

MEMORANDUM

Date: February 23, 2012

To: California State Lottery Commission

From: Robert T. O'Neill, Director

Prepared By: Ellen Ishimoto, Deputy Director

Information Technology Services Division

Subject: Item 9(c) - Ratification Request for Century Link Network

Software Support and Maintenance Purchase Order

ISSUE

Should the California State Lottery Commission (Commission) ratify former Acting Director Linh Nguyen's expedited approval of the California State Lottery's (Lottery) purchase order with Century Link?

RECOMMENDATION

Lottery staff recommends that the Commission ratify former Acting Director Nguyen's expedited approval of the Lottery's purchase order with Century Link.

BACKGROUND

The Lottery's computer network is composed of 198 routers and switches (and associated software) that provide conduits for servers and computers to communicate with each other and with the outside world. This communication between computers and systems allows Lottery employees to send and receive email, access business applications, connect to gaming system applications and the internet, and access centrally-stored documents. With the use of "Voice over IP" in the Lottery headquarters building, the network also provides the means for Lottery employees to use their desk phones.

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The Lottery utilizes Juniper Networks to provide computer network software support and maintenance. In late 2011 the Lottery engaged in a competitive process and selected CenturyLink as the reseller for Juniper Networks software support and maintenance for three years beginning in December 2011. The maximum amount the Lottery intends to spend over the course of the three-year purchase order is \$551,000.

Purchases worth \$250,000 or more would typically be presented to the Lottery Commission for approval. However, because there was no sitting Commission at that time and circumstances required that performance begin as soon as possible, on December 20, 2011 the Lottery's Acting Director Linh Nguyen utilized the expedited contract approval process described in section III.E.12.c of the Lottery's Omnibus Regulations, which provides:

"If circumstances require work under a particular contract to commence prior to the next Commission meeting, the Director may authorize the execution of the contract . . . (t)he Director's execution of the contract shall be presented to the Commission for ratification at the next regularly scheduled commission meeting. . ."

DISCUSSION

The Lottery's hardware and associated software must be updated frequently, in particular where software security is concerned. The network software support and maintenance agreement provides software updates, technical support, and advance hardware replacement for each unit of covered hardware. Having a support and maintenance agreement continuously in place helps to ensure that the Lottery's network will not be exposed to security vulnerabilities. It also ensures that the Lottery will be able to obtain highly-specialized technical assistance immediately when needed. In addition, the terms of the software license agreements the Lottery has entered into require that maintenance support systems be in place before the Lottery can receive software updates.

With regard to hardware, the alternative to purchasing an annual maintenance contract is to pay individually to repair or replace any failed piece of equipment. This would be significantly more costly than an annual contract and would create a situation in which unpatched network equipment could expose Lottery data and systems to unacceptable security risks.

In order to obtain the best software support and maintenance value for the Lottery, a competitive process was utilized. Quotes from three different vendors were solicited. The selected vendor provided the best value and lowest cost to the Lottery at \$184,000 per year for three years.