

Date: February 23, 2012

**To:** California State Lottery Commission

From: Roberto Zavala, Chief\*

Internal Audits

**Subject:** Item 9(g) - Three Month Extension of Draw Auditing and Review Services

Contract

## **ISSUE**

Should the California State Lottery Commission (Commission) approve Amendment 03 for Draw Auditing and Review Services contract number 13389 extending the term for three additional months?

## **RECOMMENDATION**

California State Lottery (Lottery) staff recommends that the Commission approve Amendment 03 for Draw Auditing and Review Services contract number 13389.

## BACKGROUND

The Lottery is required by Government Code section 8880.30 to ensure that drawings are witnessed by an independent lottery contractor having qualifications established by the Commission. As a result of formal competitive bidding, KPMG was awarded the current contract for Draw Auditing and Review Services in January 2009 with a total expenditure authority of \$788,100. In July 2011, the Lottery executed Amendment 01 to reflect the new address for the Lottery's Headquarters building. The Lottery executed Amendment 02 in December 2011 extending the contract term four months through April 30, 2012. The remaining terms and conditions did not change and no additional funding was requested.

<sup>\*</sup>Note: This memo is being sent directly to the Commissioners because Director, Robert T. O'Neill, is a former employee of KPMG and has recused himself from involvement in a decision on this issue.

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## **DISCUSSION**

The current KPMG contract is scheduled to expire on April 30, 2012. Amending the contract for three additional months will ensure no gap in providing mission critical services on Lottery draws. Also, this extension will ensure the completion of the Request for Proposal process since recent changes were implemented at the beginning of the year. The target date for executing a new contract is June 2012. The Lottery has been satisfied with the performance of KPMG throughout the term of the contract.