

COMMISSION AGENDA ITEM

Item 8(e) – Draw Auditing and Review Services Contract Extension



Date: May 13, 2025

To: California State Lottery Commission

From: Harjinder K. Shergill Chima *HKC*
Director

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Subject: **Item 8(e) – Draw Auditing and Review Services Contract Extension**

ISSUE

The California State Lottery (Lottery) seeks the Lottery Commission's (Commission) approval to increase the expenditure authority and extend the term of Agreement 100097 with Melissa D. Preston CPA (Preston CPA) by exercising its two one-year extension options to ensure continuity of services. Under this contract, Preston CPA provides required independent draw auditing and review services. Approval to extend the agreement term for two years until June 30, 2027, will require an additional projected expenditure up to \$705,600, raising the maximum authorized expenditure authority from \$1,026,000.00 to \$1,731,600.00.

BACKGROUND

Under California Government Code §8880.30(b), drawings are to be witnessed in person by an independent lottery contractor (contractor). Specifically, the contractor is required to witness all draws conducted via manual or physical selection, participate daily in the observation, verification, and certification of Lottery draws, and report compliance with established Lottery draw procedures.

The current contractor, Preston CPA, commenced services under this contract on July 1, 2022. The initial contract term is three (3) years, with a scheduled expiration date of June 30, 2025. The contract includes two (2) additional one-year extension options.

DISCUSSION

Preston CPA performs draw auditing services for the California State Lottery, Georgia Lottery Commission including Mega Millions, North Carolina Lottery, and the Multi-State Lottery Association (MUSL). The contractor is responsible for the timely witnessing of all Lottery drawings conducted either at the Lottery headquarters, or at the off-site location. The contractor will inspect the draw equipment before and after each draw, certify the draw, and submit a draw report to the Lottery.

In response to the solicited RFP in March of 2022, the Lottery received one qualified proposal from Preston CPA. The evaluation of the proposal determined Preston CPA exceeded the minimum requirements outlined in the RFP. In addition, the rates were determined to be fair, reasonable

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and the best value to the Lottery. There were no other bidders for the solicited RFP.

The terms of the initial contract were based on an hourly rate of \$95 for an estimated 3,600 hours of work per year, which amounted to \$342,000. When combined for three years the total contract funding was \$1,026,000. The contract terms for the proposed two-year extension are based on contractual hourly rate increase of \$98 for an estimated 3,600 hours of work per year, which amounts to \$1,731, 600.00 for both the initial contract and two-year extension.

RECOMMENDATION

Lottery staff recommends the Commission approve Amendment 1 to Agreement 100097 for draw auditing services by Preston CPA, which extends the contract term for two additional years to June 30, 2027, and increasing the maximum expenditure authority by \$705,600.00 to a maximum of \$1,731,600.00.