



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

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**Date:** June 25, 2020

**To:** California State Lottery Commission

**From:** Alva V. Johnson, Director *AA*

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Chief Deputy Director

**Subject:** Item 9(b) – California Highway Patrol Interagency Agreement

### **ISSUE**

The current Interagency Agreement (IA) between the California State Lottery (Lottery) and the California Highway Patrol (CHP) for the services of two CHP employees in vacant leadership positions within the Lottery's Security and Law Enforcement Division (SLED) will expire on August 22, 2020.

### **BACKGROUND**

SLED is responsible for assuring the integrity, security, honesty, and fairness in the operation and administration of the Lottery and its games. These responsibilities include, but are not limited to, examination of the qualifications and criminal history of all prospective and current retailers, suppliers and employees. The Deputy Director of SLED must be trained and experienced in law enforcement.

The Deputy Director and Assistant Deputy Director in SLED are Governor-appointed positions that remain vacant until filled. Since August 23, 2019, the Deputy Director and Assistant Deputy Director positions have been filled by two CHP employees pursuant to an IA with CHP.

## **DISCUSSION**

Entering into a new two-year IA with CHP enables the Lottery to continue to fill SLED leadership positions with staff that have the requisite skills to serve in those vacant positions and perform the necessary functions to assure the integrity, security, honesty and fairness in the operation and administration of the Lottery. In general, the Deputy Director will carry out the statewide Lottery security operations, including, but not limited to, planning, organizing staff, training and budgeting. The Assistant Deputy Director will address highly complex and sensitive security issues and administrative functions that have statewide impact, including physical security and draw control standards. The costs associated with the CHP IA will primarily be offset with the salary savings generated by the vacancy of these SLED positions until appointments are made. The residual difference can be absorbed within existing Lottery resources. Without CHP's assistance, SLED would have a leadership void at its top two positions, drastically affecting Lottery operations.

The current CHP employees have filled both SLED positions since August 23, 2019 and will continue to fill them during the new contract term. This will ensure business and operational continuity and division management within SLED. In the past year, the CHP employees have, among other things, implemented SLED organizational changes by adding middle managers for oversight and state-wide consistency; increased management and control of security contracts leading to cost savings; revamped the SLED inventory process and tracking of expenditures; revised SLED's internal policies and procedures; and have been involved in nearly every new hire. The CHP employees broadened training for SLED employees in order to improve the employee and retailer backgrounding processes. Recently, the experience and leadership of the CHP employees has been invaluable to the Lottery while handling the COVID-19 pandemic and recent civil unrest throughout the State. Overall, these actions have enhanced SLED's culture and value while allowing for a smooth leadership transition when appointees are selected.

This procurement was not competitively bid pursuant to California Lottery Regulations, section 8.1.2 B which includes the following exception language: "The goods or services will be obtained through ... an interagency or intergovernmental agreement with a federal, state, local, or government entity..."

**RECOMMENDATION**

Lottery staff recommends that the California State Lottery Commission approve a new two-year IA with CHP, effective August 23, 2020 through August 22, 2022. The maximum authorized contract expenditure amount is \$1,416,359.04.