




INTEROFFICE MEMO

Gary Grief, Executive Director Michael P. Farrell, Charitable Bingo Operations Director

To: J. Winston Krause, Chairman
Carmen Arrieta-Candelaria, Commissioner
Doug Lowe, Commissioner
Robert Rivera, Commissioner

From: Mike Fernandez, Administration Division Director 

Date: October 3, 2018

Re: **Annual Contract Status Report; and
Supplemental Information for all Major and Prime Contracts**

Texas Administrative Code §401.105(h)(1) requires:

(h) Contract Planning.

(1) The executive director or his/her designee will present the status of all contracts to the Texas Lottery Commission annually for informational purposes. The report is presented at the beginning of each fiscal year.

Texas Government Code Section 2261.254 requires:

CONTRACTS WITH VALUE EXCEEDING \$1 MILLION.

(a) For each contract for the purchase of goods or services that has a value exceeding \$1 million, a state agency shall develop and implement contract reporting requirements that provide information on:

- (1) compliance with financial provisions and delivery schedules under the contract;
- (2) corrective action plans required under the contract and the status of any active corrective action plan; and
- (3) any liquidated damages assessed or collected under the contract.

The attached report provides the status of all agency contracts as of September 1, 2018. In accordance with SB 20, supplemental information is being provided for the fiscal year period 9/1/2017 through 8/31/2018 for all major and prime contracts regarding vendor compliance with financial provisions and deliverable requirements, any active corrective action plans, and liquidated damages or sanctions (based on notification date). Please let me know if you have any questions or need additional information.

Contract Sanctions

File: HUBCR_ContractSanction
User: AZGA

Description: The Sanction Report displays information about Sanctions, Liquidated Damages and Corrective Actions.

Parameters Fiscal Year: 2018; Contract: All; Vendor Name: All

Annual Contract Sanctions Report - Major Contracts

Services or Goods Provided	Vendor	Initial Term	Contract Extensions	Current Expiration	Estimated Annual Cost	Total Sanctions or LD's assessed (Prior FY)	Description of Sanctions or LDs assessed (Prior FY)	Compliant with Financial / Delivery Provisions (Prior FY)	Corrective Action Plan (Prior FY)
Drawing Studio & Production Services	Elephant Productions, Inc.	04/23/2014 - 08/31/2017	09/01/2017 - 08/31/2018 09/01/2018 - 08/31/2019	08/31/2018	\$ 2,636,178	\$2,000	1) 06/13/2018 - recap screen had TEST during official drawing (\$2,000)	Yes	none
Drawing Studio & Production Services	Elephant Productions, Inc.	09/01/2018 - 08/31/2022	09/01/2022 - 08/31/2023	08/31/2022	\$ 0	\$0	none	Yes	none
Lottery Operations and Services	Igt Global Solutions Corp. Db a Igt Solutions Corp.	12/14/2010 - 08/31/2020	09/01/2020 - 08/31/2022 09/01/2022 - 08/31/2024 09/01/2024 - 09/01/2026	09/01/2026	\$ 124,347,689	\$3,436,787.64	1) 08/31/2018 - see attached sanction & liquidated damages report	Yes	none
Instant Ticket Manufacturing and Services	Igt Global Solutions Corp. Db a Igt Solutions Corp.	09/01/2012 - 08/31/2018	09/01/2018 - 08/31/2021 09/01/2021 - 08/31/2024	08/31/2024	\$ 10,026,120	\$150,300	1) 10/04/2017 - Non-Conforming Delivered Tickets (\$900) 2) 01/23/2018 - Partial, Broken, Miscut, or Incomplete Packs (\$200) 3) 01/23/2018 - Non-Conforming Delivered Tickets (\$300) 4) 05/14/2018 - Failure to Report Significant Incidents and Anomalies Loteria and Lucky 7's(\$148,000) 5) 06/18/2018 - Non-Conforming Delivered Tickets (\$900)	Yes	none
Advertising Services	Latinworks Marketing, Llc	05/21/2012 - 08/31/2016	09/01/2016 - 08/31/2018 09/01/2018 - 08/31/2020	08/31/2018	\$ 25,095,198	\$0	none	Yes	none
Advertising Services	Latinworks Marketing, Llc	09/01/2018 - 08/31/2022	09/01/2022 - 08/31/2023 09/01/2023 - 08/31/2024	08/31/2022	\$ 0	\$0	none	Yes	none
Internal Audit Services	Mcconnell & Jones Lip	01/01/2014 - 12/31/2014	01/01/2015 - 12/31/2015 01/01/2016 - 12/31/2016 01/01/2017 - 12/31/2017	12/31/2017	\$ 100,000	\$0	none	Yes	none
Internal Audit Services	Mcconnell & Jones Lip	09/01/2017 - 08/31/2018	09/01/2018 - 08/31/2019 09/01/2019 - 08/31/2020 09/01/2020 - 08/31/2021	08/31/2019	\$ 300,000	\$0	none	Yes	none
Instant Ticket Manufacturing and Services	Pollard Banknote Limited Partnership	09/01/2012 - 08/31/2018	09/01/2018 - 08/31/2021 09/01/2021 - 08/31/2024	08/31/2024	\$ 8,645,270	\$12,600	1) 10/04/2017 - Partial, Broken, Miscut or Incomplete Packs (\$2,500) 2) 10/04/2017 - Non-Conforming Tickets or Partial, Broken, Miscut or Incomplete Packs (\$8,400) 3) 01/23/2018 - Partial, Broken, Miscut or Incomplete Packs (\$200) 4) 01/23/2018 - Non-Conforming Tickets or Partial, Broken, Miscut or Incomplete Packs (\$1,200) 5) 06/18/2018 - Partial, Broken, Miscut or Incomplete Packs (\$300)	Yes	none

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Annual Contract Sanctions Report - Major Contracts

Services or Goods Provided	Vendor	Initial Term	Contract Extensions	Current Expiration	Estimated Annual Cost	Total Sanctions or LD's assessed (Prior FY)	Description of Sanctions or LDs assessed (Prior FY)	Compliant with Financial / Delivery Provisions (Prior FY)	Corrective Action Plan (Prior FY)
Trademark License and Promotional Agreement - Dallas Cowboys Football Club	Pro Silver Star Ltd	03/01/2016 - 02/28/2018	03/01/2018 - 02/28/2020 03/01/2020 - 02/28/2022 03/01/2022 - 02/28/2024 03/01/2024 - 02/28/2026	02/28/2020	\$ 5,620,000	\$0	none	Yes	none
Instant Ticket Manufacturing and Services	Scientific Games International Inc	09/01/2012 - 08/31/2018	09/01/2018 - 08/31/2021 09/01/2021 - 08/31/2024	08/31/2024	\$ 10,122,430	\$300	1) 01/23/2018 - Partial, Broken, Miscut or Incomplete Packs (\$200) 2) 06/18/2018 - Non-Conforming Delivered Tickets (\$100)	Yes	none

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Annual Contract Sanctions Report - Prime Contracts

Services or Goods Provided	Vendor	Initial Term	Contract Extensions	Current Expiration	Estimated Annual Cost	Total Sanctions or LD's assessed (Prior FY)	Description of Sanctions or LDs assessed (Prior FY)	Compliant with Financial / Delivery Provisions (Prior FY)	Corrective Action Plan (Prior FY)
Trademark License & Promotional Agreement - Texas Lottery Live! Game	Alchemy3 Lic	10/28/2015 - 09/30/2017	none	09/30/2017	\$ 0	\$0	none	Yes	none
Promotional and Sponsorship Agreement for Irving Music Factory	Ark Group Of Irving, Inc.	04/18/2017 - 08/31/2027	none	08/31/2027	\$ 618,000	\$0	none	Yes	none
Promotional Products (Primary Vendor)	Beehive Specialty	09/25/2014 - 09/24/2017	09/25/2017 - 09/24/2018	09/24/2018	\$ 1,135,658	\$0	none	Yes	none
Document Management Services	Canon Solutions America, Inc. (Formerly Oce Imagistics, Inc.)	12/23/2011 - 12/22/2016	12/23/2016 - 12/22/2017	12/22/2017	\$ 74,263	\$0	none	Yes	none
Promotional Products (Secondary Vendor)	CJ Manufacturing, L.P.	09/25/2014 - 09/24/2017	09/25/2017 - 09/24/2018	09/24/2017	\$ 0	\$0	none	Yes	none
Parking Agreement	City Of Austin	10/01/2015 - 09/30/2020	none	09/30/2020	\$ 215,640	\$0	none	Yes	none
Document Management Services	Dahill Office Technology Corporation	07/20/2017 - 08/31/2022	none	08/31/2022	\$ 202,730	\$0	none	Yes	none
Lottery Drawings CPA Services	Dk Partners Pc (Formerly Davila Buschhorn & Associates P C)	09/01/2013 - 08/31/2018	09/01/2018 - 10/01/2018	10/01/2018	\$ 1,041,736	\$300	1) 10/24/2017 - auditor arrived late for the Mega Millions drawing (\$300)	Yes	none
Internal Control System and Related Services	Elsym Consulting, Inc.	02/08/2011 - 08/31/2020	09/01/2020 - 08/31/2022 09/01/2022 - 08/31/2024 09/01/2024 - 08/31/2026	08/31/2020	\$ 195,750	\$0	none	Yes	none
Trademark License and Promotional Agreement - Dallas Cowboys Football Club	Frisco Management, L.P.	03/01/2016 - 02/28/2018	03/01/2018 - 02/28/2020 03/01/2020 - 02/28/2022 03/01/2022 - 02/28/2024 03/01/2024 - 02/28/2026	02/28/2020	\$ 848,720	\$0	none	Yes	none
Risk Review and Compliance Monitoring Services	Grant Thornton, Llp.	09/01/2017 - 08/31/2019	09/01/2019 - 08/31/2020 09/01/2020 - 08/31/2021 09/01/2021 - 08/31/2022	08/31/2019	\$ 260,637	\$0	none	Yes	none
Trademark License and Promotional Agreement	Houston Nfi Holdings L P	04/25/2016 - 06/30/2017	07/01/2017 - 06/30/2018 07/01/2018 - 06/30/2019 07/01/2019 - 06/30/2020 07/01/2020 - 06/30/2021	06/30/2019	\$ 2,727,700	\$0	none	Yes	none

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Security Management System and Monitoring Services	Johnson Controls Security Solutions, Llc (Formerly Tyco Integrated Security)	09/24/2015 - 10/20/2020	10/21/2020 - 10/20/2021 10/21/2021 - 10/20/2022	10/20/2020	\$ 348,832	\$6,750	1) 01/24/2018 - failure to prevent data loss (\$1,000) 10) 08/13/2018 - failure to prevent data loss on 4 cameras (\$1,000) 2) 03/08/2018 - failure to prevent data loss (\$250) 3) 04/25/2018 - failure to prevent data loss (\$250) 4) 06/13/2018 - FTPDL for 5/8, 5/21, & 5/27 (\$750) 5) 07/11/2018 - failure to repair (\$500) 6) 07/11/2018 - failure to prevent date loss (\$500) 7) 07/23/2018 - failure to prevent date loss at the warehouse (\$250) 8) 08/07/2018 - failure to notify silent robbery panic alarm (\$250) 9) 08/13/2018 - failure to repair timely on two exterior cameras (\$2,000)	Yes	none
Lease Agreement - Austin Headquarters	Lynx Grant Llc (Formerly Grant Building-Austin Lp)	05/08/1997 - 05/07/2000	05/08/2000 - 05/07/2005 05/08/2005 - 05/07/2010 05/08/2010 - 05/07/2020 05/08/2020 - 08/31/2022	08/31/2022	\$ 2,495,011	\$0	none	Yes	none
Lease Agreement - Austin Warehouse	Sabrehal International Ltd	01/15/1995 - 01/14/2005	02/15/2005 - 02/14/2010 02/15/2010 - 02/14/2015 02/15/2015 - 02/29/2020 03/01/2020 - 02/28/2025	02/29/2020	\$ 286,080	\$0	none	Yes	none
Security Officer Services	Smith Protective Services Inc	07/19/2017 - 08/31/2018	09/01/2018 - 08/31/2019 09/01/2019 - 08/31/2020 09/01/2020 - 08/31/2021	08/31/2019	\$ 458,441	\$2,300	1) 01/22/2018 - failed to meet minimum staffing requirement (\$1,550) 2) 02/28/2018 - failed to meet minimum staffing requirement (\$150) 3) 07/11/2018 - failed to meet minimum staffing requirement (\$400) 4) 08/07/2018 - failed to meet minimum staffing requirement (\$200)	Yes	none
Website Hosting Services	Technology Spa Llc (Formerly Agencies Of Change)	07/15/2015 - 08/31/2018	09/01/2018 - 08/31/2020 09/01/2020 - 08/31/2022	08/31/2022	\$ 194,160	\$0	none	Yes	none
Lottery Drawings CPA Services	Weaver & Tidwell Llp.	06/21/2018 - 08/31/2019	09/01/2019 - 08/31/2020 09/01/2020 - 08/31/2021 09/01/2021 - 08/31/2022	08/31/2019	\$ 56,400	\$0	none	Yes	none

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Houston Claim Center - Lease Agreement through Texas Facilities Commission	Weingarten Realty Investors	03/01/1994 - 08/31/1999	09/01/1998 - 08/31/2002 03/01/2003 - 02/29/2008 03/01/2008 - 08/31/2013 09/01/2013 - 08/31/2018 09/01/2018 - 08/31/2023	08/31/2023	\$ 48,908	\$0	none	Yes	none

Lottery Operations
IGT Global Solutions Corporation

Sanction and LD Totals - FY18

Sanction/LD No.	Sanction/LD Title	Amount Assessed	Incidents Assessed
3.60.7	Failure to produce accurate records or provide accurate informatior	\$99,500.00	48
3.60.8	Failure to produce timely records and/or information	\$0.00	0
3.60.14	Failure to report significant incidents and anomalies	\$36,000.00	34
3.60.17	Failure to correct audit and/or compliance finding	\$0.00	0
3.60.19	Failure to comply with Title 1 TAC 202 Information Security Standards	\$10,000.00	1
3.60.21	Failure to perform retailer training	\$900.00	2
3.60.22	Failure perform retailer retraining	\$0.00	0
3.60.23	Failure to implement new on-line games	\$0.00	0
3.60.25	Failure to update jackpot amount throughout the Lottery Gaming System	\$38,000.00	3
3.60.26	Lottery gaming System inability to cash winning tickets at a retailer location (All on-line games or all instant ticket games)	\$8,000.00	4
3.60.27	Lottery gaming System inability to cash winning tickets at a retailer location (Specific on-line game or one or more instant ticket games)	\$0.00	0
3.60.28	Lottery Gaming System inability to cash winning tickets at a Texas Lottery Claim Center	\$364,000.00	5
3.60.29	Inability of the Lottery Gaming System to conduct retailer licensing, inventory, accounting, or other management functions	\$48,500.00	13
3.60.30	Performance Degradation	\$0.00	0
3.60.31	Failure to test backup Lottery Gaming System	\$0.00	0
3.60.32	Failure of the Lottery Gaming System to execute planned on-line promotior	\$100,000.00	4
3.60.33	Failure to provide software fixes and/or enhancements	\$0.00	0
3.60.34	Failure to implement change or release management as required under RFP Section	\$50,000.00	2
3.60.35	Failure to comply with Title 1 TAC 202 resulting in a security inciden	\$0.00	0
3.60.36	Failure to provide new reports and/or to modify existing reports	\$0.00	0
3.60.37	Inability of the Internal Control System to update Lottery application	\$31,000.00	10
3.60.38	Out-of-balance condition between ICS and Lottery Gaming System	\$2,000.00	2
3.60.39	Failure to load debt, credit and/or new retailer files from the Texas Lottery into the Lottery Gaming System	\$39,000.00	2
3.60.42	Inability of the Lottery Gaming System to produce accurate terminal reports or make terminal reports available	\$195,000.00	10
3.60.43	Failure to install, relocate or remove Lottery sales and/or validation equipment	\$1,500.00	2
3.60.44	Failure to install, relocate or remove Lottery non-sales equipment	\$700.00	3
3.60.45	Failure to resolve a Lottery non-sales equipment problem within the specified	\$45,900.00	24
3.60.46	Call Center answer time	\$13,625.00	545
3.60.47	Call Center busy signal time	\$16,175.00	647
3.60.48	Call Center abandonment rate	\$675.00	27
3.60.49	Call Center hold time	\$34,950.00	1270
3.60.50	Call Center availability	\$0.00	0
3.60.51	LSR visits	\$219,750.00	879
3.60.53	Failure to properly process or assign on-line ticket stock	\$0.00	0
3.60.54	Improperly processed packs of instant tickets	\$49,900.00	499
3.60.55	Failure to support a promotional event	\$0.00	0
3.60.56	Inability to program the programmable signs	\$0.00	0
3.60.57	Inability of the programmable signs to communicate	\$0.00	0
3.60.58	Failure to load instant game files within specified timeframe	\$2,000.00	1
3.60.59	Instant ticket packs not delivered to Texas Lottery retailers	\$693,000.00	990
3.60.60	Instant ticket packs not returned to the warehouse	\$668,400.00	6684
3.60.61	Warehouse instant ticket return verification	\$146,400.00	1464
3.60.62	Failure to timely provide accurate annual instant ticket inventory report	\$0.00	0
3.60.65	Failure to deliver according to final detailed conversion plan	\$0.00	0
3.60.66	Failure to update ES Multi-Media system messages or inaccurate ESMM messages	\$50,000.00	10
3.60.67	Failure to maintain LSR staff-to-retailer ratio	\$0.00	0
3.60.68	Failure to provide IVR system changes and/or enhancements	\$0.00	0
3.60.69	Failure to update winning numbers for each draw game in the IVR system	\$7,700.00	7
3.60.70	Failure to conduct Promotion Second Chance drawings in accordance with Texas Lottery approved procedures	\$0.00	0
3.60.71	Invalid drawings	\$0.00	0
3.60.72	Failure to provide entry data timely	\$7,500.00	1
3.60.73	Failure to resolve an Instant Ticket Conveyor System or GNIE System Problem	\$0.00	0
3.61.5	On-Line game unavailability	\$0.00	0
3.61.6	Inability of the Texas Lottery retailer terminals to communicate with the Lottery Gaming System	\$76,762.98	48
3.61.7	Failure to resolve terminal and related sales equipment problems	\$216,341.77	4714
3.61.8	Unassigned packs of instant tickets missing from the warehouse	\$31,180.00	50
3.61.9	Inability of the Lottery Gaming System to confirm or activate instant ticket packs	\$132,427.89	31
Totals		\$3,436,787.64	18036