



INTEROFFICE MEMO

Ryan Mindell, Executive Director

LaDonna Castañuela, Charitable Bingo Operations Director

To: Robert G. Rivera, Chairman
Cindy Fields, Commissioner
Mark A. Franz, Commissioner
Clark E. Smith, Commissioner
Jamey Steen, Commissioner

From: Angela Zgabay-Zgarba, Administration Division Director *A Z*

Date: October 29, 2024

Re: **Annual Contract Status Report; and Supplemental Information for all Major and Prime Contracts**

Texas Administrative Code §401.105(h)(1) requires:

(h) Contract Planning.

(1) The executive director or his/her designee will present the status of all contracts to the Texas Lottery Commission annually for informational purposes. The report is presented at the beginning of each fiscal year.

Texas Government Code Section 2261.254 requires:

CONTRACTS WITH VALUE EXCEEDING \$1 MILLION.

(a) For each contract for the purchase of goods or services that has a value exceeding \$1 million, a state agency shall develop and implement contract reporting requirements that provide information on:

- (1) compliance with financial provisions and delivery schedules under the contract;
- (2) corrective action plans required under the contract and the status of any active corrective action plan; and
- (3) any liquidated damages assessed or collected under the contract.

The attached report provides the status of all agency contracts as of September 1, 2024. In accordance with SB 20, supplemental information is being provided for the fiscal year period 9/1/2023 through 8/31/2024 for all major and prime contracts regarding vendor compliance with financial provisions and deliverable requirements, any active corrective action plans, and liquidated damages or sanctions (based on notification date). Please let me know if you have any questions or need additional information.

Contract Sanctions

Description: The Sanctions Report displays information about Sanctions, Liquidated Damages and Corrective Actions.

Parameters: Fiscal Year: 2024; Contract: All; Vendor Name: All

Services or Goods Provided	Vendor	Initial Term	Contract Extensions	Current Expiration	Estimated Annual Cost	Total Sanctions or LD's assessed (Prior FY)	Description of Sanctions or LDs assessed (Prior FY)	Compliant with Financial / Delivery Provisions (Prior FY)	Corrective Action Plan (Prior FY)
Annual Contract Sanctions Report - Major Contracts									
Drawing Studio & Production Services	Elephant Productions, Inc.	04/14/2021 - 08/31/2028	none	08/31/2028	\$2,260,725	\$4,500	1) 01/26/2024 - "TEST" overlay (\$2,000) 2) 02/21/2024 - Evening Draw was not posted within 4 hours of live draw (\$400) 3) 03/06/2024 - Morning Draw was not posted within 1 hour of live draw (\$100) 4) 06/27/2024 - Announcer stated an incorrect jackpot amount (\$2,000)	Yes	none
Lottery Operations and Services	IGT Global Solutions Corp. DBA IGT Solutions Corp.	12/14/2010 - 08/31/2020	09/01/2020 - 08/31/2022 09/01/2022 - 08/31/2024 09/01/2024 - 08/31/2026	08/31/2026	\$177,401,198	\$3,698,237	See attached sanctions and liquidated damages list	Yes	none
Instant Ticket Manufacturing and Services	IGT Global Solutions Corp. DBA IGT Solutions Corp.	09/01/2012 - 08/31/2018	09/01/2018 - 08/31/2021 09/01/2021 - 08/31/2024	08/31/2024	\$23,680,676	\$6,100	1) 09/18/2023 - Non-Conforming Delivered Tickets (\$100) 2) 12/12/2023 - Omitted Packs (\$375) 3) 12/12/2023 - Non-Conforming Delivered Tickets (\$100) 4) 12/18/2023 - Code of Conduct (\$1,000) 5) 03/07/2024 - Omitted Packs (\$2,125) 6) 03/07/2024 - Non-Conforming Delivered Tickets (\$200) 7) 03/07/2024 - Partial, Broken, Miscut or Incomplete (\$800) 8) 06/10/2024 - Omitted Packs (\$500) 9) 06/10/2024 - Non-Conforming Delivered Tickets (\$200) 10) 06/10/2024 - Partial, Broken, Miscut or Incomplete (\$700)	Yes	none
Scratch Ticket Manufacturing and Services	IGT Global Solutions Corp. DBA IGT Solutions Corp.	09/01/2022 - 08/31/2034	none	08/31/2034	\$0	\$0	none	Yes	none
Advertising Media Services	Latinworks Marketing, LLC (DBA Third Ear)	04/17/2023 - 08/31/2028	none	08/31/2028	\$10,000,000	\$0	none	Yes	none
Internal Audit Services	Mcconnell & Jones LLP	09/01/2021 - 08/31/2022	09/01/2022 - 08/31/2023 09/01/2023 - 08/31/2024 09/01/2024 - 08/31/2025	08/31/2025	\$300,000	\$0	none	Yes	none
Instant Ticket Manufacturing and Services	Pollard Banknote Limited Partnership	09/01/2012 - 08/31/2018	09/01/2018 - 08/31/2021 09/01/2021 - 08/31/2024	08/31/2024	\$23,680,676	\$11,800	1) 09/18/2023 - Omitted Packs (\$500) 2) 09/18/2023 - Non-Conforming Delivered Tickets (\$200) 3) 12/12/2023 - Omitted Packs (\$500) 4) 12/12/2023 - Non-Conforming Delivered Tickets (\$100) 5) 01/24/2024 - Non-Conforming Instant Ticket Artwork (\$10,000) 6) 03/07/2024 - Partial, Broken, Miscut or Incomplete (\$200) 7) 03/07/2024 - Non-Conforming Delivered Tickets (\$300)	Yes	none
Scratch Ticket Manufacturing and Services	Pollard Banknote Limited Partnership	09/01/2022 - 08/31/2034	none	08/31/2034	\$0	\$0	none	Yes	none
Trademark License and Promotional Agreement - Dallas Cowboys Football Club	Pro Silver Star LTD	03/01/2016 - 02/28/2018	03/01/2018 - 02/28/2020 03/01/2020 - 02/28/2022 03/01/2022 - 02/29/2024 03/01/2024 - 02/28/2026	02/29/2024	\$1,640,000	\$0	none	Yes	none
Trademark License and Promotional Agreement	Pro Silver Star LTD	02/29/2024 - 03/31/2026	04/01/2026 - 03/31/2028 04/01/2028 - 03/31/2030 04/01/2030 - 03/31/2032 04/01/2032 - 03/31/2034 04/01/2034 - 03/31/2036	03/31/2026	\$5,387,500	\$0	none	Yes	none
Instant Ticket Manufacturing and Services	Scientific Games Us Parent LP DBA Scientific Games Llc	09/01/2012 - 08/31/2018	09/01/2018 - 08/31/2021 09/01/2021 - 08/31/2024	08/31/2024	\$23,680,676	\$40,975	1) 12/12/2023 - Omitted Tickets (\$500) 2) 03/07/2024 - Omitted Packs (\$375) 3) 06/10/2024 - Partial, Broken, Miscut or incomplete Packs (\$100) 4) 08/20/2024 - Late Delivery (\$40,000)	Yes	none
Scratch Ticket Manufacturing and Services	Scientific Games Us Parent LP DBA Scientific Games Llc	09/01/2022 - 08/31/2034	none	08/31/2034	\$0	\$0	none	Yes	none

Contract Sanctions

Description: The Sanctions Report displays information about Sanctions, Liquidated Damages and Corrective Actions.

Parameters: Fiscal Year: 2024; Contract: All; Vendor Name: All

Annual Contract Sanctions Report - Prime Contracts

Houston Claim Center - Lease Agreement through Texas Facilities Commission	1919 North Loop West Real Estate LLC	03/01/1994 - 08/31/1999	09/01/1998 - 08/31/2002 03/01/2003 - 02/29/2008 03/01/2008 - 08/31/2013 09/01/2013 - 08/31/2018 09/01/2018 - 08/31/2023 09/01/2023 - 02/29/2024 03/01/2024 - 08/31/2024 09/01/2024 - 02/28/2025	02/28/2025	\$53,143	\$0	none	Yes	none
Retailer Bonus Payment Management Services	Alliant Insurance Services, Inc.	09/10/2022 - 09/09/2023	none	09/09/2023	\$0	\$0	none	Yes	none
Retailer Bonus Payment Management Services	Alliant Insurance Services, Inc.	09/01/2023 - 08/31/2024	09/01/2023 - 08/31/2025	08/31/2025	\$1,999,000	\$0	none	Yes	none
Promotional Products	Beehive Specialty	03/24/2023 - 08/31/2024	09/01/2024 - 08/31/2025	08/31/2025	\$672,300	\$0	none	Yes	none
Website Hosting Services	Buchanan Technologies Inc (FKA Technology Spa LLC)	07/15/2015 - 08/31/2018	09/01/2018 - 08/31/2020 09/01/2020 - 08/31/2022 09/01/2022 - 08/31/2024	08/31/2024	\$182,160	\$0	none	Yes	none
Website Hosting Services	Buchanan Technologies Inc (FKA Technology Spa LLC)	04/17/2024 - 08/31/2027	09/01/2027 - 08/31/2029 09/01/2029 - 08/31/2031	08/31/2027	\$0	\$0	none	Yes	none
Lottery Drawings CPA Services	DK Partners, PC	06/07/2022 - 08/31/2023	09/01/2023 - 08/31/2024 09/01/2024 - 08/31/2025 09/01/2025 - 08/31/2026	08/31/2025	\$842,184	\$200	1) 01/10/2024 - Missing signature on entry control log 12-16-23 & Incorrect Draw Number - 01-09-24 (\$200)	Yes	none
Internal Control System and Related Services	Elsym Consulting, Inc.	02/08/2011 - 08/31/2020	09/01/2020 - 08/31/2022 09/01/2022 - 08/31/2024 09/01/2024 - 08/31/2026	08/31/2026	\$195,750	\$0	none	Yes	none
Trademark License and Promotional Agreement - Dallas Cowboys Football Club	Frisco Management, Llc	03/01/2016 - 02/28/2018	03/01/2018 - 02/28/2020 03/01/2020 - 02/28/2022 03/01/2022 - 02/28/2024 03/01/2024 - 02/28/2026	02/28/2024	\$0	\$0	none	Yes	none
Trademark License and Promotional Agreement - Dallas Cowboys Football Club	Frisco Management, LLC	02/29/2024 - 03/31/2026	04/01/2026 - 03/31/2028 04/01/2028 - 03/31/2030 04/01/2030 - 03/31/2032 04/01/2032 - 03/31/2034 04/01/2034 - 03/31/2036	03/31/2026	\$850,000	\$0	none	Yes	none
Risk Review and Compliance Monitoring Services	Guidehouse Inc.	09/01/2023 - 08/31/2026	09/01/2026 - 08/31/2028	08/31/2026	\$343,118	\$0	none	Yes	none
Trademark License and Promotional Agreement	Houston NFL Holdings LP	05/27/2021 - 06/30/2023	07/01/2023 - 06/30/2025	06/30/2025	\$1,486,050	\$0	none	Yes	none
Security Management System and Monitoring Services	Johnson Controls US Holdings LLC DBA Johnson Controls Security Solutions LLC	08/25/2021 - 08/31/2028	none	08/31/2028	\$266,262	\$0	none	Yes	none
Lease Agreement - Austin Warehouse	Sabrehal International LTD	01/15/1995 - 01/14/2005	02/15/2005 - 02/14/2010 02/15/2010 - 02/14/2015 02/15/2015 - 02/29/2020 03/01/2020 - 02/28/2025 03/01/2025 - 02/28/2030	02/28/2030	\$335,688	\$0	none	Yes	none
Promotional Products	Sierra Group LLC	03/24/2023 - 08/31/2024	09/01/2024 - 08/31/2025	08/31/2025	\$73,886	\$0	none	Yes	none

Promotional and Sponsorship Agreement	The National Medal Of Honor Museum Foundation DBA MOHMF	08/18/2023 - 08/31/2032	none	08/31/2032	\$125,000	\$0	none	Yes	none
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Contract Sanctions

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Parameters: Fiscal Year: 2024; Contract: All; Vendor Name: All

Annual Contract Sanctions Report - Operational Contracts

Promotional and Sponsorship Agreement for University of Texas at Austin.	A-L Tier II, LLC DBA Iimg College, LLC	08/01/2023 - 12/31/2024	none	12/31/2024	\$180,000	\$0	none	Yes	none
Lottery Products Testing Services	Barker & Herbert Analytical Laboratories, Inc.	09/01/2020 - 08/31/2022	09/01/2022 - 08/31/2023 09/01/2023 - 08/31/2024	08/31/2024	\$105,600	\$0	none	Yes	none
San Antonio Claim Center State Lease 20702- Lease Agreement through Texas Facilities Commission	Benchmark Mtg Tr Comm Mtg Pt Certs Series-B18 Bmark 2020-B18 Brass Professional 11 Llc	05/01/2021 - 04/30/2026	05/01/2026 - 04/30/2031 05/01/2031 - 04/30/2036	4/30/2026	\$53,157	\$0	none	Yes	none
Security Study Services	Berry Dunn Mcneil & Parker LLC	01/27/2022 - 08/31/2023	09/01/2023 - 08/31/2025	08/31/2025	\$200,000	\$0	none	Yes	none
Statistical Consulting Services	Eubank & Young Statistical Consulting, LLC	09/01/2023 - 08/31/2025	09/01/2025 - 08/31/2027	08/31/2025	\$158,560	\$0	none	Yes	none
Outside Counsel Intellectual Property Legal Services	Jackson Walker LLP	09/01/2023 - 08/31/2025	09/01/2025 - 08/31/2027	08/31/2025	\$29,865	\$0	none	Yes	none
Trademark Litigation-Texas Two Step TM	Kowert, Hood, Munyon, Rankin & Goetzel, P.C.	06/03/2022 - 08/31/2023	09/01/2023 - 08/31/2027	08/31/2027	\$3,123	\$0	none	Yes	none
Multi-State Lottery Association - Multi-State Membership Agreement	Multi-State Lottery Assoc	03/01/2014 - 08/31/2099	none	08/31/2099	\$0	\$0	none	Yes	none
Promotional and Sponsorship Agreement for San Antonio Spurs with Spurs Sports and Entertainment	San Antonio Spurs, LLC DBA Spurs Sports & Entertainment	10/01/2023 - 06/30/2025	none	06/30/2025	\$250,000	\$0	none	Yes	none
Lease of Servers	SHI Government Solutions Inc	04/01/2023 - 03/31/2027	none	03/31/2027	\$88,381	\$0	none	Yes	none
Trademark License & Promotional Agreement - Scratch Ticket	Texas Motor Speedway	10/29/2021 - 10/31/2023	none	10/31/2023	\$0	\$0	none	Yes	none
Proprietary Promotional and Sponsorship Agreement	Texas Motor Speedway	11/29/2022 - 10/31/2023	none	10/31/2023	\$0	\$0	none	Yes	none
Trademark License & Promotional Agreement - Scratch Ticket	Texas Motor Speedway	10/25/2023 - 10/31/2025	none	10/31/2025	\$25,000	\$0	none	Yes	none
Annual Financial Audit Services	Weaver & Tidwell LLP	04/10/2023 - 04/30/2024	05/01/2024 - 04/30/2025 05/01/2025 - 04/30/2026 05/01/2026 - 04/30/2027	04/30/2025	\$79,643	\$0	none	Yes	none
Document Management Services	Xerox Business Solutions Southwest (FKA Dahill)	02/02/2022 - 08/31/2027	none	08/31/2027	\$160,890	\$0	none	Yes	none

Sanction and LD Totals - FY24

Sanction/LD No.	Sanction/LD Title	Amount Assessed	Incidents Assessed
3.60.6	Failure to Permit an Audit or Examination	\$0.00	0
3.60.7	Failure to Produce Accurate Records or Provide Accurate Information	\$100,500.00	27
3.60.8	Failure to Produce Timely Records and/or Information	\$0.00	0
3.60.9	Failure to Disclose Litigation	\$0.00	0
3.60.10	Failure to Obtain Prior Written Approval Before Issuing News Release	\$0.00	0
3.60.11	Failure to Notify the Texas Lottery of Changes of Lobbyist, Consultant and/or Advisor Information	\$0.00	0
3.60.12	Failure to Comply with Non-Disclosure Terms	\$0.00	0
3.60.13	Unauthorized Purchase of Texas Lottery Tickets	\$10,000.00	2
3.60.14	Failure to Report Significant Incidents and Anomalies	\$66,000.00	57
3.60.15	Failure to Timely Notify the TLC of a Change in Financial Condition, Change in Key Management, or Change of Ownership	\$0.00	0
3.60.16	Failure to Provide Information and/or Cooperate Fully with Contract Compliance Review	\$0.00	0
3.60.17	Failure to Correct Audit, Compliance and/or Security Study Findings	\$0.00	0
3.60.18	Failure to Receive TLC Written Approval At Least Twenty Four (24) Hours in Advance for Visitors to the Central or Secondary Distribution Warehouse	\$0.00	0
3.60.19	Failure to Comply with Title 1 TAC 202 Information Security Standards	\$0.00	0
3.60.20	Failure to Backup and Restore Data in a Manner and/or Format for Business Processing	\$0.00	0
3.60.21	Failure to Perform Retailer Training	\$0.00	0
3.60.22	Failure to Perform Retailer Retraining	\$0.00	0
3.60.23	Failure to Implement New On-Line Games	\$0.00	0
3.60.24	Failure to Conduct Intellectual Property Search	\$0.00	0
3.60.25	Failure to Update Jackpot Amount Throughout the Lottery Gaming System	\$100,000.00	2
3.60.26	Lottery Gaming System Inability to Cash Winning Tickets at a Retailer Location (All On-Line Games or All Instant Ticket Games)	\$0.00	0
3.60.27	Lottery Gaming System Inability to Cash Winning Tickets at a Retailer Location (Specific On-Line Game or One or More Instant Ticket Games)	\$0.00	0
3.60.28	Lottery Gaming System Inability to Cash Winning Tickets at Texas Lottery Claim Center	\$458,500.00	7
3.60.29	Inability of the Lottery Gaming System to Conduct Retailer, Licensing, Inventory, Accounting, or Other Management Functions	\$51,500.00	21
3.60.31	Failure to Test Backup Lottery Gaming System	\$10,000.00	1
3.60.32	Failure of the Lottery Gaming System to Execute Planned On-Line Promotion	\$125,000.00	5
3.60.33	Failure to Provide Software Fixes and/or Enhancements	\$429,000.00	1
3.60.34	Failure to Implement Change or Release Management as Required under RFP Section 7.7	\$200,000.00	8
3.60.35	Failure to Comply with Title 1 TAC 202 Resulting in a Security Incident	\$0.00	0
3.60.36	Failure to Provide New Reports and/or to Modify Existing Reports	\$48,000.00	2
3.60.37	Inability of the Internal Control System to Update Lottery Applications	\$8,000.00	4
3.60.38	Out-of-balance Condition Between ICS and Lottery Gaming Systems	\$0.00	0
3.60.39	Failure to Load Debit, Credit, and/or New Retailer Files From the TX Lottery into the Lottery Gaming System	\$10,000.00	1
3.60.42	Inability of the Lottery Gaming System to Produce Accurate Terminal Reports or Make Terminal Reports Available	\$260,000.00	11
3.60.43	Failure to Install, Relocate or Remove Lottery Sales and/or Validation Equipment	\$900.00	3
3.60.44	Failure to Install, Relocate or Remove Lottery Non-Sales Equipment	\$0.00	0
3.60.45	Failure to Resolve a Lottery Non-Sales Equipment Problem within the Specified Timeframe	\$1,600.00	1
3.60.46	Call Center Answer Time	\$54,150.00	6
3.60.47	Call Center Busy Signal Time	\$0.00	0
3.60.48	Call Center Abandonment Rate	\$0.00	0
3.60.49	Call Center Hold Time	\$5,775.00	26

3.60.50	Call Center Availability	\$0.00	0
3.60.51	LSR Visits	\$250.00	1
3.60.53	Failure to Properly Process or Assign On-Line Ticket Stock	\$0.00	0
3.60.54	Improperly Processed Packs of Instant Tickets	\$15,000.00	5
3.60.55	Failure to Support a Promotional Event	\$5,500.00	2
3.60.56	Inability to Program the Programmable Signs	\$0.00	0
3.60.57	Inability of the Programmable Signs to Communicate	\$0.00	0
3.60.58	Failure to Load Instant Game Files within Specified Timeframe	\$0.00	0
3.60.59	Instant Ticket Packs not Delivered to Texas Lottery Retailers	\$1,400.00	2
3.60.60	Instant Ticket Packs not Returned to the Warehouse	\$38,400.00	10
3.60.61	Warehouse Instant Ticket Return Verification	\$355,000.00	12
3.60.62	Failure to Timely Provide Accurate Annual Instant Ticket Inventory Report	\$0.00	0
3.60.63	Failure to Cooperate Fully and in Good Faith in the Conversion to any New System	\$0.00	0
3.60.64	Failure to Provide a Detailed Conversion Plan w/in 45 Days of Contract Execution	\$0.00	0
3.60.65	Failure to Deliver According To The Final Approved Detailed Conversion Plan	\$0.00	0
3.60.66	Failure to Update ES Multi-Media System Messages or Inaccurate ESMM Messages	\$25,000.00	5
3.60.67	Failure to Maintain LSR Staff-to-Retailer Ratio	\$0.00	0
3.60.68	Failure to Provide IVR System Changes and/or Enhancements	\$0.00	0
3.60.69	Failure to Update Winning Numbers for Each Draw Game in the IVR System	\$10,000.00	1
3.60.70	Failure to Conduct Promotional Second Chance Drawings in accordance with Texas Lottery-approved Procedures	\$20,000.00	2
3.60.71	Invalidated Drawings	\$0.00	0
3.60.72	Failure to provide entry data timely	\$0.00	0
3.60.73	Failure to Resolve an Instant Ticket Conveyor System or GNIE System Problem	\$0.00	0
3.60.74	Failure to Resolve a Mobile App Cashing Problem	\$300.00	1
3.61.5A	On-Line Game Unavailability	\$0.00	0
3.61.6	Inability of the Texas Lottery Retailer Terminals to Communicate with the Lottery Gaming System	\$51,894.32	74
3.61.7	Failure to Resolve Terminal and Related Sales Equipment Problems	\$983,752.61	12
3.61.8	Unassigned Packs of Instant Tickets Missing from the Warehouse	\$172,575.00	12
3.61.9	Inability of the Lottery Gaming System to Confirm or Activate Instant Ticket Packs	\$80,240.55	31
Totals		\$3,698,237.48	355