



**M E M O R A N D U M**

---

**Date:** October 22, 2009

**To:** California State Lottery Commission

**From:** Joan M. Borucki  
Director

**Prepared By:** Richard Woonacott, Acting Deputy Director  
Security/Law Enforcement Division (S/LED)

**Subject:** Item 9(a) – Contract Extension for Security Guard Services

**ISSUE**

Should the California State Lottery Commission (Commission) approve a two-year extension to contract #11295 with Andrews International to continue to provide security guard services for the California State Lottery (Lottery)?

**RECOMMENDATION**

Staff recommends the Commission approve extending the contract with Andrews International for two years under the existing terms and conditions. The current contract term is for three (3) years, December 3, 2006 through December 2, 2009, with an option to extend for two (2) additional years. The two-year extension would extend the term of this contract through December 2, 2011, and includes the addition of \$2,200,000 for a total expenditure authority of \$5,994,493.

**BACKGROUND**

The Lottery has utilized contracted security guard services for building security, access control, alarm monitoring, and special events security since 1985. On December 12, 2006, the Lottery awarded HMI Associates a three-year contract for security guard services after a competitive bidding process. This contract expires on December 2, 2009, and a provision in the contract allows the Lottery the option to extend the contract for up to an additional two years while maintaining the same terms and conditions.

At the time of the original contract, HMI was in the process of consolidating operations with another security guard company, Andrews International. The original disclosure investigation provided full documentation of this consolidation and in March 2007, contract amendment A01 was approved to change the contractor's name to Andrews International. Some minor ownership structure issues were also satisfactorily addressed at that time.

Contract amendment A02 was also approved and further amended the contract on December 3, 2006, to add additional security guard staffing requirements to the Scope of Service, update Exhibit C with the correct addresses of Lottery Offices and Distribution Centers, and reduce the amount of the required performance bond as per Terms and Conditions 6.3 Financial Security for the Lottery.

## **DISCUSSION**

Security guard services are vital to the operation of the Lottery. These services protect Lottery property, assets, and people by providing a visible presence to deter illegal and/or inappropriate activity. Security guards monitor all Lottery properties through a state-wide security system, take initial reports of stolen Lottery products, provide public escort to Lottery drawings and ensure all Lottery facilities are safe and secure.

During the term of the current contract, Andrews International has effectively performed security guard services for all Lottery facilities and special events throughout the state. As a result of upgrades to the Lottery's physical security access control system, the security guards have regularly assumed additional technical responsibilities in the areas of access control and electronic access badge issuance.

Should the Lottery chose to release an Invitation for Bid (IFB) for security guard services, significant S/LED staff time and resources would be utilized in developing, issuing, and evaluating each bid.

The apparent successful bidder would then be required to submit to a disclosure investigation thereby utilizing additional S/LED resources. Should this bidder be disqualified, another disclosure investigation would then be required of the next finalist and so forth until a successful disclosure investigation was completed.

Wages and benefits paid to security guard staff are governed by California statute. The State of California Department of Personnel Administration sets forth the minimum wage and benefits to be paid to each security guard regardless of the successful bidder. The only variables to this rate are administrative costs which include FICA, insurance, payroll taxes, and profit.

If the Lottery selected a new vendor, the vendor's staff would have to be fully trained on Lottery specific security policies and procedures as they relate to the security of Lottery property, employees and equipment. These individuals would have to be trained in the proper use of the Lottery's complex statewide physical security system, become proficient in alarm response and video surveillance monitoring. This training is specialized and could only be provided by S/LED employees, further utilizing staff time.

Andrews International has consistently provided excellent service to the Lottery, and the average tenure of the current guard staff (nine years) provides the Lottery with a highly skilled and qualified vendor. To seek a competitive procurement at this time could result in increased costs to the Lottery and could result in the loss of qualified experienced security guard personnel.