



TO: Oregon State Lottery Commissioners

FROM: Farshad Allahdadi, Chief Sales and Retail Services Officer

RE: Request for Commission Approval of a Major Procurement Contract

DATE: September 30, 2016

PURPOSE

Lottery would like to request your approval of a contract for the purchase of quality assurance and integration testing services (the “Services”) following final acceptance of the “Intelligen System” (“Intelligen”) being implemented as part of the “Video Lottery Technology Modernization Program” (“VLTMP”).

BACKGROUND

As part of the VLTMP, Lottery determined that transitioning of the function of quality assurance and integration testing of all video lottery technology components to an external source would provide increased flexibility and scalability in staffing resources while also allowing Lottery to better adapt to changing industry standards and technologies over time. In December 2014, the Lottery entered into a master service agreement with GLI to obtain GLI’s services for quality assurance testing and integration of the various video lottery technology components for the VLTMP. GLI was chosen for these services because it had unique experience with, and was currently providing or has provided, similar services for other lottery jurisdictions.

Lottery wishes to engage GLI for ongoing Services for Intelligen changes and enhancements that will be required following final system acceptance in order to maintain video lottery gaming operations.

KEY BENEFITS

- Risk Mitigation
- Optimized Delivery of Video Technology Changes and Enhancements
- Continuity in Test Management Processes for Smooth Transition to Operations
- Increased Flexibility and Scalability of Staffing Resources

GLI is a global leader in the gaming industry, providing specialty consulting and quality assurance testing services for lottery organizations around the world. GLI has unique experience with Lottery and other lottery jurisdictions with various Intelligen System implementation stages as well as testing and certification of video lottery terminals (“VLTs”) and software and their interoperability with Intelligen. This expertise will help ensure adequate and thorough testing in order to minimize the risk of major system issues when implementing new software or other video technology changes.

With GLI providing services across the Lottery’s video technology components, Lottery will be able to leverage GLI’s oversight and expertise to optimize the delivery of both Intelligen and VLT game and other changes which must be closely coordinated due to complex interdependencies.

GLI has provided the Lottery with testing services over the life of the VLTMP, including Lottery surrounding infrastructure and VLTs and software. During this time, GLI has gained a wealth of knowledge about Lottery’s business operations and its technology. GLI has also established solid test management processes that are tightly integrated with Lottery’s change and release management processes, established effective working relationships with Lottery’s video lottery gaming service provider as well as key business and technical stakeholders at the Lottery. Continuity in these testing services and established relationships will help ensure a smooth transition from the VLTMP to operations.

GLI has the ability to scale its resources in order to provide the right mix of expertise based on the types of changes or enhancements being delivered as well as an adequate number of staffing resources in order to meet the Lottery’s deadlines. This will enable the Lottery to optimize the delivery of video technology changes and enhancements.

Pursuant to OAR 177-037-0020(2), this contract has been classified as a Major Procurement (as defined in OAR 177-036-0000(19)). Lottery seeks your approval of this contract as required by ORS 461.440. All required vendor disclosure has been obtained under the Lease.

POTENTIAL TERM AND VALUE OF CONTRACT

The purchase price of the Quality Assurance and Integration Test Services is a fixed not-to-exceed fee in the amount of \$1,300,000 annually. The procurement of these Services is included in the FY17 Budget that has been previously shared with the Commission.

LEGAL SUFFICIENCY REVIEW; DIRECT NEGOTIATIONS

This contract will be procured pursuant to OAR 177-036-0020(2)(f) as equipment or services necessary to operate the video lottery system under the Intelligen lease. The Department of Justice will review for legal sufficiency.