



M E M O R A N D U M

Date: September 24, 2020

To: California State Lottery Commission

From: Alva V. Johnson, Director 

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Security and Law Enforcement

Subject: Item 8(c) – Termination of Stanley Convergent Security Solutions, Inc.
Contract

ISSUE

After nearly a year of comprehensive analysis of the performance of the California State Lottery's (Lottery) security system services, including cost analysis with the proposed rate increases, the Lottery has decided to create two in-house Information Technology Specialist positions to oversee the Lottery's security system. The funding for these positions was approved at the June 24, 2020 California State Lottery's Commission (Commission) meeting. After working diligently with the Lottery's Human Resources Division, Operations Division, Information Security Office (ISO), and Information Technology Services Division (ITSD), the Lottery received Commission approval to establish two positions and subsequently selected two individuals to serve in this capacity via the State's merit-based hiring process. A 30-day Notice of Contract Termination with Stanley Convergent Security Solutions Inc. (Stanley) was delivered on September 1, 2020, per contract requirements. The contract will be terminated on October 1, 2020, one month before the actual termination date.

BACKGROUND

The Lottery has used Stanley to provide comprehensive security system services since 2008. The most recent long-term contract was awarded in 2014 for a five-year term, which expired on August 31, 2019.

Due to changes in Lottery leadership at the Directorate level and within the Security and Law Enforcement Division (SLED) that occurred shortly before contract expiration, it was determined that additional analysis was needed to fully evaluate the effectiveness of these services.

After many internal discussions, SLED elected to release a new, formal competitive procurement for security system services. In the meantime, a temporary contract was necessary to ensure that critical security services were maintained while the solicitation was conducted. On October 31, 2019, the Lottery entered into a six-month agreement with Stanley, that was subsequently extended another six months, as ratified during the May 2020 Commission Meeting.

BID PROPOSAL

The Lottery released its Request for Proposals (RFP) on January 21, 2020 and only received one formal proposal, which was from Stanley. The new proposal was for the same services rendered; however, Stanley's bid was for \$66,600.00, which is approximately \$29,000.00 over the price the Lottery was paying previously. SLED staff negotiated this increase with Stanley management, and they agreed to lower their proposal by 10%, which would still be an increase of approximately \$22,000.00. In good faith, SLED was unable to successfully come to an amicable agreement with Stanley.

DISCUSSION

In consultation with Operations, Human Resources, ISO, and ITSD, SLED considered the creation of internal positions to support the security system infrastructure. The research was conducted and revealed there were classifications within state government with comparable duties and qualifications already in existence. Use of these classifications will allow Lottery to bring these functions in-house. SLED also contacted Turlock Police Department who indicated that they utilize the same software (Pro Watch/Max Pro) as the Lottery and existing Turlock Police Department staff perform the day to day operations and maintenance.

After consultation with other Lottery divisions, SLED was able to identify that routine maintenance work and services can be performed by civil service classifications. These positions will also assist SLED, when needed, for installations, repair work at our district offices and distribution centers statewide.

COST ANALYSIS

A comprehensive analysis was conducted based on the proposed Stanley contract expenses and the annual salary/benefit-cost of the two internal positions. This analysis revealed the following:

- Cost of the proposed Stanley contract for one year for two embedded technicians was \$720,000.

- The annual salary and benefits for an Information Technology Specialist I and an Information Technology Specialist II is \$147,732.
- The Lottery will save additional money through direct purchase of equipment upgrades, as SLED will no longer have to pay the mark-up as previously outlined in the contract.

TERMINATION/EXPIRATION OF CONTRACT

The Lottery elected to terminate the contract before the expiration date of October 30, 2020 and has complied with the contract.

The Lottery expects that Stanley will continue to provide service through the effective termination date and that Stanley will assist in the orderly termination of the Contract and the transfer of all Contract-related assets, tangible and intangible, pursuant to Exhibit D, section 8.5.

The language in the existing security contract was reviewed to verify that Stanley is required to facilitate an orderly transition once notification has been provided that the Lottery has elected to terminate the contract.

RECOMMENDATION

Lottery staff recommends that the Commission ratify the early termination of the existing contract with Stanley. Selections have been made for the two internal positions, and they will transition to the environment effective October 2, 2020. This early termination will save the Lottery over \$25,000.00, in support of the Lottery's mission to provide supplemental funding to education.