



INTEROFFICE MEMO

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

To: J. Winston Krause, Chairman
Mark A. Franz, Commissioner
Robert Rivera, Commissioner
Erik C. Saenz, Commissioner

From: Mike Fernandez, Administration Division Director *MFB*

Date: October 10, 2019

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, 2019. In accordance with SB 20, supplemental information is being provided for the fiscal year period 9/1/2018 through 8/31/2019 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.

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

Parameters: Fiscal Year: 2019; Contract: All; Vendor Name: All

Annual Contract 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.	09/01/2018 - 08/31/2022	09/01/2022 - 08/31/2023	08/31/2022	\$ 2,185,435.00	\$ 6,400.00	1) 10/19/2018 - Pick 3- Camera zoomed on center of machine instead of selection tray (\$2,000) 2) 02/21/2019 - Archive web cast posted over two hours after live draw (\$300) 3) 06/06/2019 - Web Cast Archived (\$100) 4) 06/24/2019 - Animated graphic displayed overlaid the All or Nothing wide shot, which caused first ball selected off camera (\$2,000) 5) 08/22/2019 - Camera zoomed in to show an empty space and didn't show third Pick 3 number was not visible as it was drawn. (\$2,000)	Yes	none
Lottery Operations and Services	Igt Global Solutions Corp. Dba Igt Solutions Corp.	12/14/2010 - 08/31/2020	09/01/2020 - 08/31/2022 09/01/2022 - 08/31/2024 09/01/2024 - 08/31/2026	8/31/2026	\$ 138,151,426.72	\$ -	- See attached list	Yes	none
Instant Ticket Manufacturing and Services	Igt Global Solutions Corp. Dba Igt Solutions Corp.	09/01/2012 - 08/31/2018	09/01/2018 - 08/31/2021 09/01/2021 - 08/31/2024	08/31/2024	\$ 12,112,568.00	\$ 26,025.00	1) 09/27/2018 - Non-Conforming Delivered Tickets (\$2,800) 2) 09/27/2018 - Omitted Packs (\$225) 3) 12/10/2018 - Partial, Broken, Miscut, or Incomplete Packs(\$200) 4) 12/10/2018 - Non-Conforming Delivered Tickets(\$21,000) 5) 03/18/2019 - Non-Conforming Delivered Tickets (\$1,400) 6) 06/17/2019 - Partial, Broken, Miscut, or Incomplete Packs (\$100) 7) 06/17/2019 - Non-Conforming Delivered Tickets (\$300)	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	\$ 26,371,448.00	\$ -	- none	Yes	none

Internal Audit Services	McCormell & Jones Lip	09/01/2017 - 08/31/2018	09/01/2018 - 08/31/2019	08/31/2020	\$ 300,000.00	\$ -	-	none	Yes	none
Instant Ticket Manufacturing and Services	Pollard Banknote Limited Partnership	09/01/2012 - 08/31/2018	09/01/2019 - 08/31/2020 09/01/2020 - 08/31/2021 09/01/2018 - 08/31/2021 09/01/2021 - 08/31/2024	08/31/2024	\$ 12,112,568.00	\$ 2,700.00	1) 09/27/2018 - Partial, Broken, Miscut or Incomplete Packs (\$100) 2) 12/10/2018 - Partial, Broken, Miscut or Incomplete Packs (\$100) 3) 03/18/2019 - Non-Conforming Tickets (\$100) 4) 03/18/2019 - Partial, Broken, Miscut or Incomplete Packs (\$2,100) 5) 06/17/2019 - Partial, Broken, Miscut or Incomplete Packs (\$300)	none	Yes	none
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	\$ 3,818,545.00	\$ -	-	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	\$ 12,112,568.00	\$ 10,900.00	1) 09/27/2018 - Non-Conforming Delivered Tickets (\$200) 2) 01/04/2019 - Failure to comply with section 8.18 (\$9,000) 3) 02/12/2019 - Faulty Reports and Game Files, Including Validation Media (\$1,000) 4) 06/17/2019 - Non-Conforming Delivered Tickets (\$700)	none	Yes	none

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

Parameters: Fiscal Year: 2019; Contract: All; Vendor Name: All

Annual Contract 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)
Promotional and Sponsorship Agreement for Irving Music Factory	Ark Group Of Irving, Inc.	04/18/2017 - 08/31/2027	none	08/31/2027	\$ 518,000.00	\$ -	- none	Yes	none
Promotional Products (Primary Vendor)	Beehive Specialty	09/25/2014 - 09/24/2017	09/25/2017 - 09/24/2018	09/24/2018	\$ -	\$ -	- none	Yes	none
Promotional Products	Beehive Specialty	04/01/2019 - 03/31/2020	04/01/2020 - 03/31/2021	03/31/2020	\$ 1,050,000.00	\$ -	- none	Yes	none
Houston Claim Center - Lease Agreement through Texas Facilities Commission	Bs North Loop West, Lc	03/01/1994 - 08/31/1999	04/01/2021 - 03/31/2022 09/01/1998 - 08/31/2002	08/31/2023	\$ 78,531.94	\$ -	- none	Yes	none
Parking Agreement	City Of Austin	10/01/2015 - 09/30/2020	none	09/30/2020	\$ 215,640.00	\$ -	- 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	\$ 61,600.00	\$ -	- none	Yes	none
Internal Control System and Related Services	Eisym Consulting, Inc.	02/08/2011 - 08/31/2020	09/01/2020 - 08/31/2022	08/31/2020	\$ 195,750.00	\$ -	- none	Yes	none
Trademark License and Promotional Agreement - Dallas Cowboys Football Club	Frisco Management, L.P.	03/01/2016 - 02/28/2018	09/01/2022 - 08/31/2024 09/01/2024 - 08/31/2026 03/01/2018 - 02/28/2020	02/28/2020	\$ 874,181.60	\$ -	- none	Yes	none

Risk Review and Compliance Monitoring Services	Grant Thornton, Lp.	09/01/2017 - 08/31/2019	09/01/2019 - 08/31/2020 09/01/2020 - 08/31/2021 09/01/2021 - 08/31/2022	08/31/2020	\$ 263,351.00	\$ -	-	none	Yes	none
Trademark License and Promotional Agreement	Houston Nfl 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	06/30/2020	\$ 1,486,050.00	\$ -	-	none	Yes	none
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	\$ 350,748.00	\$ 4,250.00	1) 09/05/2018 - failure to prevent date loss (\$500) 2) 12/06/2018 - failure to prevent date loss (\$500) 3) 01/22/2019 - failure to prevent date loss (\$250) 4) 02/05/2019 - failure to prevent date loss (\$500) 5) 04/02/2019 - failure to prevent date loss (\$250) 6) 05/06/2019 - failure to repair (\$500) 7) 05/06/2019 - failure to prevent date loss (\$750) 8) 06/24/2019 - failure to prevent date loss (\$500) 9) 06/24/2019 - failure to repair (\$500)	none	Yes	none
Lease Agreement - Austin Headquarters	Lynx Grant Lic (Formerly Grant Building-Austin Lp)	05/08/1997 - 05/07/2000	05/08/2005 - 05/07/2010 05/08/2010 - 05/07/2020 05/08/2020 - 08/31/2022	08/31/2022	\$ 2,543,934.46	\$ -	-	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	\$ 294,000.00	\$ -	-	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	08/31/2020	\$ 374,876.00	\$ 2,450.00	1) 09/11/2018 - failed to meet minimum staffing requirement (\$150) 2) 06/26/2019 - failed to meet minimum staffing requirement (\$650) 3) 07/09/2019 - failed to meet minimum staffing requirement (\$1,650)	none	Yes	none

Website Hosting Services	Technology Spa Llc (Formerly Agencies Of Change)	07/15/2015 - 08/31/2018	09/01/2018 - 08/31/2020	08/31/2022	\$ 182,160.00	\$ 1,000.00	1) 10/16/2018 - Code of Conduct for not updating software (\$1,000)	Yes	none
Lottery Drawings CPA Services	Weaver & Tidwell Lip.	06/21/2018 - 08/31/2019	09/01/2020 - 08/31/2022 09/01/2019 - 08/31/2020 09/01/2020 - 08/31/2021 09/01/2021 - 08/31/2022	08/31/2020	\$ 841,392.50	\$ 1,900.00	1) 10/22/2018 - failure to provide Signature and date for Daily 4 ball set (\$500.00) 2) 12/20/2018 - failure of the lead auditor to contact the TLC (\$400) 3) 02/04/2019 - Attendance (\$300) 4) 03/27/2019 - failure to seal ball sets and switch of ball numbers in the wrong ball set 5) 05/07/2019 - Attendance (\$200)	Yes	none
Document Management Services	Xerox Business Solutions Southwest (Fka Dahill)	07/20/2017 - 08/31/2022	none	08/31/2022	\$ 260,364.52	\$ -	none	Yes	none

Parameters: Fiscal Year: 2019; Contract: All; Vendor Name: All

Annual Contract Report - Operational Contracts

Services or Goods Provided	Vendor	Initial Term	Contract Extensions	Current Expiration	Estimated Annual Cost
Trademark License & Promotional Agreement - Powerball Power Cruise II	Alchemy3 Llc	12/05/2017 - 01/31/2019	none	01/31/2019	\$
Lottery Products Testing Services	Barker & Herbert Analytical Laboratories, Inc.	09/01/2016 - 08/31/2018	09/01/2018 - 08/31/2019	08/31/2020	\$ 204,800.00
Security Study Services	Berry Dunn Mcneil & Parker Llc	03/27/2018 - 03/31/2019	09/01/2019 - 08/31/2020	03/31/2019	\$ 76,939.50
Statistical Consulting Services	Eubank & Young Statistical Consulting, Llc	09/01/2018 - 08/31/2021	09/01/2021 - 08/31/2023	08/31/2021	\$ 218,062.00
Professional Architect Services	Kampfer/De Sijl Inc.	12/05/2017 - 08/31/2021	none	08/31/2021	\$ 36,000.00
Outside Counsel Contract Intellectual Property - General Matters	Meyertons Hood Kivlin Kowert And Goetzel Pc	09/01/2015 - 08/31/2019	09/01/2017 - 08/31/2019	08/31/2019	\$ 50,000.00
Outside Counsel Contract Intellectual Property - Litigation Matters	Meyertons Hood Kivlin Kowert And Goetzel Pc	09/01/2015 - 08/31/2019	09/01/2017 - 08/31/2019	08/31/2019	\$ 15,000.00
Multi-State Lottery Association - Multi-State Membership Agreement	Multi-State Lottery Assoc	03/01/2014 - 08/31/2099	none	08/31/2099	\$ 62,837.86
Annual Financial Audit Services	Weaver & Tidwell Llp.	04/13/2016 - 03/31/2017	04/01/2017 - 03/31/2018	03/31/2019	\$ 63,780.00
Annual Financial Audit Services	Weaver & Tidwell Llp.	05/01/2019 - 04/30/2020	04/01/2018 - 03/31/2019	04/30/2020	\$ 74,000.00
			05/01/2020 - 04/30/2021		
			05/01/2021 - 04/30/2022		
			05/01/2022 - 04/30/2023		

Lottery Operations IGT Global Solutions Corporation
Sanction and LD Totals - FY19

Sanction / LD No.	Sanction/LD Title	Amount Assessed	Incidents Assessed
3.60.7	Failure to produce accurate records or provide accurate information	\$143,000.00	33
3.60.8	Failure to produce timely records and/or information	\$0.00	0
3.60.14	Failure to report significant incidents and anomalies	\$16,000.00	14
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	\$0.00	0
3.60.21	Failure to perform retailer training	\$0.00	0
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	\$136,000.00	6
3.60.26	Lottery gaming System inability to cash winning tickets at a retailer location (All on-line games or all instant ticket games)	\$0.00	0
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)	\$55,000.00	2
3.60.28	Lottery Gaming System inability to cash winning tickets at a Texas Lottery Claim Center	\$678,500.00	11
3.60.29	Inability of the Lottery Gaming System to conduct retailer licensing, inventory, accounting, or other management functions	\$227,500.00	35
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 promotion	\$50,000.00	2
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	\$25,000.00	1
3.60.35	Failure to comply with Title 1 TAC 202 resulting in a security incident	\$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 applications	\$79,000.00	27
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	\$136,000.00	8
3.60.42	Inability of the Lottery Gaming System to produce accurate terminal reports or make terminal reports available	\$545,000.00	13
3.60.43	Failure to install, relocate or remove Lottery sales and/or validation equipment	\$600.00	2
3.60.44	Failure to install, relocate or remove Lottery non-sales equipment	\$200.00	2
3.60.45	Failure to resolve a Lottery non-sales equipment problem within the specified	\$3,400.00	5
3.60.46	Call Center answer time	\$34,150.00	1366
3.60.47	Call Center busy signal time	\$6,400.00	256
3.60.48	Call Center abandonment rate	\$6,250.00	250
3.60.49	Call Center hold time	\$19,550.00	782
3.60.50	Call Center availability	\$0.00	0
3.60.51	LSR visits	\$0.00	0
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	\$16,600.00	165
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	\$16,000.00	1
3.60.59	Instant ticket packs not delivered to Texas Lottery retailers	\$3,500.00	5
3.60.60	Instant ticket packs not returned to the warehouse	\$0.00	0
3.60.61	Warehouse instant ticket return verification	\$101,900.00	1019
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	\$15,000.00	3
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	\$3,600.00	3
3.60.70	Failure to conduct Promotion Second Chance drawings in accordance with Texas Lottery approved procedures	\$10,000.00	1
3.60.71	Invalid drawings	\$0.00	0
3.60.72	Failure to provide entry data timely	\$0.00	0
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	\$177,326.82	71
3.61.7	Failure to resolve terminal and related sales equipment problems	\$197,776.22	2672
3.61.8	Unassigned packs of instant tickets missing from the warehouse	\$23,050.00	50
3.61.9	Inability of the Lottery Gaming System to confirm or activate instant ticket packs	\$415,218.39	50
Totals		\$3,143,521.43	6857