantee that the HSP submitted with the Proposal will pass.

5.4 REQUIREMENTS FOR COMPLETING THE HSP FORMS

5.4.1 TLC's HUB Participation Goal. The goods and/or services requested in this RFP are classified in the category of Professional Services Contracts. The agency's HUB participation goal for this RFP is 23.7%.

5.4.2 Requirements of the HUB subcontracting plan. Each Proposer shall complete the HSP forms prescribed by the CPA (Attachment C) and provide the following:

- (A) a certification the Proposer has made a good faith effort to meet the requirements of 34 TAC § 20.285;



- (B) the names of the subcontractors that will be used during the course of the Contract;
- (C) the expected percentage of work to be subcontracted; and
- (D) the approximate dollar value of that percentage of work.

Each Proposer shall provide all documentation required by the agency to demonstrate the Proposer's compliance with the good faith effort requirements prior to Contract Award. If a Proposer fails to provide supporting documentation (phone logs, fax transmittals, electronic mail, etc.) by the deadline specified by the agency, the Proposal shall be rejected for material failure to comply with Tex. Gov't Code §2161.252 (b).

5.4.3 Proposer Intends to Subcontract

Proposers who intend to subcontract any portion of the Contract must indicate in the HSP form that they intend to subcontract, and must perform one of the three good faith effort methods identified below.

- **Method A (1): Using 100% HUB Subcontractors.** Proposer will use only Texas-certified HUBs for all identified subcontracting opportunities.
- **Method A (2): Meeting the Specified HUB Contract Goal.** Proposer will meet the HUB contract goal by using only Texas-certified HUBs with whom the Proposer has contracted for five years or less.
- **Method B: Good Faith Effort Outreach.** Proposer will perform good faith effort outreach for each identified subcontracting opportunity by contacting at least three Texas-certified HUBs and two trade organizations or development centers that serve members of the HUB groups. **Proposers using this method must perform the outreach even for areas where a Proposer has a pre-existing subcontracting relationship.**

PROPOSERS WHO INTEND TO SUBCONTRACT, AT A MINIMUM, MUST USE ONE OF THE METHODS OUTLINED ABOVE. FAILURE TO DO SO WILL RESULT IN DISQUALIFICATION.

5.4.4 Proposer Does Not Intend to Subcontract

Proposers who intend to fulfill the entire Contract using only their own existing resources and employees, without subcontracting, should check the appropriate box in Section 2 of the HSP form and complete Sections 3 and 4 of the form.

The Proposer must explain how all functions of the Contract will be performed without the use of Subcontractors and should refer to Section 3 of the HSP form.

5.5 SUBCONTRACTING OPPORTUNITIES

- 5.5.1 The Texas Lottery has identified the following potential subcontracting opportunities under this RFP. Proposers intending to subcontract any must perform the good faith effort detailed in the HSP instructions and include a compliant HSP with the Proposal.



CLASS 918 – CONSULTING SERVICES

Item Number and Commodity Descriptions:

- 918-04 - Accounting, Auditing, Budget Consulting
- 918-30 *Computer Hardware Consulting
- 918-65 Human Resources, Relations Consulting
- 918-71 *IT Consulting, (Not Otherwise Classified)
- 918-93 Security and Safety Consulting

CLASS 920 - DATA PROCESSING, COMPUTER, PROGRAMMING, AND SOFTWARE SERVICES

Item Numbers and Commodity Descriptions:

- 920-37 *Networking Services, Including Installation, Security, and Maintenance

CLASS 946 – FINANCIAL SERVICES

Item Number and Commodity Descriptions:

- 946-20 - Audit Services
- 946-31 – Certified Public Accountant (CPA) Service

- 5.5.2 The potential subcontracting opportunities listed above may or may not be areas that a Proposer would subcontract, depending on that Proposer's existing resources, employees, and business model. Further, Proposers are not limited to the list above, and may identify additional areas of subcontracting. Proposers who intend to subcontract are responsible for identifying all areas that will be subcontracted and shall submit a completed HSP demonstrating evidence of good faith effort in developing that plan.
- 5.5.3 A list of HUB vendors registered with the CPA for the subcontracting opportunities identified above is included under the HUB/CMBL tab of this RFP. This list is provided as a resource to assist Proposers in preparing and submitting an HSP. The Texas Lottery Commission does not endorse, recommend or attest to the capabilities of any company or individual listed. Note that currently active certified HUBs will have a status code of "A." All other status codes indicate that a vendor is inactive or not a HUB.
- 5.5.4 Please refer to the HUB/CMBL Directory Instructions and HUB Vendor Reference Lists under the HUB/CMBL tab of this RFP to locate potential HUB Subcontractors.

5.6 POST CONTRACT AWARD

5.6.1 Notification of Subcontractors

Following Contract Award, the Successful Proposer must provide notice to all subcontractors (HUBs and Non-HUBs) of their selection for the awarded Contract. The Successful Proposer is also required to provide a copy of each notice to the agency's HUB



Coordinator for the Contract no later than ten (10) Working Days after the Contract is awarded. Proposers should refer to Section 4 of the HSP form for additional information about this requirement.

5.6.2 HSP Changes

Following Contract Award, any proposed changes to the HSP must be submitted, in writing, by the Successful Proposer to the Texas Lottery for prior review and must be approved by the Texas Lottery in writing before becoming effective under the Contract.

5.6.3 HSP Reporting

Following Contract Award, if the Successful Proposer is subcontracting, the Successful Proposer shall maintain business records documenting compliance with the HSP and shall submit a monthly compliance report in the format required by the Texas Lottery. The monthly compliance report shall be submitted to the Texas Lottery by the 10th of the following month or on the date requested by the agency's HUB Coordinator or his/her designee. The submission of the monthly compliance report is required as a condition of payment.



6 SCOPE OF SERVICES

This section defines the scope of the services to be performed by the Successful Proposer as part of this RFP for Security Study Services.

6.1 GENERAL INFORMATION

6.1.1 The purpose of this Request for Proposals is to obtain Proposals from qualified Proposers to perform a comprehensive review and evaluation of security for the Texas Lottery, including cyber security, computer security, systems security, and all aspects of lottery security in accordance with:

- 4) The State Lottery Act, Tex. Gov't Code ch. 466, specifically §§ 466.020(e) – (f) (Attachment J);
- 5) Texas Administrative Code, Title 1, Part 10, Chapter 202 (Attachment K); and
- 6) Tex. Gov't Code §2054.077 (Attachment L)

6.1.2 At least once every two years, the Texas Lottery is required to employ an independent firm that is experienced in security, including computer security and systems security, to conduct a comprehensive study of all aspects of lottery security including:

- 1) Lottery personnel security;
- 2) Sales agent security;
- 3) Lottery operator and vendor security;
- 4) Security against ticket counterfeiting and alteration and other means of fraudulent winning;
- 5) Security of lottery drawings;
- 6) Lottery computer, data communications, database; and systems security;
- 7) Lottery premises and warehouse security;
- 8) Security of distribution of tickets;
- 9) Security of validation and payment procedures;
- 10) Security involving unclaimed prizes;
- 11) Security aspects of each lottery game;
- 12) Security against the deliberate placement of winning tickets in lottery games that involved preprinted winning tickets by persons involved in the production, storage, transportation, or distribution of tickets; and
- 13) Other security aspects of lottery operations.

6.1.3 This security study involves, but is not limited to, the Texas Lottery Commission, the Texas Lottery's lottery operator vendor (IGT Solutions Corporation, formerly IGT Corporation), the Texas Lottery's scratch ticket manufacturers (Scientific Games International, Pollard Banknote Limited Partnership and IGT Solutions Corporation), and other agency services contracts/vendors of the Texas Lottery Commission.



6.2 BACKGROUND INFORMATION

6.2.1 Texas Lottery headquarters is located at 611 E. 6th Street, Austin, Texas 78701. In addition, the Texas Lottery operates offices located in the following cities:

Abilene	El Paso	Odessa
Amarillo	Fort Worth	San Antonio
Austin	Houston	Tyler
Beaumont	Laredo	Victoria
Corpus Christi	Lubbock	
Dallas	McAllen	

6.2.2 The Texas Lottery contracts with IGT Solutions Corporation (IGT) for lottery operations and services. The IGT contract expires August 31, 2026. As the lottery operator, IGT provides goods and services essential to the delivery of lottery gaming services. These services are generally categorized as the following:

- (a) Account Management and Administration – Those activities associated with the provision and delivery of all services that are required to provide and support the lottery gaming system, sales and marketing, and warehouse and distribution services, which includes but is not limited to:
- 1) Account management
 - 2) Service level monitoring and reporting
 - 3) Service management (incident, problem and capacity management)
 - 4) Compliance review
 - 5) Facilities support services
 - 6) Business continuity and disaster recovery
 - 7) Training
- (b) Lottery Gaming System – The systems and service requirements for the lottery gaming system, which includes but is not limited to:
- 1) Draw games
 - 2) Scratch ticket game management
 - 3) Claims and validation
 - 4) Retailer management
 - 5) Lottery gaming system general requirements
 - 6) System management
 - 7) System security
 - 8) Reporting
 - 9) Internal control system and vendor requirements
 - 10) System supported terminal functions
 - 11) Sales terminals and related system sales equipment
 - 12) In-Lane Sales



- 13) Call center support
- 14) Communications network

(c) Sales and Marketing – Those activities conducted throughout the State that provide a direct link to the Lottery’s retailers and players with the primary goal of optimizing revenue for the State of Texas, which includes but is not limited to:

- 1) Sales management and business development
- 2) Marketing
- 3) Lottery Sales Representatives
- 4) Retailer contests and retailer-based player promotions
- 5) Promotional events and retailer promotions
- 6) Marketing materials and related equipment
- 7) Research and lottery product development

(d) Warehouse and Distribution – Those activities to support the warehousing, shipping and receiving functions for scratch tickets, draw game roll stock, playslips, and promotional items, which includes but is not limited to:

- 1) New scratch ticket delivery and storage
- 2) Scratch ticket delivery to retailers
- 3) Scratch ticket and draw game ticket stock destruction
- 4) Promotional item and point-of-sale verification and receiving
- 5) Promotional merchandise inventory
- 6) Warehouse and distribution general requirements

6.2.3 The Texas Lottery has retained a number of functions for the administration of lottery games for security reasons, or because they are more appropriately performed in-house. These in-house functions, which include:

- 1) Retailer licensing,
- 2) High-tier prize payment;
- 3) Retailer accounts receivable;
- 4) Drawings for draw games;
- 5) Retailer incentive drawings;
- 6) Fund accounting;
- 7) Player information services;
- 8) Ticket security;
- 9) Communications; and
- 10) Marketing oversight which are supported through a number of systems, including the lottery gaming system.



6.2.4 While IGT corporate headquarters are in Providence, Rhode Island, IGT has several facilities in Texas. The IGT data center, central warehouse and administrative offices are all located in Austin. The back-up data center is located in San Antonio. IGT also supports sales and/or technical services at facilities in:

Austin	Houston	Victoria
El Paso	Lubbock	Waco
Dallas	McAllen	San Antonio
Fort Worth	Tyler	

6.2.5 The Texas Lottery's scratch ticket manufacturers are:

- Scientific Games International. The address of Scientific Games' primary U.S. manufacturing facility is Scientific Games International, 1500 Bluegrass Lakes Parkway, Alpharetta, Georgia 30004.
- Pollard Banknote Limited Partnership. The address of Pollard Banknote's primary U.S. manufacturing facility is Pollard Banknote Limited, 775 James L. Hart Parkway, Ypsilanti, Michigan 48197, with corporate headquarters in Winnipeg, MB Canada.
- IGT Corporation. The address of IGT's scratch ticket printing operations is 4100 South Frontage Road, Lakeland, FL 33815.

6.2.6 The Texas Lottery's website hosting service is provided by Agencies of Change LLC, dba Technology Spa, in Dallas, Texas.

6.2.7 Texas Lottery vendors are subject to change.

6.2.8 The Texas Lottery exercises strict control and close supervision over all lottery games to promote and ensure integrity, security, honesty, and fairness in the operation and administration of the lottery. The Texas Lottery relies upon a number of assurances provided by Texas Lottery staff, by direct contract, and by independent third parties. These assurances help to provide an overall control framework and should be considered by Proposers. These assurances include, but are not limited to, the following:

Contracts - The Texas Lottery directly contracts for the following assurance services:

- Independent Financial Audit
- Powerball and Power Play Agreed-Upon Procedures engagement
- Risk Review and Compliance Monitoring Services (of Lottery Operator)
- Random Number Generator (RNG) Certification Services
- Lottery Products Testing Services
- Drawings Audit CPA Services
- Internal Control System Services
- Statistical Consulting Services
- Network Monitoring Services
- Network Penetration Testing
- Web Application Vulnerability Testing



- Metrology Calibration Services for lottery ball sets
- Surveillance Camera Products and Related Services
- Security Officer Services
- Internal Audit Services

Required Third-Party Audits and/or Assurances – The Texas Lottery requires certain prime vendors to provide the following assurances via an independent third party:

- Scratch Ticket Manufacturing Audits for all Texas Lottery games
- Service Organization Control (SOC) 1, Type II, engagement of the Lottery Operator performed in accordance with Statement on Standards for Attestation Engagements (SSAE) 16, Reporting on Controls at a Service Organization.

6.3 SCOPE OF THE SECURITY STUDY

- 6.3.1 Overall Objective. The overall objective is to conduct a comprehensive study of all aspects of lottery security in accordance with Tex. Gov't Code Ann. §§ 466.020(e)-(f) and information security. The study will assess the security measures which support Texas Lottery operations (including IT services), gaming services, systems, scratch and draw ticket games and products. The study will include an assessment of lottery vendors that impact lottery security, including, but not limited to, the lottery operator and the scratch ticket manufacturers.
- 6.3.2 The Successful Proposer shall utilize a risk-based approach in conducting the lottery security study, as required by Section 6.4. The 2020 Security Study will cover the period beginning September 01, 2018 thru March 31, 2020.
- 6.3.3 The Successful Proposer shall examine, evaluate and assess the areas of risk exposure and their potential impact on the operating environment of the Texas Lottery Commission in promoting and ensuring the integrity and security of lottery games, Charitable Bingo and the Commission itself. The Successful Proposer's security study must identify and detail for management those areas in the operation where improvement is recommended and include specific strategies for improving those areas.
- 6.3.4 The Successful Proposer shall assess the security risks and evaluate the controls related, but not limited, to:
- 1) **Lottery personnel security.** Assess the risks and evaluate the control procedures related to personnel security, including organization and staffing, standards of conduct, pre-employment procedures, background investigations, job descriptions, training, termination procedures, threats to employees, and relevant agency policies and procedures.
 - 2) **Sales agent security.** Assess the risks and evaluate the control procedures related to promoting sales agent (retailer) integrity and reliability, including standards of conduct, screening and licensing procedures, training, and termination procedures.



- 3) **Lottery operator and vendor security.** Assess the risks and evaluate the control procedures related to the lottery operator and other lottery vendors that directly impact lottery security, including personnel, physical security, and other aspects of lottery security.
- 4) **Security against ticket counterfeiting and alteration and other means of fraudulent winning.** Assess the risks and evaluate the control procedures related to preventing ticket counterfeiting, alteration and other means of fraudulent winning. This includes, but is not limited to:
 - a) the means to prevent and detect counterfeiting and alteration of tickets;
 - b) the means to prevent and detect the alteration of claim forms;
 - c) the means to prevent and detect the deliberate entry of false claim information;
 - d) ticket testing;
 - e) ticket reconstructions;
 - f) the issuance of winning tickets for enforcement investigations;
 - g) the issuance of prize checks, including any prize checks returned to the Texas Lottery;
 - h) draw game tickets returned by retailers to Lottery Operations for reimbursements; and
 - i) related control procedures of lottery vendors.
- 5) **Security of lottery drawings.** Assess the risks and evaluate the control procedures related to lottery drawings (including multi-jurisdiction drawings in which the Texas Lottery participates), scratch ticket internet-entry promotional second-chance drawings, and other drawings. Evaluate controls related to drawing procedures, including drawings studio procedures, business continuity and disaster recovery procedures, the Draw Checklist (DCL), Internal Control System (ICS) processing, Enterprise Series (ES) processing, Interactive Voice Response System, and ensuring adequate separation of duties. Assessment and evaluation includes related control procedures of lottery vendors.
- 6) **Lottery Computer, data communications, database, and systems security.** Assess the risks and evaluate the control procedures for computer systems, data communications, database management systems, and systems security, including the following (assessment and evaluation includes related control procedures of lottery vendors):
 - a) Facility and resource access controls;
 - b) Data and asset management, including offsite storage;
 - c) Scratch ticket and draw game ticket electronic validations;
 - d) Access to encryption and decryption routines;
 - e) Scratch ticket game data transfer, load, purge, and archive processes (lottery operator), and game closing reconciliations;



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- f) Software and hardware administration, configuration management and change control;
 - g) Business continuity and disaster recovery planning and readiness;
 - h) Desktop, laptop, and mobile device environment (configuration, documentation, management practices, and security controls); and
 - i) Voice, telecommunication and data networks, including but not limited to financial and game-related transmissions (configuration, documentation, management practices, and security controls).
- 7) **Lottery premises and warehouse security.** Assess the risks and evaluate the control procedures for physical security of Texas Lottery administrative buildings, claim centers, data centers, back-up data centers, drawing studio, warehouses, off-site storage facilities, and business resumption sites.
- 8) **Security of distribution of tickets.** Assess the risks and evaluate the control procedures for lottery tickets in transit between, and while located at, ticket manufacturer premises, Texas Lottery premises, lottery operator premises, warehouses, retailer premises, and destruction facilities. For purposes of this section, “lottery tickets” includes both scratch and draw tickets. The Successful Proposer also shall assess the accuracy, integrity, security, and reliability of ticket inventory records, including lottery tickets provided for retailer incentive programs, and tickets, coupons and vouchers provided for promotional events. The Successful Proposer’s assessment shall include controls to prevent theft, loss, or unauthorized distribution or destruction of unsold tickets.
- 9) **Security of validation and payment procedures.** Assess the risks and evaluate the administrative, software and physical controls used to ensure the accuracy, integrity and reliability of the receipt, validation, and payment of scratch and draw game lottery ticket claims. This includes Texas Lottery winner payments, retailer payments of low- and mid-tier prizes, and the subsequent reimbursement to retailers.
- 10) **Security involving unclaimed prizes.** Assess the risks and evaluate the controls related to unclaimed prizes. Under Tex. Gov’t Code §466.408(d), the ticket holder forfeits any claim or entitlement to a prize that remains unclaimed for more than 180 days after the drawing date or more than 180 days after the official “end of game” for a scratch game.
- 11) **Security aspects of each lottery game.** Assess the risks and evaluate the controls related to ensuring the integrity for each type of Texas Lottery scratch and draw game. Assessment and evaluation includes related control procedures of lottery vendors.
- a) Scratch Tickets - This shall include, at a minimum, review of working papers, ticket design, pre-production audits, independent game audits, independent



ticket testing, ticket stock controls, and security elements included in the construction of scratch tickets.

- b) Draw Games - This shall include, at a minimum, review of validation processes, audit processes and roll stock controls and manufacturing related to draw game tickets.

12) **Security against the deliberate placement of winning tickets in lottery games that involve preprinted winning tickets by persons involved in the production, storage, transportation, or distribution of tickets.** Assess the risks and evaluate the controls designed to protect against the deliberate placement of winning tickets in lottery games that involve preprinted winning tickets by persons involved in the production, storage, transportation, or distribution of tickets. In addition, assess the risks and evaluate the controls designed to prevent individuals from inappropriately determining the location of winning scratch tickets.

13) **Other security aspects of lottery operations.** Based upon the results of the risk assessment (as required under Section 6.4) and with the written approval of the Administration Director, the Successful Proposer shall examine other security aspects of lottery operations, bingo operations and IT security not specifically mentioned in this section.

6.3.5 Follow-Up. The Successful Proposer shall perform a follow-up review of the most recently completed security study to assess whether any noted deficiencies remain and to evaluate the adequacy and effectiveness of any corrective actions taken. The most recent study will be provided to the Successful Proposer.

6.4 RISK ASSESSMENT AND PROPOSED SECURITY STUDY APPROACH

6.4.1 The Successful Proposer shall perform a comprehensive risk assessment to determine the extent and depth of examination to be performed in each aspect of Lottery Commission security (as referenced under Section 6.3) prior to performing the security study.

6.4.2 Each Proposer shall explain its planned approach to providing the services required under Part 6, including detailed information describing the overall approach, any applicable standards or criteria, the schedule for completing each task, the staffing and hours estimated for each segment of the security study, and any other relevant information.

6.4.3 Each Proposer shall identify any standard(s) or criteria it intends to employ in the security study and include a justification or explanation of the applicability of those standards to the scope of the Texas Lottery Commission security study.

6.4.4 Proposals shall identify any and all computer software or hardware to be used to perform the security study services identified in Part 6. The Successful Proposer shall obtain approval from the Texas Lottery prior to installing any computer software or hardware on Texas Lottery or Lottery vendors computer systems or which use Texas Lottery



telecommunications network services. Use of approved tools shall be coordinated with appropriate Texas Lottery personnel in order to minimize the potential for any disruptions to Texas Lottery information resources and services. If the Successful Proposer becomes aware of any actual or potential service interruptions, the Successful Proposer shall immediately notify the Texas Lottery. Before the completion of this engagement, the Successful Proposer shall coordinate with the Texas Lottery to remove all tools transferred to, compiled on, or temporarily installed onto Texas Lottery information resources by the Successful Proposer. The Successful Proposer shall be responsible for providing all supplies, computer software or hardware tools to be used to perform the security study.

- 6.4.5 The Successful Proposer may be required to perform work after normal Business Hours at Texas Lottery facilities, subject to prior approval by the Texas Lottery.
- 6.4.6 The Successful Proposer shall coordinate all activities throughout the engagement with the Administration Director, or the Administration Director's designee.

6.5 CONFERENCES

6.5.1 The Successful Proposer shall conduct conferences throughout the engagement with the Administration Director, and other agency personnel as appropriate. The following conferences are required:

- (a) Entrance Conference – At commencement of engagement
- (b) Risk Assessment Results Conference – After completion of risk assessment performed under Section 6.4
- (c) Progress Conferences - As requested by the Administration Director or the Successful Proposer
- (d) Pre-exit conference(s), and
- (e) Exit Conference - At conclusion of engagement, to include an in-depth presentation of final results

6.5.2 Required conferences entail the following:

- (a) **Entrance Conference:** At the entrance conference, the Successful Proposer shall explain its approach to accomplish the engagement, introduce its team that will be performing the work, and may meet Texas Lottery employees whom the Successful Proposer may need to contact during its engagement. In addition, the Successful Proposer shall provide its preliminary work plan. The Successful Proposer may also request reports, materials, other agency data and access to agency resources. The Successful Proposer may also meet vendor employees it will need to contact during its engagement. The entrance conference may also be used to clarify issues.
- (b) **Risk Assessment Results Conference:** Upon completion of the risk assessment required under Section 6.4, the Successful Proposer shall present its results to the



Administration Director. Based on the risk assessment results, the Successful Proposer shall present the planned approach, including the extent and depth of examination to be performed in each aspect of lottery security (as detailed under Section 6.3). The Texas Lottery will review the planned approach. If the planned approach is not approved, the Administration Director will provide written comments which the Successful Proposer must consider and incorporate into the planned approach.

- (c) **Progress Conferences:** Progress conferences may be held at either the request of the Administration Director or the Successful Proposer's Project Manager. Progress conferences are held to discuss the status of the engagement work, any potential issues or findings, any difficulties or special problems, progress regarding meeting estimated or required timelines, and other issues as needed. If, at any time during the engagement, matters come to the attention of the Successful Proposer that, in the Successful Proposer's reasonable judgment, may require immediate action by the Texas Lottery, the Successful Proposer shall immediately bring the matters to the attention of the Administration Director. In addition, the Successful Proposer must review all interim findings and issues with the respective TLC division director before submitting written reports and/or briefings to the Administration Director. The Successful Proposer also shall document the matters in the next progress report as required in Section 6.6.4.
- (d) **Pre-Exit Conference(s):** A pre-exit conference(s) will be held at the conclusion of fieldwork to review all preliminary findings. After the work has been completed but before a written report is prepared, the Successful Proposer shall brief the Executive Director, Administration Director, and other designated Texas Lottery staff on the results of the work performed, any issues or findings, and any proposed recommendations.
- (e) **Exit Conference:** The Successful Proposer shall formally present the final security study to the Administration Director, the Executive Director, and other Texas Lottery staff as determined by the Administration Director or the Executive Director.

6.6 PROJECT DELIVERABLES

- 6.6.1 All deliverables shall be provided in hard copy and digital format.
- 6.6.2 **Risk Assessment.** The Successful Proposer shall conduct and prepare a comprehensive written risk assessment as required under Section 6.4.
- 6.6.3 **Work Plan.** Following the risk assessment results conference required under Section 6.5.2(b) and before beginning the security study, the Successful Proposer must prepare and deliver a detailed work plan and project schedule to the Administration Director. The detailed work plan and project schedule will be subject to the Administration Director's sole and exclusive approval. The Administration Director may request the Successful Proposer also include a detailed schedule of total estimated hours and a breakdown of estimated hours by position for the security study. If a modification or change is needed



to the work plan, the Successful Proposer shall submit a written request to the Administration Director for prior approval. Requests to modify the work plan shall include any impact on services to be delivered. The Administration Director may request updates or more detail in the approved work plan and project schedule, as needed.

- 6.6.4 **Progress Reports.** The Successful Proposer shall submit written confidential progress reports to the Administration Director, as requested, but not more than once a week. Each progress report shall indicate the current status of the work being performed, any interim findings or issues, any difficulties or special problems, and progress regarding meeting estimated or required timelines. In addition, the Successful Proposer must have reviewed all interim findings and issues with the respective TLC division director before submitting the report to the Administration Director.

As required under section 6.5.2(c), if any matters come to the attention of the Successful Proposer that, in the Successful Proposer's reasonable judgment, may require immediate action, those matters shall immediately be brought to the attention of the Administration Director, and shall be documented in the Successful Proposer's next scheduled progress report.

- 6.6.5 **Final Draft Reports.** The Successful Proposer shall provide written final draft reports to the Administration Director for agency review and response prior to the issuance of any final reports. Unless otherwise approved in writing by the Texas Lottery, the final draft reports shall be delivered as required under Section 6.8.3.
- 6.6.6 **Final Reports.** The Successful Proposer shall provide two (2) final reports – a public report, and a more detailed, confidential report. The Successful Proposer shall provide the final reports as described and required under Section 6.8
- 6.6.7 In addition, the Successful Proposer must provide all other deliverables required in this RFP and the resulting Contract.

6.7 FULL AND FREE ACCESS

- 6.7.1 The Successful Proposer, in the performance of its work and with stringent accountabilities of safekeeping and confidentiality (as required by Section 3.45), will be granted full and free access to all activities, records, property, and personnel of the agency, and of its contractors and Subcontractors
- 6.7.2 The Successful Proposer shall not remove any printed hard copies of Texas Lottery materials (including third party materials in the possession or custody of the Texas Lottery), from Texas Lottery premises without the written authorization of the Administration Director or designee and shall encrypt any data in digital format taken off premises using an approved Federal Information Processing Standards (FIPS) Publication 140-2 cryptographic module.
- 6.7.3 The Successful Proposer shall have full and free access to the Texas Lottery commissioners to discuss any matters that, in the Successful Proposer's reasonable judgment, may be more appropriately addressed directly with a commissioner. In these instances, the Successful



Proposer shall use its reasonable judgment to determine whether to inform the Administration Director.

- 6.7.4 Throughout this engagement, the Successful Proposer shall comply with Texas Lottery Commission information security standards. The Successful Proposer must sign the Texas Lottery's information security agreement prior to being provided with electronic access to agency information resources.

6.8 FINAL REPORT REQUIREMENTS

6.8.1 The Successful Proposer shall provide the following final reports:

- (a) **Texas Lottery Commission Public Report:** This report shall be available for public review. The public report shall be a summary of the security study that shows the overall evaluation of the Texas Lottery's security. The report shall not include any information that could, if released to the public, jeopardize the integrity and security of the Texas Lottery Commission.
- (b) **Texas Lottery Commission Confidential Report:** In order to protect the integrity and security of the Texas Lottery Commission, the Successful Proposer shall also provide a separate, detailed confidential report with detailed study results. The original and all copies must be clearly stamped with the word "confidential" on the cover and all pages. For each aspect of Texas Lottery security as detailed under Section 6.3, the confidential report must contain a detailed evaluation of the assessment of risk and adequacy and effectiveness of controls. Included in this report shall be a distinct section listing any cybersecurity vulnerabilities discovered in the hardware, firmware, or software components of the Texas Lottery information systems during the course of the security study. Vulnerabilities shall include references to the risk level/severity, as well as known exploitation methods and remediation or mitigation methods. In addition, the report must detail any recommendations to improve lottery security.

6.8.2 **Number of Copies.** The Successful Proposer shall deliver five (5) copies of the public report and five (5) copies of the confidential report to the Texas Lottery. In addition to these copies, the Successful Proposer shall provide one (1) copy of each report on a compact disk or flash drive in a searchable PDF file.

6.8.3 **Report Deadlines.** Unless otherwise approved by the Texas Lottery in writing, the Successful Proposer shall deliver the final draft reports to the Administration Director on or before July 15, 2020. Agency management will provide comments to the Successful Proposer within 15 days of receipt of the reports, in time for the Successful Proposer to prepare final changes and provide the final reports to the Texas Lottery Commission by August 31, 2020.



6.9 PRESENTATION OF RESULTS

If requested by the Texas Lottery, the Successful Proposer shall present results of the security study at a Commission meeting and/or individually to each commissioner. In addition, the Successful Proposer may be required to appear before a Legislative Committee and/or legislative staff to present results.

6.10 ASSISTANCE AVAILABLE TO SUCCESSFUL PROPOSER

The Texas Lottery will provide work space to the Successful Proposer at the Texas Lottery Commission's headquarters building located at 611 E. 6th Street, Austin, Texas 78761-6630, for the duration of the engagement. As related to the security study services, Texas Lottery and TLC vendor employees will cooperate with the Successful Proposer by preparing schedules, producing supporting documents, and providing other assistance as requested.

6.11 SUCCESSFUL PROPOSER'S RESPONSIBILITY FOR WORK PAPER AND REPORT RETENTION, AVAILABILITY AND CONFIDENTIALITY

- 6.11.1 This Section 6.11 will control over Section 3.23.8 only with regard to the return of copies of the Successful Proposer's work papers and reports generated for the Texas Lottery.
- 6.11.2 Copies of all work papers and reports prepared by the Successful Proposer for the Texas Lottery shall be retained by the Successful Proposer at its sole cost and expense for a minimum of seven (7) years after final payment under the Contract or Contract expiration, whichever is later, unless the Successful Proposer is notified in writing by the Texas Lottery to retain the copies of work papers and reports for a longer period.
- 6.11.3 Copies of work papers and reports prepared by the Successful Proposer for the Texas Lottery, including electronic copies thereof, shall be made available to the Texas Lottery's Administration Director or the Administration Director's designee upon request at all times during the Contract and throughout the retention period stated in Section 6.11.2. The Successful Proposer shall cooperate with the State Auditor's Office and/or other independent auditors retained by the Texas Lottery at all times. This provision shall remain in effect at all times during the Contract term and throughout the retention period stated in Section 6.11.2. Upon request, the Successful Proposer must make its personnel available to explain all data, materials, records, information, work papers, work performed, and reports. Unless otherwise specified herein, the Successful Proposer shall respond to all requests under this Section 6.11.3 within two (2) business days.
- 6.11.4 The Texas Lottery, its authorized representatives, and other State entities authorized by law, shall have access to and the right to examine the books, documents, papers or records of the Successful Proposer that relate to the Contract. This provision shall remain in effect at all times during the Contract term and throughout the retention period stated in Section 6.11.2.



- 6.11.5 The Successful Proposer shall be responsible for and shall certify to the Texas Lottery the complete, secure and confidential destruction of all work papers and reports, and any copies thereof (including electronic copies), following the seven (7) year retention period required under Section 6.11.2.
- 6.11.6 In accordance with Section 3.46, the Successful Proposer shall maintain all work papers and reports as confidential, and shall not disclose such information to third parties without the Texas Lottery's prior written consent.

6.12 RIGHT TO USE, COPY AND DISSEMINATE REPORTS AND DATA

Except as otherwise provided herein, the Texas Lottery reserves the right to use and reproduce all reports and data produced by the Successful Proposer and to disseminate the same.

6.13 COMMUNICATION

In order to enhance communication and sharing of information, the Successful Proposer's word processing, spreadsheet, presentation, project management and e-mail applications used for this engagement must be compatible with Texas Lottery applications.

6.14 OFFERED OPTION

- 6.14.1 Proposers may indicate their ability and agreement to provide the Texas Lottery with additional security assessment services outside of the required security study. The services offered might include, for example, advice and assistance regarding the internal controls of the Texas Lottery's functions, or providing special security assessment services.
- 6.14.2 Final pricing and requirements will be negotiated with the Successful Proposer if and when the Texas Lottery implements the Offered Option.
- 6.14.3 Any Offered Option(s) must be approved by the Administration Director prior to performance of such services.



**ATTACHMENT A
PROPOSER'S COMMITMENT**

I hereby commit _____

(Company Name)

to provide the goods and services described in the attached Proposal for Security Study Services required by the Request for Proposals for the Texas Lottery Commission.

Signature: _____

Title: _____

Date: _____



**ATTACHMENT B
FINANCIAL COMMITMENT AND RESPONSIBILITY**

This financial commitment and responsibility statement is to be completed by the parent corporation's chief financial officer.

_____ is a fully-owned subsidiary of
(Subject)

_____ and that as such _____
(Parent) (Parent)

is fully responsible for any and all financial obligations of
_____.
(Subject)

Signature: _____

Title: _____

Date: _____



**ATTACHMENT C
HUB SUBCONTRACTING PLAN**



**ATTACHMENT C-1
HSP QUICK CHECK LIST**



**ATTACHMENT C-2
HUB SUBCONTRACTING OPPORTUNITY NOTIFICATION FORM**



ATTACHMENT D
TEXAS GOVERNMENT CODE §466.155

(a) After a hearing, the director shall deny an application for a license or the commission shall suspend or revoke a license if the director or commission, as applicable, finds that the applicant or sales agent:

(1) is an individual who:

(A) has been convicted of a felony, criminal fraud, gambling or a gambling-related offense, or a misdemeanor involving moral turpitude, if less than 10 years has elapsed since the termination of the sentence, parole, mandatory supervision, or probation served for the offense;

(B) is or has been a professional gambler;

(C) is married to an individual:

(i) described in Paragraph (A) or (B); or

(ii) who is currently delinquent in the payment of any state tax;

(D) is an officer or employee of the commission or a lottery operator; or

(E) is a spouse, child, brother, sister, or parent residing as a member of the same household in the principal place of residence of a person described by Paragraph (D);

(2) is not an individual, and an individual described in Subdivision (1):

(A) is an officer or director of the applicant or sales agent;

(B) holds more than 10 percent of the stock in the applicant or sales agent;

(C) holds an equitable interest greater than 10 percent in the applicant or sales agent;

(D) is a creditor of the applicant or sales agent who holds more than 10 percent of the applicant's or sales agent's outstanding debt;

(E) is the owner or lessee of a business that the applicant or sales agent conducts or through which the applicant will conduct a ticket sales agency;

(F) shares or will share in the profits, other than stock dividends, of the applicant or sales agent; or

(G) participates in managing the affairs of the applicant or sales agent;

(3) has been finally determined to be delinquent in the payment of a tax or other money collected by the comptroller, the Texas Workforce Commission, or the Texas Alcoholic Beverage Commission;

(4) is a person whose location for the sales agency is:

(A) a location licensed for games of bingo under Chapter 2001, Occupations Code;

(B) on land that is owned by:

(i) this state; or

(ii) a political subdivision of this state and on which is located a public primary or secondary school, an institution of higher education, or an agency of the state; or

(C) a location for which a person holds a wine and beer retailer's permit, mixed beverage permit, mixed beverage late hours permit, private club registration permit, or private club late hours permit issued under Chapter 25, 28, 29, 32, or 33, Alcoholic Beverage Code; or

(5) has violated this chapter or a rule adopted under this chapter.



(b) If the director proposes to deny an application for a license or the commission proposes to suspend or revoke a license under this section, the applicant or sales agent is entitled to written notice of the time and place of the hearing. A notice may be served on an applicant or sales agent personally or sent by certified or registered mail, return receipt requested, to the person's mailing address as it appears on the commission's records. A notice must be served or mailed not later than the 20th day before the date of the hearing. The commission shall provide for a formal administrative hearings process.

(b-1) A hearing under this section must be conducted by the State Office of Administrative Hearings and is subject to Section 2001.058(e).

(c) At a hearing, an applicant or sales agent must show by a preponderance of the evidence why the application should not be denied or the license suspended or revoked.

(d) The director shall give an applicant or sales agent written notice of a denial of an application or a suspension or revocation of a license.

(e) The director may not issue a license to a person who has previously had a license under this chapter revoked unless the director is satisfied the person will comply with this chapter and the rules adopted under this chapter. The director may prescribe the terms under which a suspended license will be reissued.

(f) The director may not issue a license to an applicant who fails to certify to the director the applicant's compliance with the federal Americans with Disabilities Act of 1990 (42 U.S.C. Section 12101 et seq.).

(g) For purposes of Subsection (a)(3), the comptroller, Texas Workforce Commission, and Texas Alcoholic Beverage Commission shall each provide the executive director with a report of persons who have been finally determined to be delinquent in the payment of any money owed to or collected by that agency. The commission shall adopt rules regarding the form and frequency of reports under this subsection.

Added by Acts 1993, 73rd Leg., ch. 107, Sec. 4.03(b), eff. Aug. 30, 1993. Amended by Acts 1995, 74th Leg., ch. 76, Sec. 6.21, eff. Sept. 1, 1995; Acts 1995, 74th Leg., ch. 696, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1275, Sec. 51, eff. Sept. 1, 1997; Acts 2001, 77th Leg., ch. 394, Sec. 1, eff. Sept. 1, 2001; Acts 2001, 77th Leg., ch. 1420, Sec. 14.760, eff. Sept. 1, 2001; Acts 2013, 83rd Leg., R.S., Ch. 993 (H.B. 2197), Sec. 5, eff. September 1, 2013; Acts 2017, 85th Leg., ch. 141 (H.B. 1555), Sec. 1, eff. May 26, 2017; Acts 2019, 86th Leg., R.S., ch. 506, Sec. 6, eff. June 7, 2019.



**ATTACHMENT D-1
BACKGROUND INFORMATION CERTIFICATION**

Texas Government Code § 466.155

Under Texas Government Code §466.103, the Executive Director of the Texas Lottery Commission may not award a contract for the purchase or lease of facilities, goods or services related to lottery operations to a person who would be denied a license as a sales agent under Texas Government Code §466.155.

(Company Name)

certifies that it has reviewed Texas Government Code §466.155 and that it would not be denied a license as a sales agent under said section.

(signature of person authorized to contractually bind the Proposer)

(printed name)

(title)

(date)



ATTACHMENT E
TEXAS LOTTERY COMMISSION
VENDOR BACKGROUND INVESTIGATION FORM

NOTE: This form is to be completed by the Apparent Successful Proposer, including the parent or subsidiary of the Apparent Successful Proposer.

GENERAL INFORMATION

- The Texas Lottery is authorized to obtain criminal history records from the Texas Department of Public Safety, the Federal Bureau of Investigation or any other law enforcement agency.
- This form is open to public inspection during normal business hours as required by the Texas Public Information Act, Tex. Gov't. Code §552.021.
- **For Assistance**, please call the Enforcement Division of the Texas Lottery at 512-344-5000.

SALES AGENT ELIGIBILITY STANDARDS

Section 466.103 of the Texas Government Code states that the Executive Director may not award a Contract to a person who would be denied a license as a sales agent under §466.155 of the Texas Government Code.

An individual is not eligible for a sales license if:

- a. The individual or the individual's spouse has been convicted of a felony, criminal fraud, gambling or a gambling-related offense or a misdemeanor involving moral turpitude and less than 10 years have passed since the end of the sentence, parole, mandatory supervision or probation served for the conviction.
- b. The individual or the individual's spouse is a professional gambler.
- c. The individual's spouse is currently delinquent in the payment of any state tax.
- d. The individual is an officer or employee of the Texas Lottery Commission or a lottery operator.
- e. The individual's spouse, child, brother, sister or parent (1) lives in the same principal place of residence as the individual and (2) is an officer or employee of the Texas Lottery Commission or a lottery operator.
- f. The individual is delinquent in the payment of a tax or other money collected by the Texas Comptroller of Public Accounts, the Texas Workforce Commission, or the Texas Alcoholic Beverage Commission.

An entity is not eligible for a sales license if the entity includes any of the following individuals who would be ineligible for a sales license under item a, b, c, d or e above:

- An officer or director of the entity;
- An individual who holds more than 10 percent of the stock in the entity;
- An individual who holds an equitable interest greater than 10 percent in the entity;
- The creditor of the entity who holds more than 10 percent of the entity's outstanding debt;
- The owner or lessee of a business conducted by the entity or through which the entity will conduct a ticket sales agency;
- An individual who shares or will share in the profits, other than stock dividends, of the entity; or
- An individual who participates in managing the affairs of the entity.

An applicant is not eligible for a sales license if the proposed ticket sales location is:



OWNERSHIP INFORMATION FOR APPARENT SUCCESSFUL PROPOSER

<p>1. Corporation or Legal Business Name:</p>	
<p>2. Business Ownership (check one):</p>	<p><input type="checkbox"/> Sole Owner <input type="checkbox"/> Partnership <input type="checkbox"/> Texas Corporation <input type="checkbox"/> Foreign Corporation <input type="checkbox"/> Other (explain) _____</p>
<p>3. If Texas Corporation, enter:</p>	<p>Charter Number: _____ Charter Date (MM/DD/YYYY): ___/___/_____</p>
<p>4. If your business is a foreign corporation, enter:</p>	<p>Home State: _____ Charter Number: _____ Texas Certificate of Authority Number: _____ Texas Certificate of Authority Date (MM/DD/YYYY): ___/___/_____</p>
<p>5. If limited partnership, enter:</p>	<p>Home State: _____ Identification Number: _____</p>
<p>6. Federal Employer's Identification (FEI) Number, if any:</p>	<p>_____</p>
<p>7. Taxpayer number for reporting any Texas tax OR your Texas Vendor Identification Number if you now have, or have ever had, one.</p>	<p>_____</p>



ATTACHMENT E-4 CONSENT TO BACKGROUND INVESTIGATION AND RELEASE OF PERSONAL INFORMATION

NOTE: A separate Consent to Background Investigation and Release of Personal Information form must be completed for each person listed on Attachment E-2 and Attachment E-3. The Texas Lottery may request this form for all Vendor Principals identified on Attachment E-1 Certified List of Vendor Principals.

All persons contracting with the Texas Lottery Commission must meet the requirements of Texas Government Code ANN. §466.155. Print or type all information in blue or black ink.

Vendor Principal - Vendor Employee/Subcontractor Employee -

Company Name

Name _____
Last First Middle

Other Names Used _____ Phone # _____
(Maiden, Nicknames, Previous Married Names, etc.)
Alternate Phone # _____

Place of Birth: _____ Social Security No.: _____ Country of Citizenship _____

Driver's License # _____ State _____ Type _____

DOB: _____ Race _____ Sex _____ Ethnicity _____

Height _____ Weight _____ Eye Color _____ Hair Color _____

Scars, Marks, Tattoos, Amputations: _____

Current Address: _____

City _____ State/Country: _____ Zip code: _____

I understand and agree that:

The Texas Lottery Commission shall conduct an investigation of my personal background to include criminal history record information maintained by the Department of Public Safety, the Federal Bureau of Investigation, Identification Division, or any other law enforcement agency. The Executive Director may request that I provide a complete set of legible fingerprints and I further understand that I may be precluded from providing services for the Texas Lottery Commission for failing to provide such fingerprints on request.

I hereby give my voluntary consent to any investigation or any other inquiry into information described above. Further, I hereby consent to the release of any information including academic records to the Texas Lottery Commission, Enforcement Division, or persons conducting an investigation or inquiry on their behalf. I understand that certain information obtained through this investigation or inquiry may preclude me from providing services for the Texas Lottery Commission.

I further hold harmless and release the Texas Lottery Commission, its agents, officers or employees, from any and all liability for this investigation or inquiry, and any action taken as result of information obtained through the investigation or inquiry. I further hold harmless and release any person providing information in good faith to the Texas Lottery Commission or to any person conducting an investigation or inquiry on their behalf.

I further understand that any person or employee who intentionally, knowingly, recklessly, or with criminal negligence makes a material incorrect or deceptive oral or written statement to a person conducting an investigation commits a misdemeanor.

Signature

Date



ATTACHMENT F SAMPLE PERFORMANCE BOND

Bond No. _____

[company name, address], as Principal, and [surety company], a corporation licensed to do business in the State of Texas and admitted to write bonds, as Surety, are held and firmly bound unto the Texas Lottery Commission, P.O. Box 16630, Austin, Texas 78761-6630, as Obligee, in the full sum of [written amount] Dollars (\$) for the payment of which said Principal and Surety bind themselves, and their respective heirs, administrators, executors, successors, assigns, jointly and severally, firmly by these presents.

WHEREAS, the Principal has entered into a written Contract with Obligee dated the ___ day of _____, _____, for [type of services], which Contract is hereby referred to as if fully and to the same extent as if copied at length herein.

NOW THEREFORE, the condition of this obligation is such that, if during the term of this Contract (or annual bond), the Principal shall faithfully perform such Contract, or shall indemnify and save harmless the Obligee from all cost and damage by reason of Principal's failure to do so, then this obligation shall be null and void, otherwise it shall remain in full force and effect.
(If annual bond, add this paragraph.)

The term of this obligation is for the period commencing on _____ and expiring at 12:00 a.m. on _____. This bond may be renewed on an annual basis at the option of the Surety. If the Surety does not choose to renew this obligation, it will so notify the Obligee and Principal not later than 30 days prior to its expiration.

IN WITNESS WHEREOF, the Principal and Surety have signed and sealed this instrument this ___ day of _____, _____.

(seal)	Principal:	_____
	By:	_____
(seal)	Surety:	_____
	By:	_____
		Attorney-in-Fact



ATTACHMENT G SCORING MATRIX

Security Study Services RFP	Possible Points	% of Total	Points Awarded
The Proposer's price to provide the goods or services.	200	20%	
Cost Proposal Subtotal	200	20%	
The probable quality of the offered goods and/or services.	350	35%	
The agency's evaluation of the likelihood of the Proposal to produce the desired outcome for the agency, considering:			
The quality of the Proposer's past performance in contracting with the Texas Lottery Commission, with other state entities, or with private sector entities.	175	17.5%	
The qualifications of the Proposer's personnel.	100	10%	
The experience of the Proposer in providing the requested goods or services.	175	17.5%	
The financial status of the Proposer.	Pass/Fail	-	
Whether the Proposer performed the good faith effort required by the HUB subcontracting plan.	Pass/Fail	-	
Technical Proposal Subtotal	800	80%	
TOTAL	1000	100%	

The following formula will be used in scoring cost proposals:

Lowest Cost Proposal Amount / Other Cost Proposal Amount = % of total points available for the Cost Proposal.



ATTACHMENT H COST PROPOSAL

NOTE TO ALL PROSPECTIVE PROPOSERS: THE COST PROPOSAL MUST BE SUBMITTED IN A SEPARATE SEALED ENVELOPE AS AN ATTACHMENT TO THE ORIGINAL PROPOSAL.

TLC WILL NOT PAY FOR ANY CHARGES OR OTHER ITEMS NOT INCLUDED IN THE COST PROPOSAL. FEES MUST INCLUDE ALL DIRECT AND INDIRECT CONTRACT COSTS, FOR EXAMPLE, TRAVEL, SALARIES, OVERHEAD, GENERAL AND ADMINISTRATIVE EXPENSES, ALL EQUIPMENT AND SUPPLIES, REQUIRED BONDS AND INSURANCE, AND PROFIT.

Please note: The Texas Lottery will not pay travel time or separately reimburse any travel expenses, overnight stays, or per diem for, or resulting from, travel to and from Austin, Texas.



Security Study Sealed Cost Proposal (RFP Part 6)

Proposer's Name: _____

SECURITY STUDY TOTAL PROFESSIONAL FEE:

Total "Not to Exceed" Professional Fee \$ _____

SECURITY STUDY COST BREAKDOWN: Proposers must include the following information detailing costs comprising the "*Total 'Not to Exceed' Professional Fee.*"

<u>DIRECTIONS:</u>					
1. COMPLETE ALL COLUMNS BELOW FOR <u>ALL PROJECT MEMBERS</u> ASSIGNED TO THIS SECURITY STUDY.					
2. COMPLETE THE BOX " <i>Total Hours</i> ".					
List of Project Members and the services they will perform under this Security Study				<i>Total Hours for all Project Members:</i> _____	
<i>Individual's Name</i>	<i>Security Study Services</i>	<i>Title</i>	<i>Hourly Rate</i>	<i>Estimated Number of Hours</i>	

(signature of person authorized to contractually bind the Proposer)

(printed name)

(title)

(date)



ATTACHMENT I
TEXAS GOVERNMENT CODE
CHAPTER 552
SUBCHAPTER J.
ADDITIONAL PROVISIONS RELATED TO CONTRACTING
INFORMATION

Sec. 552.371. CERTAIN ENTITIES REQUIRED TO PROVIDE CONTRACTING INFORMATION TO GOVERNMENTAL BODY IN CONNECTION WITH REQUEST. (a) This section applies to an entity that is not a governmental body that executes a contract with a governmental body that:

(1) has a stated expenditure of at least \$1 million in public funds for the purchase of goods or services by the governmental body; or

(2) results in the expenditure of at least \$1 million in public funds for the purchase of goods or services by the governmental body in a fiscal year of the governmental body.

(b) This section applies to a written request for public information received by a governmental body that is a party to a contract described by subsection (a) for contracting information related to the contract that is in the custody or possession of the entity and not maintained by the governmental body.

(c) A governmental body that receives a written request for information described by subsection (b) shall request that the entity provide the information to the governmental body. The governmental body must send the request in writing to the entity not later than the third business day after the date the governmental body receives the written request described by subsection (b).

(d) Notwithstanding section 552.301:

(1) a request for an attorney general's decision under section 552.301(b) to determine whether contracting information subject to a written request described by subsection (b) falls within an exception to disclosure under this chapter is considered

timely if made not later than the 13th business day after the date the governmental body receives the written request described by subsection (b);

(2) the statement and copy described by section 552.301(d) is considered timely if provided to the requestor not later than the 13th business day after the date the governmental body receives the written request described by subsection (b);

(3) a submission described by section 552.301(e) is considered timely if submitted to the attorney general not later than the 18th business day after the date the governmental body receives the written request described by subsection (b); and

(4) a copy described by section 552.301(e-1) is considered timely if sent to the requestor not later than the 18th business day after the date the governmental body receives the written request described by subsection (b).

(e) Section 552.302 does not apply to information described by subsection (b) if the governmental body:



(1) complies with the requirements of subsection (c) in a good faith effort to obtain the information from the contracting entity;

(2) is unable to meet a deadline described by subsection (d) because the contracting entity failed to provide the information to the governmental body not later than the 13th business day after the date the governmental body received the written request for the information; and

(3) if applicable and notwithstanding the deadlines prescribed by sections 552.301(b), (d), (e), and (e-1), complies with the requirements of those subsections not later than the eighth business day after the date the governmental body receives the information from the contracting entity.

(f) Nothing in this section affects the deadlines or duties of a governmental body under section 552.301 regarding information the governmental body maintains, including contracting information.

Sec. 552.372. BIDS AND CONTRACTS. (a) A contract described by section 552.371 must require a contracting entity to:

(1) preserve all contracting information related to the contract as provided by the records retention requirements applicable to the governmental body for the duration of the contract;

(2) promptly provide to the governmental body any contracting information related to the contract that is in the custody or possession of the entity on request of the governmental body; and

(3) on completion of the contract, either:

(A) provide at no cost to the governmental body all contracting information related to the contract that is in the custody or possession of the entity; or

(B) preserve the contracting information related to the contract as provided by the records retention requirements applicable to the governmental body.

(b) Unless section 552.374(c) applies, a bid for a contract described by section 552.371 and the contract must include the following statement: "the requirements of subchapter j, chapter 552, government code, may apply to this (include "bid" or "contract" as applicable) and the contractor or vendor agrees that the contract can be terminated if the contractor or vendor knowingly or intentionally fails to comply with a requirement of that subchapter."

(c) A governmental body may not accept a bid for a contract described by section 552.371 or award the contract to an entity that the governmental body has determined has knowingly or intentionally failed to comply with this subchapter in a previous bid or contract described by that section unless the governmental body determines and documents that the entity has taken adequate steps to ensure future compliance with the requirements of this subchapter.

Sec. 552.373. NONCOMPLIANCE WITH PROVISION OF SUBCHAPTER.

A governmental body that is the party to a contract described by Section 552.371 shall provide notice to the entity that is a party to the contract if the entity fails to comply with a requirement of this subchapter applicable to the entity. The notice must:



- (1) be in writing;
- (2) state the requirement of this subchapter that the entity has violated; and
- (3) unless section 552.374(c) applies, advise the entity that the governmental body may terminate the contract without further obligation to the entity if the entity does not cure the violation on or before the 10th business day after the date the governmental body provides the notice.

Sec. 552.374. TERMINATION OF CONTRACT FOR NONCOMPLIANCE.

(a) Subject to subsection (c), a governmental body may terminate a contract described by section 552.371 if:

- (1) the governmental body provides notice under Section 552.373 to the entity that is party to the contract;
- (2) the contracting entity does not cure the violation in the period prescribed by section 552.373;
- (3) the governmental body determines that the contracting entity has intentionally or knowingly failed to comply with a requirement of this subchapter; and
- (4) the governmental body determines that the entity has not taken adequate steps to ensure future compliance with the requirements of this subchapter.

(b) For the purpose of subsection (a), an entity has taken adequate steps to ensure future compliance with this subchapter if:

- (1) the entity produces contracting information requested by the governmental body that is in the custody or possession of the entity not later than the 10th business day after the date the governmental body makes the request; and
- (2) the entity establishes a records management program to enable the entity to comply with this subchapter.

(c) A governmental body may not terminate a contract under this section if the contract is related to the purchase or underwriting of a public security, the contract is or may be used as collateral on a loan, or the contract's proceeds are used to pay debt service of a public security or loan.

Sec. 552.375. OTHER CONTRACT PROVISIONS. Nothing in this subchapter prevents a governmental body from including and enforcing more stringent requirements in a contract to increase accountability or transparency.

Sec. 552.376. CAUSE OF ACTION NOT CREATED. This subchapter does not create a cause of action to contest a bid for or the award of a contract with a governmental body.

Acts of May 23, 2019, R.S., ch. 1216, §1, 2019 *Vernon's Texas Session Law Service*, effective January 1, 2020.



ATTACHMENT J
TEXAS GOVERNMENT CODE §466.020(e) - (f)

Sec. 466.020. SECURITY.

(e) At least once every two years, the executive director shall employ an independent firm that is experienced in security, including computer security and systems security, to conduct a comprehensive study of all aspects of lottery security, including:

- (1) lottery personnel security;
- (2) sales agent security;
- (3) lottery operator and vendor security;
- (4) security against ticket counterfeiting and alteration and other means of fraudulent winning;
- (5) security of lottery drawings;
- (6) lottery computer, data communications, database, and systems security;
- (7) lottery premises and warehouse security;
- (8) security of distribution of tickets;
- (9) security of validation and payment procedures;
- (10) security involving unclaimed prizes;
- (11) security aspects of each lottery game;
- (12) security against the deliberate placement of winning tickets in lottery games that involve preprinted winning tickets by persons involved in the production, storage, transportation, or distribution of tickets; and
- (13) other security aspects of lottery operations.

f) The executive director shall provide the commission with a complete report of the security study conducted under Subsection (e). The commission shall provide the governor and the legislature, before the convening of each regular legislative session, with a summary of the security study that shows the overall evaluation of the lottery's security.

Added by Acts 1993, 73rd Leg., ch. 107, Sec. 4.03(b), eff. Aug. 30, 1993. Amended by Acts 1995, 74th Leg., ch. 76, Sec. 6.08, eff. Sept. 1, 1995.



**ATTACHMENT K
TEXAS ADMINISTRATIVE CODE
TITLE 1 ADMINISTRATION
PART 10 DEPARTMENT OF INFORMATION RESOURCES
CHAPTER 202 INFORMATION SECURITY STANDARDS
SUBCHAPTER B INFORMATION SECURITY STANDARDS FOR
STATE AGENCIES**



ATTACHMENT L TEXAS GOVERNMENT CODE §2054.077

Sec. 2054.077. VULNERABILITY REPORTS.

(a) In this section, a term defined by Section [33.01](#), Penal Code, has the meaning assigned by that section.

(b) The information resources manager of a state agency shall prepare or have prepared a report, including an executive summary of the findings of the biennial report, not later than October 15 of each even-numbered year, assessing the extent to which a computer, a computer program, a computer network, a computer system, a printer, an interface to a computer system, including mobile and peripheral devices, computer software, or data processing of the agency or of a contractor of the agency is vulnerable to unauthorized access or harm, including the extent to which the agency's or contractor's electronically stored information is vulnerable to alteration, damage, erasure, or inappropriate use.

(c) Except as provided by this section, a vulnerability report and any information or communication prepared or maintained for use in the preparation of a vulnerability report is confidential and is not subject to disclosure under Chapter [552](#).

(d) The information resources manager shall provide an electronic copy of the vulnerability report on its completion to:

- (1) the department;
- (2) the state auditor;
- (3) the agency's executive director; and
- (4) any other information technology security oversight group specifically authorized by the legislature to receive the report.

(e) Separate from the executive summary described by Subsection (b), a state agency shall prepare a summary of the agency's vulnerability report that does not contain any information the release of which might compromise the security of the state agency's or state agency contractor's computers, computer programs, computer networks, computer systems, printers, interfaces to computer systems, including mobile and peripheral devices, computer software, data processing, or electronically stored information. The summary is available to the public on request.



Added by Acts 2001, 77th Leg., ch. 792, Sec. 1, eff. June 14, 2001. Amended by: Acts 2009, 81st Leg., R.S., Ch. 183 (H.B. [1830](#)), Sec. 5, eff. September 1, 2009. Acts 2017, 85th Leg., R.S., Ch. 683 (H.B. [8](#)), Sec. 7, eff. September 1, 2017.