



# MEMORANDUM

**To:** California State Lottery Commission      **Date:** June 27, 2006

**From:** Joan M. Borucki  
Acting Director

**Prepared By:** Cathleen Dinubilo, Chief  
Internal Audits Office

**Subject:** Item 10(c) - Approval of Contract with Getronics for Security  
Evaluation Services

## **ISSUE**

Should the California State Lottery Commission (Commission) approve the expenditure authority to award the security evaluation services contract to GetronicsWang Co. LLC (Getronics)?

## **RECOMMENDATION**

The California State Lottery (Lottery) staff recommends that the Commission approve and award Getronics the security evaluation services contract for \$282,000 for the period of July 2006 to December 2008 with an option to extend for two additional years.

## **BACKGROUND**

The Lottery is required by Government Code section 8880.46 to “engage an independent firm experienced in security procedures, including but not limited to computer security and system security, to conduct a comprehensive study and evaluation of all aspects of security in the operation of the Lottery.”

These services include assessments of the Lottery’s security systems, policies and procedures. The goal of this evaluation is to provide the public, appropriate state officials, and the Legislature with assurances as to the security, integrity and fairness of the Lottery’s products, operations and gaming activities. The contractor will assist

the Lottery Commission and Director by evaluating the Lottery's security and making suggestions for improvement.

The Lottery has had an independent security evaluation on a bi-ennial basis since its inception. In the past, the Request for Proposal (RFP) included only one bi-ennial audit. To decrease costs and save time, this contract was designed to include two bi-ennial audits with the option for an extension to include an additional audit period. An added benefit is that the firm selected will have background information and experience to use when conducting the second and possibly third evaluation.

## **DISCUSSION**

On February 24, 2006, the Lottery issued a Request for Proposal #1498, Security Evaluation Services, to invite responses from qualified firms to provide services for a comprehensive study and evaluation of the Lottery's security systems, policies, and procedures. The RFP was advertised in the Small Business Exchange, Disabled Veterans Voice and the Sacramento Bee. In addition, letters of interest were mailed to 135 potential bidders.

Intents to bid were received from ten (10) firms and a total of four proposals were received by the April 24, 2006 deadline: Evolve Technology, Getronics, KPMG LLP and Verisign, Inc. All four bidders passed the mandatory submittals evaluation and were advanced to the next phase of the evaluation process.

The rated evaluation included Project Personnel, Organization Background and Experience and Proposed Work Plan and Project Methodology. The possible ratings as described in the RFP were: Significantly Exceeds, Exceeds, Meets, Meets with Exceptions, and Does Not Meet.

Bidders were evaluated on the overall quality of personnel they proposed to devote to the project; the background and experience of the bidder; and the proposed work plan and project methodology. Getronics received a rating of significantly exceeds in each category, and an overall rating of Significantly Exceeds. Other bidders received ratings ranging from Exceeds to Meets with Exceptions, but all received an overall rating of at least "Meets."

As such, pricing submitted by each of the four bidders was reviewed and evaluated in light of small business participation goals. Finally, the team performed a "Best Value" analysis, resulting in the recommendation that Getronics be awarded the contract. Getronics offered a more customized and specific work plan along with an excellent staffing plan and overall firm experience. The pricing offered by Getronics was the lowest overall. Given all of the factors, the evaluation team determined that the best overall value for the Lottery is the contract offered with Getronics.

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Based on that recommendation, Getronics was announced as the successful bidder on May 11, 2006. The Lottery received no protests to the award. The contract is scheduled to begin on July 1, 2006 and expire on December 31, 2008 with the option to extend for an additional two years. The total contract expenditure authority is \$282,000.