

**NORTH CAROLINA EDUCATION LOTTERY  
REQUEST FOR INFORMATION #LC-00025  
OPERATIONAL AUDIT SERVICES**

**February 15, 2010**

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## **1. GENERAL INFORMATION**

The North Carolina Education Lottery (NCEL) is required by the Lottery Act (NCGS §18C-122(d)), <http://www.ncleg.net/gascripts/Statutes/StatutesTOC.pl?Chapter=0018C> to engage an independent auditing firm that has experience in evaluating the operations of Lotteries to perform an audit of the NCEL, on a biennial basis. The NCEL is seeking information from Vendors, meeting the statutory experience required by the Lottery Act, to present information on a cost-effective solution for reviewing key aspects of the NCEL's operation, including, but not limited to, making recommendations as necessary with regard to advertising, marketing, sales, player services, retailer services (including website services), and public communications. Pursuant to this Request for Information (RFI), Vendors must conduct an interactive phone or in-person presentation. Vendors must also provide a brief written proposal detailing the methodology for reviewing operations of the NCEL.

The NCEL is using this RFI to identify potential Vendors and to solicit information and demonstration regarding the Vendors' capabilities. Responses to this RFI will assist the NCEL in preparing its Request for Proposal (RFP) for audit services.

The materials provided as the result of this RFI will not constitute any type of competitive process by the NCEL but may be used for information purposes only in the development of a RFP, which may or may not be issued in the future date. The NCEL reserves any and all rights to solicit additional information and research industry information as it may determine is in the best interest of the NCEL. This RFI in no way limits or precludes the issuance of any future RFIs or RFPs related to audit services. The NCEL reserves the right to withdraw this RFI at any time and makes no representation with respect to any potential future engagements.

This RFI is a request for information only, and is not a solicitation to provide services to the NCEL. There will be no contract awarded as a result of this RFI. Nothing in the Vendor's Proposal will be considered to be an offer, nor result in a binding obligation on behalf of the NCEL to engage the Vendor should the NCEL subsequently determine to adopt or incorporate a Vendor's approach, process or recommendation as contained in a Vendor's RFI Proposal.

### **1.1 Submission of Questions**

If you have any questions about this RFI, please submit them to:

[mgoff@lotterync.net](mailto:mgoff@lotterync.net)

Please ensure to include the following in the subject heading:  
"NCEL: Request for Information-Performance Audit"

### **1.2 Submission of Responses**

Vendor responses are due by 4:00 pm (EST), March 15, 2010. Submissions should be submitted as a brief Word or PDF format using electronic mail, unless they contain confidential information. Please submit your responses to:

[mgoff@lotterync.net](mailto:mgoff@lotterync.net)

Please ensure to include the following in the subject heading:  
"NCEL: Request for Information-Performance Audit"

All responses, data, materials and documentation originated, prepared and submitted to the NCEL pursuant to this RFI shall belong exclusively to the NCEL and may become available to the public in accordance with the North Carolina Public Records Act as provided in N.C.G.S. §132-1 et. seq. The NCEL will make reasonable attempts to maintain, in accordance with the Public Records Laws and the Act and all applicable laws of its domicile, the State of North Carolina and the United States of America, the confidentiality of any trade secrets or confidential information that meets the requirements of N.C.G.S.

§132-1.2 of the Public Records Laws if such Vendors properly and conspicuously identify the particular data or other materials which are Confidential Information in accordance with the Public Records Laws.

Responses containing confidential information shall NOT be filed via electronic mail but shall be mailed or delivered so they are received by the response deadline. For more information about how to submit a response that contains confidential information, see RFI section 1.7

Submit hard copy responses to the “**Contact Person**”:

Michele Goff, Purchasing Administrator  
North Carolina Education Lottery  
2100 Yonkers Road  
Raleigh, NC 27604

### **1.3 Response Format**

The response shall be submitted in the following format. (See Section 3)

Section 1 – Executive summary  
Section 2 – Vendor profile  
Section 3 – Proposed solution

### **1.4 Vendor Presentation**

After a review of responses, Vendors may be requested to give a phone or in-person presentation during the week of March 22, 2010. During the presentations, Vendors will be asked to go into further details regarding their written responses; therefore, brevity for its written response is recommended.

### **1.5 Cost of Preparing a Response**

The NCEL is not responsible for any costs incurred by the Vendor in the RFI response preparation or presentation.

### **1.6 General Terms and Conditions**

- Information submitted in response to this RFI will become the property of the NCEL
- The NCEL will not pay for any information herein requested, nor will it be liable for any other costs incurred by any Vendors related to the presentation or delivery of the response to this RFI or any subsequent presentation
- The NCEL reserves the right to modify this RFI at any time
- By submitting a response, the Vendor agrees that the NCEL may copy the response information for purposes of facilitating review or to respond to requests for public records. The Vendor consents to such copying by submitting a response and warrants that such copying will not violate the rights of any third party. The NCEL will have the right to use ideas or adaptations presented in the responses.
- The NCEL reserves the right to reject any and all responses to this RFI, in whole and in part, at any time. This RFI is not intended to be comprehensive and each Vendor is responsible for determining all factors necessary for submission of a comprehensive response and a complete service capability demonstration. The RFI response and demonstration will not be subject to a Request for Proposal (RFP) type evaluation but only to a review of suggested performance, costs of services offered, and abilities to perform services.

### **1.7 Requests for Confidential Treatment**

Any requests for confidential treatment of information must be included in a cover letter with the Vendor's RFI response. The letter must enumerate the specific grounds or other applicable statutes that support treatment of the material as confidential and must indicate why disclosure is not in the best interest of the public. The request must also include the name, address, and telephone number of the person authorized by the Vendor to respond to any inquiries concerning the confidential status of the materials.

A request for confidentiality must include the legal basis for withholding the materials from public inspection and the facts relied upon in support of the legal basis. The request must be supported by an affidavit executed by a corporate officer or by an individual with personal knowledge of the specific facts. If the materials are requested to be withheld from public inspection for only a limited period of time, the period must be specified. Any documents submitted that contain confidential information must be marked on the outside as containing confidential information. Each page containing confidential information must be marked as containing such. The confidential information must be clearly identifiable to the reader wherever it appears.

The Vendor's failure to request confidential treatment of materials pursuant to this section and the relevant statutes and administrative rules will be deemed by the NCEL as a waiver of any right to confidentiality that the Vendor may have had.

## **2. OVERVIEW OF THE NCEL**

Legislation creating the North Carolina Education Lottery ("**NCEL**") was signed into law in August 2005 along with the 2005 Appropriations Act. In accordance with the North Carolina State Lottery Act (the "**Act**"), the NCEL must act for the benefit of the people of North Carolina through the operation of a lottery and strive to maximize net lottery proceeds in order to fund various state educational programs. The Act established the North Carolina State Lottery Commission (the "**Commission**") to oversee the operation of the NCEL together with the NCEL Executive Director (the "**Executive Director**") selected by the Commission.

Pursuant to NCGS §18C-122(d), the Act requires the Commission to engage an independent auditing firm that has experience in evaluating the operation of lotteries to perform an audit of the NCEL.

The North Carolina Education Lottery Commission oversees the operations of the NCEL. The Commission is a nine (9) member body; five (5) members appointed by the Governor and two (2) members each appointed by the President Pro Tem of the Senate and the Speaker of the House. The Commission meets quarterly.

The Executive Director oversees the daily operations of the NCEL. Under the Executive Director, there are six (6) operating divisions and an executive staff. An overview of the NCEL Divisions and Departments is provided below:

### **Advertising and Marketing**

The Advertising and Marketing Division is responsible for the positioning and development of the NCEL brand and its games by projecting an entertaining, socially acceptable image of the NCEL that complies with the legislative mandate and its mission to raise revenue for education. This Division develops marketing programs that educate players about the NCEL games and latest promotional offerings, winners and contributions to education. This Division also provides players with fun, entertaining experiences through the play of NCEL games and through participation in promotional events at fairs, festivals and sports sponsorships. Per the Lottery Act, the NCEL advertising budget may not exceed one percent (1%) of the NCEL's annual revenue (NCGS §18C-162(a)(3)). The NCEL also works within the advertising restrictions as imposed by the Lottery Act (NCGS §§18C-114(a)(2), 18C-130(b) & (e)).

### **Finance and Administration**

The Finance Department is responsible for accounting, budgeting, and purchasing functions of the NCEL. The Administration Department is responsible for contracting with retailers desiring to do business with the NCEL; providing a telephone hotline for retailers to call for assistance when needed on their lottery accounts; validating and payment of player prizes; facility services and motor fleet management.

### **Legal and Security**

The Legal Department supports all other NCEL Departments in furtherance of their goals and objectives by providing legal advice and counsel. Specifically, this Department drafts and reviews contracts, drafts

internal policies and procedures, responds to legal claims, and actively participates in all civil and criminal litigation affecting the NCEL.

The Security Department provides for the physical security of all NCEL employees and its assets, and most importantly, upholds the integrity of the NCEL by securing the instant ticket and online games of the NCEL, as well as handling retailer and player security.

### **Legislative and Corporate Communications**

The Legislative group interacts with state legislators, handling NCEL-originated legislation and tracking legislation of interest or impact to the NCEL. Communications manages internal and external communications, including press releases, newsletters, media events, daily clips, media interviews, public information requests, social, media and speaking engagements. Communications also manages the players' hotline and communications with players, written and telephonic.

### **MIS and Gaming Systems**

Gaming Systems coordinates and tests changes to the online gaming system, troubleshoots gaming system issues, operates the ICS (Internal Control System), and provides analysis and reporting of gaming system and lottery industry data. MIS provides technology services such as email, Internet access, helpdesk, desktop and laptop computers, mobile computing, printing, phone and network services.

### **Sales**

The Sales Division manages the sales programs with independent retailers and large chains. The Division motivates and educates retailers by establishing and maintaining rapport. Additional duties include the recruitment and expansion of the retailer base with the overall goal of increasing sales for the NCEL education programs.

NCEL instant lottery games are printed and shipped to retailers under a contract with GTECH Corporation. Games are sold through retailers who have applied for and been approved to act in that capacity. Relationships between the NCEL and its retailers are governed by NCEL regulations as well as the agreement executed with each retailer.

The NCEL retailer network consists of approximately 6,100 locations within supermarkets, drug stores, convenience stores, and various retail settings selling instant tickets and draw games through clerk operated terminals. Presently, most of the retailer network equipment communicates with the central gaming system through use of satellite or frame relay communication technology. Additional equipment used throughout the network includes approximately 660 self-service vending machines. Retailers are equipped with a terminal provided under a contract with GTECH Corporation. GTECH provides and operates the gaming system with capabilities to issue tickets for the draw games, validate prize claims for all games, and interact with the gaming system both to record wagers and to keep record of all retailer lottery product sales, prize payments, and other fiscal transactions. All equipment is provided under a contract with GTECH Corporation.

The NCEL has a June 30 year-end financial audit performed annually which is contracted by the Office of the State Auditor. The most recent copy can be viewed at:

<http://www.ncauditor.net/EPSSWeb/Reports/Financial/FIN-2009-4670.pdf>.

The NCEL also contracts for a security audit biennially which was conducted by Delehanty Consulting, LLC for the past three (3) audit cycles. The Office of the State Auditor conducted the last performance audit which can be viewed at:

<http://www.ncauditor.net/EPSSWeb/Reports/Performance/PER-2007-7233.pdf>.

### **3. VENDOR RESPONSE**

Responses should consist of three (3) sections. Each section is described below.

### **3.1 Section 1 – Executive Summary**

Vendors shall provide an executive summary written in non-technical language to summarize the overall capability and approaches for implementing their methods for performing an audit of the NCEL operations. The Vendor is encouraged to limit the summary to three (3) pages or less.

### **3.2 Section 2 – Vendor Profiles**

Vendors shall include a brief synopsis of their company history, background, and target market. Specific experiences with lottery industry projects similar to the NCEL should be included in this section. If the Vendor anticipates sub-contractors will be used, a brief description should be included on the type or service those sub-contractors would be providing. It is not necessary to provide specific profiles. If the Vendor recognizes services that would be essential to the implementation, but believes it to be outside the scope of this RFI, a description of all such services should be included in this section. The Vendor must provide the name, address, phone number, and email address for its corporate point of contact on this RFI.

### **3.3 Section 3 – Proposed Methodology**

Vendors shall provide their proposed methods for reviewing current operations and determining where effectiveness and efficiency can be enhanced. The proposal should contain a high-level methodology specific to the NCEL objectives.