



M E M O R A N D U M

Date: June 20, 2019

To: California State Lottery Commission

From: Nicole Soluri, Chief Deputy Director **NS** [Initials on file]

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Subject: Item 8(a) – Department of Rehabilitation Interagency Agreement

ISSUE

The current interagency agreement between the California State Lottery (Lottery) and the Department of Rehabilitation (DOR) provides accessibility inspections of retail locations and consulting services as part of the Lottery's Retailer Access Program (RAP), will expire on June 30, 2019.

BACKGROUND

The RAP provides guidelines and requirements for Lottery retailers to ensure that Lottery products are accessible to individuals with disabilities at retail locations. The RAP requires annual, random on-site inspections on 5% of active Lottery retail locations to determine compliance with the RAP (through the Lottery-Retailer contract) and California State Lottery Regulations (Regulations).

On January 8, 2013, the Lottery entered into an interagency agreement with DOR to provide accessibility consulting services for \$50,000 for one year with the option to extend for two years. This agreement was amended in 2014 to add Lottery retail location inspections to the scope of services, increase funding to \$240,000, and exercise one of the options to extend the term for one year. The contract was later amended multiple times to extend the term for one year, then the term was later extended to June 30, 2019, and the final amendment added funds that brought the maximum authorized contract expenditure amount to \$1,140,104.00. The original agreement was not competitively bid in reliance on section 8.1.2.B. of the Regulations, which provides an exception to the competitive process requirement when "[t]he goods or services will be obtained through an interagency or intergovernmental agreement."

DISCUSSION

The Lottery compared and analyzed the costs of continued inspections by DOR with alternative outside vendors, accounting for the pre- and post- inspection work, in addition to the inspection itself, and the typical estimated annual cost increases associated with civil service general salary allowances. In addition, the Lottery assumed a 5% year-over-year increase in the number of inspections given the anticipated annual increase in the number of Lottery statewide retailer locations.

The estimated three-year cost of DOR performing the inspections and related pre- and post- inspection work is \$1,071,000, which reflects anticipated expenses of \$338,972.57 in year one, \$356,558.41 in year two, and \$375,526.10 in year three.

The Lottery assessed private vendor costs through outreach to select Certified Access Specialists (CASp) inspectors, who are state-licensed to inspect and assess retail compliance with state and federal accessibility laws. Overall, use of CASp inspectors would not provide the best value to the Lottery. The overall costs would increase by approximately 150%, and in order to accomplish the minimum number of required annual inspections, the Lottery would need to contract with multiple vendors versus a single state department.

DOR, the state's accessibility subject matter expert, possesses the knowledge and expertise necessary to partner with the Lottery to meet the annual RAP inspection requirements. Since 2013, DOR has assisted the Lottery in meeting its inspection requirements in a cost-effective and timely manner.

Over the coming year, the Lottery plans to analyze and assess whether to request additional positions within the Lottery's Internal Audits office to conduct the inspection work internally rather than through use of DOR.

RECOMMENDATION

Lottery staff recommends that the California State Lottery Commission approve an interagency agreement with DOR for three years with an option to extend for an additional three-year period. The option to extend for three years as opposed to three one-year periods, is in the best interest of both the Lottery and the DOR, in order to minimize additional future expense and Lottery administrative time in amending the contract considering it is with another state agency. This maximum authorized contract expenditure amount for the first three years will be \$1,071,000.00.