



**REQUEST FOR PROPOSALS**

**FOR THE**

**IMPLEMENTATION AND OPERATION**

**OF A CENTRAL SYSTEM**

**SUPPORTING VIDEO LOTTERY TERMINALS**

**JANUARY 11, 2002**

**Contract # C010021**

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## PART 1 - PROPOSAL SUBMISSION

### 1.0 Introduction

On October 24, 2001, legislation was passed providing the New York Lottery (Lottery) with the authority to license the operation of video lottery gaming at certain New York racetracks. Excerpts from the legislation are included as Exhibit 1 of this RFP. The legislation authorizing the Lottery to license the operation of video lottery gaming expires three years after the commencement of the games. Exhibit 2 provides the names of racetracks legislatively authorized to be licensed as well as those tracks requiring local approval before applying for a license can be considered. All prospective vendors will be notified if and when any of these tracks have received local approval.

The purpose of this Request for Proposals (RFP) is to invite interested vendors to submit proposals for the implementation and operation of a central system to support video lottery gaming at the various racetracks throughout the state.

Video lottery gaming will be conducted through the use of player activated video lottery terminals (VLTs) installed at the licensed track sites. The Lottery's intent is to, where practical, place an equal number of VLTs from each licensed manufacturer at each racetrack.

It is the intent of the Lottery to procure a central system that is independent of and not an integral part of a VLT manufacturer's standard offering. Accordingly, the vendor awarded the central system contract and its subsidiaries will not be allowed to provide VLTs during the duration of the contract and/or any extensions to the contract.

### 1.1 Lottery Objectives

The objective of this RFP is to license and award a contract to a qualified vendor for the implementation and operation of a central system supporting video lottery terminals. The Lottery is defining the central system as the hardware, software and network components, which link and support all video lottery terminals with the central site. The central site is where the central video lottery communications control systems will be located. The Lottery will require electronic instant lottery tickets as well as electronic keno capability which the central system needs to support. The system includes a central system, which registers player wagers, randomly draws, stores and distributes electronic instant lottery tickets to site controllers, and performs certain accounting and security functions.

Electronic Instant Tickets: Video Lottery terminals, connected to the central system via site controllers, permit players to view and account for their purchased electronic instant lottery tickets. Games offered on the video lottery system are those in which players compete against each other by purchasing electronic instant lottery tickets from a finite depleting pool of electronic instant lottery tickets.

An electronic instant lottery ticket series consists of all representative tickets from a particular finite instant game pool produced in a manner providing a tiered prize structure whose overall prize return shall be no less than ninety percent of the series' overall purchase value. When created, the finite series shall be electronically intermixed to ensure random order within each series. Each series which resides in the central system may be divided into smaller ordered quantities and sent to various site controllers, which shall upon request forward an electronic instant lottery ticket to a video lottery terminal.

Once an electronic instant lottery ticket is removed from the finite series of electronic instant lottery tickets, it cannot be re-selected or re-dispensed. Another finite series of electronic instant lottery tickets bearing the same game identifier but a different serial number may be

added to an electronic series in progress; provided, that at least seventy-five percent of the electronic instant lottery tickets in the series in progress have been electronically removed and dispensed through player wagers.

Video lottery terminals are connected to site controllers which are programmed to store unpurchased electronic instant lottery tickets and to manage, allocate, and account for each represented series on an individual and aggregate bases. The site controller computer shall be programmed to draw and dispense an electronic instant lottery ticket in the sequence received from the central system.

To play video lottery, a player shall insert paper currency, a cash voucher or other Lottery approved representative of value into a video lottery terminal entitling the player to purchase one or more electronic instant lottery tickets. The player determines the amount to be wagered or the price of the electronic instant lottery ticket to be purchased. With respect to each offered series, the player makes a choice by touching the dedicated display, a panel of buttons designated for such purposes, or some other similar interface, selecting the game identifier they wish to play.

After the player selects the game identifier and price per ticket, the next situated electronic instant lottery ticket is electronically dispensed from the site controller computer to the video lottery terminal which then displays the outcome associated with that ticket. Upon completion of play at a video lottery terminal, the player may cause the printing of an electronically encoded instrument which may be used for wagering at another video lottery terminal or presented for verification and payment at the validation terminal in the racing location.

Electronic Keno: Electronic Keno game is a generic term for games in which players compete against other players by choosing numbers, colors or symbols in the hopes of matching those numbers, colors or symbols randomly drawn by the central system from a larger finite pool of numbers, colors or symbols. An Electronic Keno Game Draw is the selection of a finite field of numbers, colors or symbols from a larger finite pool of numbers, colors or symbols in order to determine the outcome of a Game.

A site controller is a computer which links a number of video lottery terminals. More than one site controller computer may be utilized to control video lottery terminals at a racetrack location. Each site controller computer utilized shall be programmed to store Game Draws for each Game, and to manage, allocate, and account, on an individual and aggregate basis.

## 1.2 Overview of RFP

This Request for Proposals (RFP) will provide the information necessary to submit proposals for the operation of the Video Lottery Terminal Central System.

## 1.3 Contracting Officer

The Lottery is the sole point of contact with regard to all procurement and contractual matters relating to the goods and services described herein. The Lottery is the only office authorized to clarify, modify, amend, alter or withdraw the specifications, terms, and conditions of this RFP and any contract awarded as a result of the RFP.

The written agreement resulting from this RFP will become binding and effective after approval by the Lottery, the Attorney General, and the State Comptroller.

All communications concerning this procurement must be addressed in writing to the Contracting Officer:

Gerald S. Woitkoski  
Administrative Officer  
New York Lottery  
One Broadway Center  
PO Box 7500  
Schenectady, NY 12301-7500  
Fax: 518-388-3403

1.4 Restrictions on Communications with Lottery Staff

Questions or comments concerning this procurement should be addressed in writing to the Contracting Officer. Lottery employees are permitted to communicate with vendors concerning this RFP only under the circumstances described in the Lottery's Policy Statement on Employee Standards of Conduct (Appendix B). Any vendor causing or attempting to cause a violation or circumvention of those standards may be disqualified from further consideration.

1.5 Term of Contract

The contract resulting from this RFP is expected to be in effect for a term ending three (3) years after the first VLT is operational with possible extensions (see Terms and Conditions, Part 2).

1.6 Glossary of Terms

Contract	The written agreement resulting from this procurement, which shall incorporate, among other things, this RFP and the winning Contractor's proposal.
Contractor	The vendor to whom the Lottery awards and with whom the Lottery executes a Contract pursuant to this RFP.
Director	The Director of the Division of the Lottery or his/her designee.
Facilities	The computer site facilities, hardware, software, etc., required to provide and support video lottery gaming.
Proposal	All materials submitted by a vendor in response to this RFP.
Racetrack or Racetrack Location	A licensed racetrack that operates Video Lottery Gaming.
RFP	This Request for Proposals.
Vendor or Respondent	Any firm or person who submits a proposal in response to this RFP.
Net Sales	Sales less prizes, also known as net machine income.

1.7 Schedule

(All dates are subject to change by the Lottery)

<u>Event</u>	<u>Date</u>
RFP Issued	January 11, 2002
Vendors' Written Questions Due	January 18, 2002
Vendors' Conference-ATTENDANCE MANDATORY	January 23, 2002
Lottery Written Responses to Questions	January 23, 2002
Lottery Written Responses to Conference Questions	January 25, 2002
Final Written Questions Due from Vendors	January 30, 2002
Lottery Written Response to Final Questions	February 4, 2002
Vendor Proposals Due by 4:00 p.m.	February 28, 2002
Apparent Winning Proposal Designated	March 22, 2002
Installation of Central System	June 17, 2002
Central System Testing	July 22, 2002
Central System Implementation	on or about December 1, 2002

1.8 Vendors' Conference

A vendors' conference will be held in Albany at 11:00 a.m. on January 23, 2002. The purpose of the conference is to answer questions relevant to this RFP. **Attendance is a mandatory requirement to qualify vendors to submit proposals.**

In order to arrange for appropriate meeting facilities, the Lottery must know how many individuals each vendor will have present at the vendors' conference. Upon receipt of this RFP, it is requested that you contact Karen Carl at (518) 388-3411 to provide this information. Vendors will be advised of the exact location once final arrangements are made.

1.9 Questions and Inquiries

Questions relevant to this RFP must be mailed or faxed to the Contracting Officer at the FAX number set forth in Section 1.3. E-mail or telephone of questions will not be accepted.

Oral questions will only be responded to at the Vendors' conference. The Lottery will not respond to telephone inquiries or visitations by vendors or their representatives. All questions must be put in writing and the Lottery will respond in writing to all interested parties who have been notified of this RFP.

Vendors must observe the time schedule for submitting questions. This schedule will ensure that the Lottery has adequate time to respond to all questions and that the responses will be provided to vendors in time to be incorporated into their proposals.

1.10 Information From Other Sources

The Lottery reserves the right to obtain from sources other than the vendor information concerning a vendor which the Lottery deems pertinent to this RFP and to consider such information in evaluating the vendor's proposal.



### 1.11 Clarification Process

Clarification from vendors may be requested by the Lottery for the purpose of gaining a full understanding of the proposal information and resolving ambiguities. Clarifications may occur throughout the proposal evaluation process. Clarification responses shall be in writing and shall address only the information requested. Responses shall be submitted to the Lottery within the time required.

### 1.12 Oral Presentation

Any vendor may be required to make an oral presentation at a time and place designated by the Lottery. This presentation will be entirely at the option of the Lottery, and no vendor is assured of being called upon to make a presentation.

### 1.13 Demonstrability of Proposed System

The Lottery requires that the equipment and software proposed by the vendor, at a minimum, be capable of a demonstration which satisfies the evaluation committee of the vendor's ability to meet the Lottery's requirements for a video lottery gaming Central System operation.

The demonstration may consist of a simulation at the vendor's facilities, or may consist of observing operations at another facility, or similar evidence.

### 1.14 Mandatory and Desirable

Specifications in the RFP shall be regarded by vendors as mandatory – as denoted by terms such as “must” and “shall” – except where a function, feature, or capability is specifically noted as being “**desirable**.” In the case of a “desirable”, the vendor is not required to provide such as expressly described, however, the evaluation of the vendor's offering may be more favorable if desirable functions, features, and capabilities are offered.

### 1.15 Proposal Form

The proposal must be submitted in two parts and each part mailed or hand delivered under separate cover.

One part is to include the descriptive and technical matter to the exclusion of price or cost submissions and be appropriately labeled on the exterior of the enclosure. The original and ten copies of this part are to be delivered (the original must be appropriately marked and contain an original signature). In addition, four (4) sets of financial reports as described in Section 3.37 are to be delivered. Any proprietary information in your proposal must be identified. The contents of the technical (non-price) volume must follow this outline:

- A. Transmittal letter.
- B. Disclosure of litigation (if any-see 1.16).
- C. Agreement to comply with all Terms and Conditions (Part 2); exceptions must be noted.
- D. Response to Specifications (Part 3); in identical order to Part 3 subsections.
- E. Proposal bond.
- F. Litigation bond.
- G. Response that indicates and identifies any requirements of the RFP that are not met.

The second part is to include the cost information and be so identified on the exterior of the enclosure. The price proposal must be signed in ink by an individual authorized to legally bind the vendor. The original and ten copies of the second part are to be delivered.

The contents of the pricing volume must follow this outline:

- A. Transmittal letter.
- B. Pricing form.

1.16 Litigation and Investigations

Each vendor must include in its proposal a complete disclosure of any pending civil or criminal litigation or known investigation involving the company. This is a continuing disclosure requirement; any litigation or known investigation commencing after submission of a proposal must be disclosed in a written statement to the Lottery.

1.17 Change of Financial Condition

If a vendor who has submitted a proposal in response to this RFP experiences a substantial change in financial condition prior to the award of a contract pursuant to this RFP, or if a successful vendor experiences a substantial change in financial condition during the term of a contract with the Lottery, the Director must be notified in writing at the time the change occurs or is identified. Failure to notify the Lottery of such a change may result in rejection of vendor's proposal or termination of the contract.

1.18 Proposal Contents

Each vendor is expected to provide the Lottery with information, evidence and demonstrations which will make possible the selection of the vendor to be awarded the contract in a manner offering best value to the State of New York. Vendors are given wide latitude in the degree of detail they offer or the extent to which they reveal plans, designs, systems, processes and procedures. At a minimum, proposals must be fully responsive to the hardware and software options that must be included in the final delivered system unless specifically excluded by the Lottery. Each proposal must identify any requirement of this RFP the vendor cannot satisfy.

1.19 Proposal Disclosure Prohibition

Disclosure by a vendor of proposal contents prior to the award of a contract under this RFP may result in disqualification of that vendor's proposal.

1.20 Disclosure of Proposal Contents

Cost and price information provided in a vendor's proposal may be disclosed after contract award but proprietary trade secret information contained in technical proposals will be held confidential and will not be revealed to nor discussed with competitors. Any and all materials submitted become the property of the New York Lottery and may be returned only at the option of the Lottery. The Lottery reserves the right to use any and all information contained in a proposal to the extent permitted by law.

A request for confidential handling must accompany the proposal if it contains proprietary information, designating which sections or portions of the proposal are to be considered trade secrets and setting forth the reasons for such designation. Blanket proprietary trade secret claims will not be accepted.

1.21 Multiple Proposals From One Vendor NOT ALLOWED

A vendor may submit a single proposal only. Separate proposals from vendor wholly owned subsidiaries will not be accepted. Within the single proposal the vendor may identify other options, including unsolicited products, services, features, or substitutions which the vendor believes may be appealing and useful to the Lottery.

1.22 Nonexclusive Rights

Nothing in this RFP or any contract resulting from this RFP shall preclude the Lottery from purchasing other gaming services, equipment, etc., for use in another on-line lottery processing system or for use as an integral part of the central system described in this RFP.

1.23 Costs Associated with Proposal

Neither the Lottery nor the State shall be liable for any of the costs incurred by a vendor in preparing or submitting a proposal.

1.24 Acceptance Period

Proposals must remain valid for eighteen months. Proposals containing a term of less than eighteen months may be rejected. Vendors shall be strictly held to the terms in their proposals.

1.25 Rejection or Selection of Proposals

The Lottery reserves the right to reject any or all proposals, or to award in whole or in part a contract deemed to be in the best interests of the State. Vendors will be held to the terms submitted in their proposals but may be required to reduce costs depending upon aspects of the proposed program which may be determined by the Lottery to be unnecessary. Failure to meet obligations may result in cancellation of any award. Vendors who are not awarded the contract will be notified in writing, and the Lottery will schedule a debriefing meeting with each vendor, if requested, to discuss the evaluation process. The acceptance of a proposal shall not diminish the Lottery's right to negotiate specific contract terms, including price, with the contractor.

1.26 Nonmaterial and Material Deviations

Failure to furnish all required information or to follow the proposal format specified in this RFP may disqualify a proposal. The Lottery's waiver of a nonmaterial deviation shall in no way modify the RFP requirements or excuse the proposing vendor from full compliance with the contract requirements if the proposing vendor is awarded the contract.

1.27 Proposal Bond

Each respondent must submit with the proposal a proposal bond in the amount of \$100,000 to guarantee for eighteen (18) months after submission of the proposal the availability of the goods and services at the price(s) quoted in the proposal. Neither a letter of credit nor any other form of security will be acceptable. The bond will be payable to the Lottery if the vendor's proposal is withdrawn or the vendor refuses or fails to be bound by any provision of the proposal.

1.28 Multi-Agency Use

Any contract entered into pursuant to an award to this RFP shall contain a provision which grants the option to extend the terms and conditions of such contract to any other State agency in New York.

1.29 OFT Review

Prior to award selection, this RFP and all responses thereto are subject to review by New York State's Office for Technology.

## PART 2 - TERMS AND CONDITIONS

### 2.0 Introduction

This section describes the terms and conditions which apply to the procurement process and which will become part of the contract executed pursuant to this RFP.

### 2.1 Governing Law

The proposal process, the award procedure, and any contract resulting from this RFP shall be governed by the laws of the State of New York and shall be interpreted according to New York law. Any and all litigation arising under this RFP or any contract resulting thereunder shall be instituted in the appropriate court of the State of New York; and, by submitting a proposal, a vendor is deemed to waive access to any other court which may have concurrent jurisdiction within or without New York State.

### 2.2 Contract Elements

The contract negotiated between the Lottery and the successful vendor shall include as integral parts thereof:

- This RFP;
- Amendments to this RFP; and
- The vendor's proposal.

In the event of a conflict in language between any of the above mentioned documents and the contract, the provisions and requirements set forth or referenced in the contract shall govern. In the event that an issue is addressed in the contract, no conflict in language shall be deemed to occur.

Any alterations, variations, changes, modifications or waivers of or to provisions of this contract shall only be valid when they have been reduced to writing and duly executed and approved by each of the parties.

Failure of a party to insist upon strict adherence to any term of a contract resulting from the RFP will not be considered a waiver or deprive the party of the right thereafter to insist upon strict adherence to that term or any other.

Each provision of the contract is severable from all other provisions and any provision deemed invalid does not negate the remainder of the contract.

### 2.3 Term of Contract

The contract resulting from this RFP will be in effect from the contract effective date for an implementation period plus three years from the date the first VLT is in operation.

The Lottery reserves the right to extend the contract at its sole option for one-year periods each, up to a maximum of three one-year extensions, at the contract rate or rates as modified during the term of the contract, provided that any such option to extend is exercised by the Lottery at least 90 days prior to the end of the initial contract period, or any extension thereof, or at a time mutually agreed upon by both parties.

The Lottery further reserves the right to reactivate or further extend the initial contract, or any extension thereof, on two days notice for ninety day periods if a different vendor is chosen for a

subsequent contract and the subsequent vendor's system does not meet the requirements of the Lottery. To meet this requirement, the contractor for this contract must maintain the central system in a state of readiness for any such period of ninety days after the completion of the initial contract period or any extension thereof. Exercising this right shall not be construed as obligating the Lottery to repeat the procurement process for any subsequent contract or conferring any right or expectation for the contractor to continue operating the central system after the expiration of any such 90-day period.

#### 2.4 Prime Contractor Responsibilities

The contractor will assume sole responsibility for delivery, installation and maintenance of all equipment, software and support services offered in its proposal whether or not it is the manufacturer or producer of them. The Lottery will consider the contractor to be the sole point of contact with regard to contractual matters.

#### 2.5 Background Investigations

The Lottery will initiate or cause to be initiated investigations into the backgrounds of any officers, principals, investors, creditors, owners, subcontractors, employees, or any other associates of the contractor(s) it deems appropriate. Such background investigations may include fingerprint identification with the State Division of Criminal Justice Services and the Federal Bureau of Investigation, the fee(s) for processing (currently \$74 per individual) to be paid by the contractor. The Lottery may reject a proposal or revoke a contract award based upon the results of these background checks.

#### 2.6 New York State Business and Minority/Women-Owned Business Participation

It is the policy of New York State to maximize the opportunities for the participation of New York State business enterprises, including minority and women-owned business enterprises as bidders, subcontractors and suppliers on its procurement contracts. Information on the availability of New York State subcontractors and suppliers and the Directory of Certified Minority and Women-Owned Business Enterprises is available from the New York State Department of Economic Development, [http://www.empire.state.ny.us/serv\\_minority.html](http://www.empire.state.ny.us/serv_minority.html)

In accordance with Article 15-A of the Executive Law and subtitle N of 9 NYCRR 540 et seq, the Division of the Lottery has established a goal of 1% participation by New York State Certified Minority Business Enterprises and 1% participation by New York State Certified Women Owned Business Enterprises as subcontractors/ suppliers in this proposed contract. Attached to this RFP is a copy of the Utilization Plan Form (Appendix C). The Contractor must submit this plan within fourteen (14) days after notification of award for review and acceptance by the Lottery. Any modifications or changes to the agreed participation by certified M/WBEs, over the term of the contract, must be reported on a revised Utilization Plan. Contractor also must submit the contact information for the designated officer who will be assigned the responsibility and authority to monitor the M/WBE program for this contract.

#### 2.7 Termination

The Lottery reserves the right to terminate for cause any contract entered into as a result of this RFP, provided written notice has been given by the Lottery to the contractor at least thirty (30) days prior to such termination date. This shall include the right to terminate a contract upon good faith determination that the public operation of the system could place the integrity of the New York Lottery in jeopardy. The Lottery also reserves the right to terminate any contract entered into as a result of this RFP based on mutually agreed terms, or loss of statutory authority by the Lottery.

If termination for cause, the contractor will have an opportunity to cure a default prior to the effective date of termination. However, the Lottery in its sole determination will determine if a cure is feasible.

## 2.8 Audit Requirements

- A. The contractor will be required to have a complete financial audit conducted annually by a certified public accounting firm. A copy of the contractor's audited financial statements shall be provided to the New York Lottery annually.
- B. In addition, a complete internal control audit shall also be conducted annually by an independent certified public accounting firm. This audit shall be conducted pursuant to Statement on Auditing Standards No. 70, as issued by the American Institute of Certified Public Accountants. The Lottery reserves the right to specify the type of report and the control objectives to be examined. The Lottery also reserves the right to approve the accounting firm chosen to perform the internal control audit, and, reserves the right to designate the annual period to be covered by the report and the date by which the report is due.
- C. The Lottery reserves the right to require the first such audit to be conducted within 90 days of central system installation and final acceptance of the central system by the Lottery.
- D. Both the aforementioned audits shall be conducted at the expense of the contractor.
- E. An independent certified public accounting firm designated by the Lottery, the Lottery's Internal Audit Unit, and the New York State Office of the State Comptroller shall have the right to review the work papers of these audits and obtain copies thereof, if considered necessary by the Lottery.
- F. The Lottery and its designated independent certified public accountants shall be given a copy of all reports including any management letters issued as a result of the specified audits.

## 2.9 Right to Audit Contractor's New York Operation Systems

The New York Lottery reserves the right to audit contractor records and operations as they relate to the New York Lottery. Said audits may be conducted by the Lottery's own auditors, an independent firm specified by the Lottery, or auditors from the New York State Office of the State Comptroller.

## 2.10 Indemnification

The contractor shall indemnify and save harmless the Lottery, the State of New York, and their officers, employees, and racetracks from and against any and all claims, liabilities, losses, damages, costs, or expenses, including reasonable attorneys' fees, which may be incurred, suffered, or required in whole or in part by an actual or alleged act or omission of:

- The contractor, or
- A subcontractor, or
- Any person directly or indirectly employed by the contractor or a subcontractor.

## 2.11 Bonds and Insurance

All required bonds and insurances must be issued by companies which are financially rated A or better by Standard & Poor's or an equivalent rating by Moody's or A.M. Best and duly licensed, admitted, and authorized to do business in the State of New York. The New York State Division of the Lottery shall be named as the Obligee in each required bond and as an Additional Insured in each required insurance contract (except for Errors & Omission Insurance and Crime Insurance, providing there is evidence that the Lottery is protected). Required coverages must be renewable annually, and the contractor must submit copies of each required insurance contract, (or certificates of insurance) and any renewals thereof, to the Lottery.

## 2.12 Litigation Bond

Each vendor must submit a litigation bond issued by a surety licensed to do business in this State, a certified check, or cashier's check in the amount of \$250,000 made payable to the New York Lottery. FAILURE TO SUBMIT THE LITIGATION BOND IS GROUNDS FOR REJECTION OF THE VENDOR" PROPOSAL. The litigation bond or check will be forfeited if the vendor contests the award of the video lottery central system contract on grounds which are found to be frivolous in light of the facts surrounding the award or applicable law. The litigation bond or checks will be returned following the award as soon as the Lottery is able to determine that the contract award will not be contested by the vendor submitting the bond or check. The litigation bond or check shall be submitted with the original Part One of the vendor's response.

## 2.13 Performance Bond

Upon notification of receiving the award, that vendor will be required to obtain a performance bond. A performance bond in the amount of one million dollars (\$1,000,000) will be required for the first year of the contract.

The performance bond will compensate the Lottery if the vendor defaults in the performance of the contract. The performance bond will be assessed for all liquidated damage payments due the Lottery which have not been received within thirty (30) calendar days after written notice of their being incurred has been given to the Successful Vendor.

## 2.14 General Liability Insurance

The contractor must maintain general liability insurance coverage with limits of not less than \$2,000,000 for injury to any one person, \$4,000,000 for any one occurrence of personal injury, and \$2,000,000 for any one occurrence of property damage.

## 2.15 Property Insurance

The contractor must maintain insurance on all buildings, furniture, fixtures, computer and communications equipment used in operating and supporting the central system in an amount equal to or greater than the actual replacement cost thereof. Coverage must include an All Risk Property Floater to insure personal property including contents equipment, and mobile items against fire, theft, collision, flood, etc. The State of New York, the Lottery, and Video Lottery licensed racetracks will not be responsible for insuring any equipment or facilities included in or associated with the central system.



## 2.16 Crime Insurance

The contractor must maintain crime insurance with a limit of not less than \$5,000,000 protecting the State of New York and the Lottery against losses resulting from fraudulent or dishonest acts by the contractor, a subcontractor, or any officer, employee, or agent thereof.

## 2.17 Liquidated Damages

The contractor acknowledges:

- A. If the contractor does not fulfill the obligations of the contract, damage to the Lottery will result.
- B. Establishing the precise value of such damage would be costly, and difficult, and the amount of actual loss may be or is incapable or difficult of precise estimation.
- C. The liquidated damage amounts specified herein are good faith efforts to quantify the damages that could be reasonably anticipated at the time of the making of the contract and are intended to bear a reasonable proportion to the probable loss sustained by the contractor's failure to fulfill the obligations of this contract.
- D. The Lottery may, therefore, in its discretion, deduct liquidated damages from the compensation otherwise due to the contractor in the amount of \$1000 unless otherwise stated herein. All assessments of the liquidated damages shall be within the discretion of the Lottery and shall be in addition to, and not in lieu of, the right of the Lottery to terminate the contract or to pursue other appropriate remedies, including the right to pursue in a court of competent jurisdiction a claim for actual damages arising from the contractor's failure to fulfill its obligations under the terms of this contract.
- E. The Lottery shall notify the contractor in writing of the assessment of liquidated damages for any default specified herein and such damages shall be paid within thirty (30) days of receipt of the assessment notice by deducting such damages from the compensation otherwise due to the contractor.

If payment is not made within such thirty (30) day period, the Lottery may collect such damages by making a claim against the performance bond or by any other lawful method.

## 2.18 System Down Time

The central system shall be "down" no more than two minutes, during the operational sales period. The central system shall be defined to be "down" if no VLT transactions can be processed on the system. The total time during which a central system is down during the operational sale period of each day shall be the sum of all time during such period when the central system is "down".

Whenever cumulative central system down time extends beyond two minutes during one operational day, liquidated damages may be assessed. The Lottery will determine based upon comparable sales days and times the level of potential lost revenue.

## 2.19 Central System Degraded Performance

The Lottery shall be solely responsible for determining, through internal reporting programs, the degraded performance described herein.

#### A. Poll and/or Process

The central system shall have “degraded performance” no more than two minutes per day. The central system shall be considered as having degraded performance when the central system cannot poll and/or process transactions from 100 percent of the installed and operational VLTs during the scheduled daily operational sales period. The extent of degraded performance shall be determined by the Lottery.

1. The total number of transactions processed during the five minute period just prior to the onset of degraded performance will be used to calculate an average transaction per minute figure.
2. The actual number of transactions processed during each minute of degraded performance shall be compared to the average transaction per minute figure to determine the extent of degraded performance during each minute of degraded performance.

#### Damage For Poll and/or Process

Whenever the central system has “degraded performance” which collectively exceeds two (2) minutes per day, liquidated damages may be assessed. The Lottery will determine the extent of degraded performance, as specified above, and will apply the percentage to the damage assessments detailed in Section 2.18 to determine liquidated damages that shall be assessed for degraded performance.

#### B. Other Degraded Performance

The central system shall also be considered to be operating with degraded performance if it is not capable of performing any other central system functions, including but not limited to, cashing vouchers, or producing accounting reports. The central system shall also be considered to be operating with degraded performance if data is not being recorded on magnetic media at both the primary and backup sites.

#### Damage For Other Degraded Performance

The contractor shall pay the Lottery liquidated damages as a result of the total time during each daily operational sale period that the central system is determined to be operating with degraded performance as described in B. above as follows:

- No damages shall be assessed for the first two minutes of the central system’s degraded performance during any day’s operational sale time; and
- Liquidated damages as described in Section 2.18 shall be assessed for each hour or fraction thereof in excess of the first two minutes of central system degraded performance during the daily operational sale period.

#### 2.20 Failure to Provide Enhancements

During the term of the contract, the Lottery and the contractor shall agree in writing to a schedule for developing, testing, and implementing or installing a modification or enhancement to support an existing game or an addition of a new game unless otherwise approved in writing by the Lottery.

Once the Lottery's request for a change has been issued to the contractor, the contractor has 15 working days to respond with a written proposal for delivery of the change. The Director can make the binding determination of a delivery date for modifications and enhancements.

If the contractor fails to meet any date specified in such a schedule, the Lottery may assess liquidated damages of \$5,000 per day for each day of delay regarding the modification, enhancement, or addition of a game.

Proposals must discuss how to the contractor plans to administer software version control and implement software enhancements throughout the life of the contract (i.e., what process will be followed, lead-times needed to ensure thorough yet responsive updates).

#### 2.21 Untimely or Inaccurate Reports, Tapes or Data

The contractor shall provide reliable and accurate reports, tapes and data at the times specified by the Lottery. For each late or inaccurate report or tape, liquidated damages may be assessed at the rate of \$100 per hour for each hour that the report or tape is late or for each hour following a notice of deficiency that a report, tape or data remains inaccurate.

#### 2.22 Unauthorized Modifications

The contractor shall not modify any software or hardware in the system without the prior written consent of the Lottery, except in emergency situations where specific procedures, including Lottery authorization, are followed.

If an unauthorized modification occurs, the Lottery may assess initial liquidated damages of \$100,000 and additional liquidated damages of \$15,000 per day for each day between the issuance of a removal order and the actual removal of the unauthorized modification and restoration of the system to its previous operating state.

#### 2.23 Unauthorized Access

The contractor shall prevent persons not authorized by the Lottery from accessing the computer facility, central system, and site controllers.

If the contractor fails to prevent unauthorized access, the Lottery may impose liquidated damages of \$10,000 for each incident of unauthorized access by an unauthorized person.

#### 2.24 Ownership of Materials and Right of Use

Ownership of all data, material and operating reports originated and prepared for the Lottery pursuant to any contract resulting from this RFP shall belong exclusively to the Lottery. If, for any reason, other than a breach of agreement by the State, the contractor or successor contractor should lose its ability to service the contract with the State of New York, the State shall retain the right to use the facilities, source program instructions and documentation for those items owned by the contractor and which are necessary to provide contractual services. Said right shall be limited to the right of the State to possess and make use of such solely for the use and benefit of the State in maintaining, altering and improving the operational characteristics of the programs and systems being used by the State under the contract. All programs, documentation, instructions, facilities, hardware, and the like, including modifications or alterations thereof, shall be kept in confidence and shall be returned together with all copies to the contractor when their use has been completed.

## 2.25 Production Acceptance Test Following Award

The Lottery will conduct a series of acceptance tests to fully determine pass or fail of the contractor's New York installation in accordance with the specifications of this RFP and the winning proposal. Failure of the contractor to pass these tests will result in the contractor forfeiting the full amount of the performance bond.

The central system will be tested for each and every requirement in this RFP. Until all tests are deemed successful by the Lottery no operational date will be approved. The contractor's assistance in arranging tests will be necessary. The Lottery may utilize the services of an independent contractor to assist in acceptance testing.

## 2.26 Daily Settlement/Collections

- A. At the end of each day, the contractor must produce a magnetic settlement tape or other media for the amounts due from or to each race track. This tape will be used by the contractor to electronically draft funds from track bank accounts directly into a New York Lottery bank account net of moneys due the contractor (for the purpose of the provisions of the State Finance Law and the New York State Lottery for Education Law governing the retention of a portion of sales revenues as compensation, the contractor shall be considered a "licensed racetrack or agent").
- B. The contractor will be required to produce an automated clearing house or fedwire sweep take each day and provide that tape to a Lottery contracted bank as determined by the Lottery. This bank will process the sweep tape, which includes daily deposit to the contractor's account for its fee, and electronically notify the Lottery's financial Management office of all NSF transactions.
- C. It should be noted that daily sweeps of bank accounts may not be possible during bank holidays and racetracks may not be able to effect deposits on a Saturday or Sunday. The cycle for sweeping accounts will be provided to the contractor prior to system implementation.

## 2.27 Services Within Scope Defined at Start-up

The Contractor's services shall include:

- A. Fixes to all software and hardware errors and design defects; and improved versions of the hardware and software to sustain performance or correct performance problems, to otherwise meet or continue to meet Contract defined requirements.
- B. Maintaining third party hardware and software elements of the System with "supported releases" from the suppliers. This includes, but is not limited to, software for network operations, for PCs, network management systems, database and reporting software, and hardware diagnostics. At the time the contractor is notified by a supplier that a release is scheduled to have support dropped, it is the contractor's obligation to acquire and install an appropriate Lottery approved upgrade.
- C. Equipment and software changes necessary simply to support increased volumes of transactions.
- D. The latest central system software versions shall be made available at start-up. The Lottery will determine whether features and capabilities of new releases merit installation.

## 2.28 Approval of Changes

The contractor's configuration management system and practices shall preclude unauthorized changes to the central system. Any engineering changes or variations from the designs and specifications of the RFP, the Proposal, working papers, or the resulting contract must be approved in writing by the Director or his/her designee prior to installation or implementation.

The Lottery extends the right of approval to the software operating system releases provided for the central system, and to all other third-party products employed by the contractor in the delivery of the central system. Where the contractor has acquired third-party software for inclusion in the configuration, the contractor shall minimize local modifications to the supplier-provided software, shall obtain the Lottery's approval for such local modifications, and shall document any such modification thoroughly.

## 2.29 Software Documentation

Before start-up, a complete listing, which may be in electronic form at the Lottery's option, of the source programs, operation manuals, service manuals and written procedures, with program object code tapes of all programs (software) must be delivered to the Lottery. This includes all programs executed on the equipment pertaining to this RFP and the contracted central system. As changes are implemented, documentation including listing changes, reason for change, personnel instituting change, authorization for change, and date of change shall be supplied. Periodically, the Director or his/her designee may request a program listing and other material for the purpose of verification of the original operating system and those changes instituted at the time of the request. Contractor shall be required to fulfill such requests within 24 hours.

The Lottery will allow for the placement of source programs with an escrow agent provided that the Lottery is the sole determination as to when the programs are released.

## 2.30 Standard Clauses for all New York State Contracts

Appendix A, Standard Clauses for all New York State Contracts, is attached to this RFP and will be included as part of the contract.

## 2.31 Lottery's Policy Statement on Employee Standards of Conduct

Appendix B, Lottery's Policy Statement on Employee Standards of Conduct, is attached to this RFP and will be included as part of the contract.

## 2.32 Stipulation Regarding Northern Ireland

In compliance with Section 174-b of the State Finance Law, the Contractor must stipulate that the Contractor and any legal entity in which the Contractor holds a ten percent or greater ownership interest and any individual or legal entity that holds a ten percent or greater ownership interest in the Contractor either (i) has no business operations in Northern Ireland, or (ii) shall take lawful steps in good faith to conduct any business operations such person or persons has or have in Northern Ireland in accordance with the MacBride Fair Employment Principles (as set forth in Section 174-b of the State Finance Law) and shall permit independent monitoring of compliance with such principles. The required form of stipulation is attached as Appendix D to this invitation to bid or request for proposals. A completed form of stipulation must be included in any bid or proposal responding to this invitation to bid or request for proposals.

## 2.33 Equal Employment Opportunity and Affirmative Action Requirements

If the contract awarded pursuant to this RFP provides for total payments of more than \$25,000 to the Contractor, the following Equal Employment Opportunity and Affirmative Action requirements will apply:

- A. The Contractor and any subcontractors shall be required to undertake or continue existing programs of affirmative action to ensure that minority group members and women are afforded equal employment opportunities without discrimination because of race, creed, color, national origin, sex, age, disability, or marital status. Affirmative action shall be required in the areas of recruitment, employment, job assignment, promotion, upgrading, demotion, transfer, layoff, termination, and rates of pay or other forms of compensation.
- B. As part of the proposal, each respondent must submit a copy of the respondent's Equal Employment Opportunity ("EEO") Policy Statement. If the respondent does not already have an EEO Policy in effect, then an EEO Policy must be adopted and a copy of the new policy statement must be submitted.
- C. A sample EEO Policy Statement is attached as Appendix E to this RFP. Each EEO Policy Statement must include, at a minimum, the elements listed below. Submission of an EEO Policy Statement containing the required elements is a precondition to a contract award, and the Contractor will be required to follow the EEO Policy throughout the term of the contract. The required elements of the EEO Policy Statement are:
  1. The Contractor will not discriminate against any employee or applicant for employment because of race, creed, color, national origin, sex, age, disability, or marital status, will undertake or continue existing programs of affirmative action to ensure that minority group members and women are afforded equal employment opportunities without discrimination, and will make and document its conscientious and active efforts to employ and utilize minority group members and women in its work force on State contracts.
  2. The Contractor will state in all solicitations or advertisements for employees that, in the performance of work under a State contract, all qualified applicants will be afforded equal employment opportunities without discrimination because of race, creed, color, national origin, sex, age, disability, or marital status.
  3. At the request of the Lottery, the Contractor will request each employment agency, labor union, or authorized representative of workers with which the Contractor has a collective bargaining or other agreement or understanding, to furnish a written statement that such employment agency, labor union, or representative will not discriminate on the basis of race, creed, color, national origin, sex, age, disability, or marital status and that such union or representative will affirmatively cooperate in the implementation of the Contractor's Equal Employment Opportunity and Affirmative Action obligations.
- D. Each proposal must include a Staffing Plan describing the work force expected to be used on the contract (see form attached as Appendix F to this RFP). If it is impossible to describe the portion(s) of the respondent's work force that will be devoted to performing the contract, then the staffing plan must describe the respondent's total work force. The staffing plan must show the ethnic backgrounds, sex, and Federal occupational categories of the members of the work force.

- E. During the term of the contract, the Contractor will be required to submit periodically to the Lottery a work force utilization report showing the work force actually used in performing the contract, broken down by ethnic background, sex, and Federal occupational categories.
- F. All of the foregoing equal employment and affirmative action requirements must be included by the Contractor in any subcontract so that all subcontractors will be subject to the same obligations as apply to the Contractor.

2.34 Omnibus Procurement Act Compliance

If the contract is for \$1 million or more, by entering into the contract the Contractor agrees (i) to make reasonable efforts to encourage the participation of New York State business enterprises as subcontractors and suppliers on the contract and retain documentation of such efforts to be provided to the State upon request; (ii) to comply with the federal Equal Opportunity Act of 1972 (P.L. 92-261), as amended; (iii) to make reasonable efforts to provide notification to New York State residents of employment opportunities on the contract through listing any such positions with the Job Service Division of the New York State Department of Labor or providing such notification in such a manner as is consistent with existing collective bargaining contracts or agreements and to retain documentation of such efforts to be provided to the State upon request; and (iv) to cooperate with the State of New York in seeking to obtain offset credits from foreign countries as a result of the contract.

2.35 Non-Collusive Bidding Requirement

In accordance with Section 139-d of the State Finance Law, if this contract was awarded based upon the submission of bids, Contractor warrants, under penalty of perjury, that its bid was arrived at independently and without collusion aimed at restricting competition. Contractor further warrants that, at the time Contractor submitted its bid, an authorized and responsible person executed and delivered to the State a non-collusive bidding certification on Contractor's behalf. Each respondent must submit an original Non-Collusive Bidding Certification Form (see attached Appendix G to this RFP).

2.36 Vendor Responsibility

Contracts will be will only be awarded to those contractors who are responsible. Proposals must include a completed Vendor Responsibility Questionnaire for assurances that the contractor conforms with responsibility requirements. (see attached Appendix H to this RFP).

## PART 3 - VIDEO LOTTERY SYSTEM SPECIFICATIONS

### 3.0 Introduction

This section describes the functional, technical and operational specifications for the video lottery central system. Vendors must respond by describing how their proposed system meets each specification. Proposals must contain a cross-reference to each item in this section. If any capabilities are not currently available, state when they will be and propose an alternate solution that will still meet the Lottery's objectives.

The Lottery is not asking vendors to define Video Lottery nor will the Lottery accept any proposal which conceptually differs from the definition in Section 1.1 of this RFP.

### 3.1 System Overview

This section defines the Lottery's objectives for the central system and provides a brief overview of the scope of the central system.

#### A. Primary Objectives

The Lottery's primary objectives for the central system include the following:

- Operate with a high degree of performance, reliability and integrity;
- Monitor and control all auditing or transaction activities occurring at the video lottery terminals (VLTs);
- Accurately record and account for all game play and monetary transaction activity including cash voucher production and validation;
- Provide accurate real-time tracking of racetrack account balances and invoice amounts on a real-time basis;
- Support timely identification, tracking and resolution of problems; and
- Within six months of implementation, download game software to VLTs (see Section 3.19E).

#### B. Definition of Video Lottery Central System

The video lottery central gaming system is defined as consisting of the following components:

- Fault-tolerant or duplexed central system with supporting peripheral equipment (including but not limited to disk and tape drives, printers, controllers, management and data entry terminals) located at the vendor's primary data center;
- Central system with supporting peripheral equipment located at the vendor's backup data center;
- Racetrack terminal controllers (site controllers) located in each racetrack's establishment;
- Application and system software required to operate the equipment and central system;
- Front-end communications processors (FEPs) and network connections for the central systems, as required; and
- Devices at each location to validate winning, cash vouchers.



It is the intention of this procurement to select a vendor to supply and operate the central system. Although they are an integral part of the overall video lottery gaming system, the video lottery terminals (VLTs) are **not** part of this procurement. Acquisition of VLTs will be managed under separate procurement processes and contracts. However, the vendor must provide connectivity to the video lottery terminals as defined elsewhere in this RFP.

### 3.2 Vendor Responsibilities

This section describes several areas in which the contractor must provide support and services during the term of the contract. These items pertain to the overall operation and support of the video lottery gaming system and are not specific to any particular component.

The contractor's primary site must be located within 1 mile of Lottery headquarters in Schenectady. The backup site must be 10 miles or more from the primary site. Vendors are required to identify specific addresses of locations chosen for the primary and backup sites. The name and telephone number of the landlord(s) must be included.

The vendor must supply 15 management terminals and printers for Lottery use in addition to the ones installed at the racetracks. Most of the management terminals will be installed at Lottery headquarters, some may be required in Lottery regional offices. The Lottery will be responsible for communication line and equipment costs to support these terminals.

The vendor should identify how many management and validation terminals (including printers) will be installed at each individual racetrack. Vendor should use the table shown in Exhibit 2 to estimate the volume of sales and validation activity to determine the number of validation terminals required.

For clarification purposes, validation terminals are devices capable of communicating with the central system for purposes of validating a cash out voucher (dollar and/or cents) representing the difference between the amount of currency deposited into a VLT and the amount wagered; a voucher representing the value of a winning amount (dollars and/or cents), or a voucher representing a combination of the above.

A validation terminal reads the bar code on the voucher or, accepts key entry of a digital representation of the bar code, communicates that information to the central system and receives a response authorizing a payment or other appropriate messages (not a winner, file a claim, etc.).

Validation terminals also receive limited information from the central system upon request; i.e., number of validations requested by device, total amount paid out, total number of invalid requests etc.

Management terminals at the racetrack are used by security/surveillance to observe and print out events such as unauthorized door openings. Administrators at the racetrack will use a management terminal to obtain and print out daily settlement information or other information available for that track.

Management terminals for the Lottery are used to obtain real-time information residing on the central system applicable to all racetracks.

A. Site Controller to VLT Communications Protocol

The video lottery central system vendor will be responsible for developing the communications protocol used to communicate with the VLTs. The contractor will be required to supply the Lottery with complete detailed documentation in hard copy and machine readable formats for the VLT hardware interface specification, the communications protocol, bar code print specifications, and the encryption algorithm with the proposal.

The contractor will be required to provide the same materials in both hard copy and machine readable formats to each vendor that provides VLTs to the Lottery. This information must be provided to potential VLT providers at the time of the mandatory vendors' conference for the VLT procurement. The central system contractor will be provided with the date of the conference. As changes are made to the hardware interface, protocol, bar code print specification, or encryption process, the contractor will promptly distribute new materials as described above to the Lottery and each VLT vendor. This information and support will be provided at no additional cost to either the Lottery or the VLT vendors.

B. No VLT Restrictions

The choice of the central system must not influence the selection of VLTs now or in the future. The VLT hardware interface, communications protocol, bar code format, and encryption algorithm used in the vendor's system cannot by way of complexity, unreasonable non-disclosure agreements, or cost of implementation of a VLT restrict the Lottery to a sole VLT manufacturer.

C. VLT Vendor Support

The contractor must assist VLT vendors with the implementation of the communications hardware requirements, the communication protocol, encryption algorithm necessary to successfully communicate with the site controller and the central system, and bar code format.

The contractor must provide a PC-based site controller software communications simulator or similar communications device to VLT vendors and the Lottery allowing them to test their VLT-site controller interface and protocol implementation. The simulator and any associated devices must faithfully simulate the actual communications environment in which the VLTs will function.

Requests for assistance, information, and documentation will be handled promptly and at no additional charge to the Lottery or VLT vendors. The Lottery reserves the right to resolve disputes between the video lottery gaming system vendor and the VLT vendors. Decisions by the Lottery regarding disputes are binding on all parties.

D. Software Modification Procedures

The following system and application software modification procedures must be adhered to:

- Once the system has been accepted in writing by the Director, the vendor will be prohibited from modifying the software or databases of the system without the prior express written approval of the Director or authorized designee.

- Following the implementation of the system, modifications and enhancements to the system may be deemed necessary by the Lottery.
- All software changes must be tested with test results provided to the Lottery. All changes must be approved by the Lottery and the Lottery reserves the right to perform acceptance tests on the modified system.

#### E. Software Source Code Escrow Account

All software source code pertaining to the video lottery gaming application must be held in escrow at a mutually agreeable location and with mutually agreeable access rights. This applies to source code for both the central system and the site controller.

#### F. Lottery Staff Training

In order to ensure a smooth startup, and ongoing operation, it is expected that the Lottery's staff will be thoroughly trained on all aspects of the new system by the vendor. Describe the proposed approach to providing training to each of the following groups of Lottery staff:

- Administrators/Analysts/Programmers - All application functions, administration functions, operating system, database concepts, and report writer.
- Testing specialists - Use of site controller, use of PC-based central system simulator, use of site controller simulator, and use of standalone site controller.
- Accounting/Auditing - All accounting/auditing functions, meter maintenance, invoicing and bank account sweep process.
- Security - Events, cash vouchers, cash voucher problem resolution, and cash voucher validations.

#### G. On-site Resource

In addition to the personnel required to run (monitor) the central system, the Lottery will require one on-site technical support position at the primary site for the duration of the contract.

In addition, two data base analyst individuals will be required to work at the Lottery's Schenectady office to assist the Lottery and racetracks in utilizing the central system data to identify marketing potentials and overall increasing potential revenues.

### 3.3 Communications Network Specifications

The contractor is required to propose the data communications network and operate it. The costs associated with this operation should be included in the vendor's base price. The contractor is responsible for all data lines, equipment and installation, one-time and recurring costs.

This network goes from the primary data center to the site controllers at each racetrack, and from the primary to the backup data center. The Lottery will be responsible for the costs required to connect the contractor's primary and back up data center to the Lottery's mainframe computer. At the present time, the Lottery mainframe is located at Lottery headquarters in Schenectady. It is anticipated that it will be re-located to the State Data Center at the New York State Office Campus in Albany sometime in 2002.

Communications between the central system and the site controllers must be encrypted. Contractors must describe how data encryption will be accomplished, including which encryption algorithm will be used, for communications between the site controllers and the central system.

Describe how management terminals will be connected to the central system.

### 3.4 Central System Specifications

This section describes the features and capabilities that the central system must support. Hardware configurations will exist at both the primary and backup data centers. All hardware installed at both data center locations must be new equipment that has not previously been used.

The backup data center is intended to be a "hot" backup facility whereby processing can be transferred immediately to this facility upon failure of the primary data center.

### 3.5 Central System – Primary Data Center

- A. Describe the proposed hardware configuration of the central system(s) that will be installed in the Lottery's primary data center. The central system must have the ability to continue operating without loss of data or system integrity should any single component or peripheral device fail (including failure due to loss of power). No performance degradation or loss of any system functionality can occur with the failure of any single system component. For example, all data must be stored on multiple disk media with redundant access capabilities such that the failure of a single disk drive or controller does not result in loss of data or a diminished processing capability. The central system must be able to be repaired and/or upgraded without system interruption. These controls must be inherent to the hardware and/or operating system. All central system components and peripheral equipment, including front-end communications processor(s), printers and tape drives, must be similarly fault tolerant. For peripheral equipment, the fault tolerant capability may be met by a duplexed configuration (e.g. at a minimum of two line printers, two 6250 bpi reel tape drives and two 8mm cartridge tape drives, etc.) as long as there is not a single point of failure for any such duplexed equipment (i.e., at a minimum of one controller for all tape drives). The system description should include the hardware vendors, processor types and models and the peripheral configuration (disk drive types and capacities, tape drive types and densities, printer types and speeds, etc.).
- B. Describe the system software that will be installed on the central system. All third-party software products and tools that will be used on the system should be described.

- C. Describe the methods, communications protocol and equipment that will be used to connect the primary site central system to the backup central system located in the vendor's backup data center. Describe the communications capacity required and the process for performing high-speed data file transfers over this connection. Describe the capabilities for keeping data on the two systems synchronized. This could include real-time remote disk logging or periodic file transfers.

### 3.6 Central System – Backup Data Center

- A. Describe the proposed hardware configuration of the central system(s) that will be installed in the backup data center. The hardware configuration that is initially installed at the backup site does not need to be fault-tolerant or duplexed. However, the central system must be able to be upgraded to a fault-tolerant or duplexed system. This upgrade would occur if the backup data center had to serve as a new primary data center due to loss or major interruption to the original primary data center. The system description should include the hardware vendors, processor types and models and peripheral configuration (disk drive types and capacities, tape drive types and densities, printer types and speeds, etc.). Also describe the process that would be required to upgrade the backup central system to a fault-tolerant or duplexed system. (The cost of such an upgrade should not be included in the bid.)
- B. Describe the system software that will be installed on the central system at the backup data center. All third-party software products and tools that will be used on the system should be described.
- C. Describe the methods, communications protocol and equipment that will be used to connect the backup site central system to the primary central system.
- D. Describe how data and application software will be maintained at the backup site such that an immediate transfer of operation to the back up site will be accomplished. Include a description of the methods and timing that will be used to transfer current data from the primary central system to the backup central system.

### 3.7 Central System Simulator Capability

The vendor must provide PC-based software that simulates all functionality of the central system with the capability to individually select and execute the various functions. (The Lottery will supply the PC hardware.) This simulator will be used to test and debug site controller and VLT software and operations. The PC-based simulator must support more than one site controller, each with multiple VLTs attached. Describe simulator capabilities and any special hardware that the Lottery may require to support the simulator.

### 3.8 Central System Availability

Video lottery games will be played 12 hours per day continuously with start time of 10:00 a.m or 12:00 p.m. depending on the day of the week. The central system must fully support game play between these times. After VLT play is shut down each day, the central system must be available for at least one hour to allow for validation of prize vouchers and generation of reports. Expanded wagering hours must be capable of being supported if authorized by New York statute.

The central system must be active 24 hours per day to record special events during the time period from game close to game start up the next day to record special events including but not limited to cash door openings, opening of door to logic area, power down of a VLT or series of VLTs.

### 3.9 Central System Capacity Growth Capability

The initial central system configuration should be sized to support a minimum of 9,750 at startup. Describe the growth path of the proposed hardware platform and how it will be able to support future processing requirements such as VLT downloadable software. Describe any central system upgrades that would be necessary to support a VLT population of 20,000 within 1 to 2 years of start up.

### 3.10 Data Retention and Archiving

- A. Large quantities of data will quickly accumulate on the central system negatively impacting regular processing and backup performance. Due to various reporting requirements some data must be retained on disk storage for over one year. In order to balance the need for historical data with the need to minimize night processing time, the Lottery is proposing a three tiered approach to data storage. First tier is current data no more than 4 months old. After 4 months, data would be archived to another disc storage area monthly. Data would be retained on the second tier for up to 15 months after which it would be archived to tape (the third storage tier). For purposes of reporting, the report writer must select and combine data from either or both the first and second data storage tiers. A report of what was archived to tape must be produced. Describe how this will be implemented.
- B. Archiving process must accommodate changes that may be made over time to the structure of the files and database. Therefore, all associated file record layouts and database schemata must be copied as well so that when recovered, the archived data can be properly read and will not conflict with or affect the integrity of current data.

### 3.11 Central System Security Controls

The central system must have controls that prevent unauthorized access and use. Vendors should describe all of the security and control features available in the central system, including but not limited to the following:

- A. All external communication access to the central system must be controlled. Describe how remote maintenance access to the central system by the vendor and any other external access will be restricted.
- B. All access to processes, databases and system libraries shall be controlled and monitored at the user level. A user is defined as either a vendor employee or a racetrack employee, or a Lottery employee. Describe controls that exist in this area.

- C. Describe the capability to set-up user access accounts with flexibility in granting user access rights at the system level (not within the application) to databases, application programs and operating system functionality. Describe how specific access rights, such as read, update, and delete, are granted.
- D. Describe the system's ability to selectively monitor user log-ins, log-outs and the use of application and system programs by logging details (e.g., date, time, user I.D.) of each occurrence. Describe exception logs and reports that are available, including the ability to selectively report on events in the system security log file.
- E. Describe the system's ability to control access by week, day or time period.
- F. The movement of software between test and production source and object code libraries must be restricted and controlled. Describe controls that will be implemented over software migration. Also describe controls that exist over access to and modification of any application source code resident on the central system.

### 3.12 General System Software Specifications

The following specifications represent broad-based features and capabilities. While these features are not specific to the video lottery application, they are capabilities that the Lottery seeks in the video lottery central system. Proposals should fully describe how their system supports the following specifications.

- A. Master, transaction and recent historical data will be maintained on the central system using a commercially available relational database management system.
- B. The central system must have the capability to connect the Lottery's mainframe computer for transmission of all gaming data in real-time. The preferred protocol for this transmission is IP. If the vendor cannot support IP, it should propose another protocol that will be compatible with an IBM OS/390 based system.
- C. The central system must have a commercially available report writer capable of accessing any application information in the system. It should support extracting and sorting on any data element in any data file, have at least basic mathematical capability (i.e. summing, cross-footing, addition, multiplication, division, subtraction), and be available for accessing production data concurrently with the normal production operation of the system. Reports, whether displayed on the screen or printed, should reflect the real-time state of video lottery data. The report writer and ad-hoc reporting capability should support the use of structured query language (SQL) constructs.
- D. Use of the report writer to access production data for low to medium complexity reports should have only a nominal effect on system performance. The central system should be configured in such a manner that use of the report writer will have minimal effect on the processing capacity of the production gaming system.
- E. There must be controlled access at the system level to the use of the report writer and ad-hoc inquiry capability. Use must be restricted to selected users and total number of concurrent users. The processing priority given to ad-hoc inquiries should also be adjustable.

- F. The central system will likely require the use of several code tables and reference files for validating data entry and controlling certain processes. These tables and reference lists will need to be printed periodically. Therefore, the central system should have the capability to selectively print every reference file and code table in the system.
- G. The central system must maintain the integrity, completeness, accuracy and reasonableness of the data. The central system must provide balancing controls so that Lottery personnel are able to verify and ensure the integrity of system processing. All data records must include elements that show the date of the last update. The system should produce log reports showing all master and table file maintenance that is performed (e.g., before and after values) and include the date and time of the change, the terminal location of the person making the change and the person's identification.
- H. The central system must continuously log all transactions received from the site controllers to allow for system recovery in the event of a failure that destroys data. The transaction log must be able to be reprocessed and applied to the database as if the transactions were occurring real-time. This transaction log must also be available for use by the Lottery in an internal control system (ICS) to independently verify the results of all video lottery gaming activity.
- I. The vendors should describe their capability to interface between the central system and a turnkey player tracking software package operated by the racetracks. The latter would essentially comprise a players club designed to reward player loyalty and encourage repeat purchase. The program would be designed to better understand the VLT customers in order to accommodate player preferences. Vendors are requested to price this as a fixed dollar cost rather than a percentage of net sales as identified in Section 4.3.
- J. Describe the system software components that will be used to support the operation of the central system. This description should minimally include the following elements:
  - Name, version and vendor of operating system software;
  - Name, version and vendor of application development language(s);
  - Name, version and vendor of database management system software; and
  - Name, version and vendor of report writers, screen generators, code generators, or other software products used to develop and operate the central system.

### 3.13 Central System Site Controller Protocol

Vendor must provide one copy of the complete detailed documentation for the Central System Site Controller communications protocol.

### 3.14 System Monitoring and Data Maintenance

- A. The central system must provide the capability to monitor all system activity and transaction processing performance. This monitoring capability should include showing the number of currently active and inactive VLTs in the field and the number of currently active and inactive site controllers in the field. The amount of daily sales by game identifier or series, by type of VLT, and by racetrack must be available through the end of the previous business day. Describe how this information will be provided and other similar types of transaction and status information that is available. Include samples of standard screen and report formats.



- B. The central system must allow Lottery personnel to add, modify, delete, inquire and report on all information stored on the system, including information about racetracks, VLT vendors, VLT models, site controllers, game parameters, etc. On-line inquiry, with print capability, to this information must be available on the management terminals.
- C. The central system must allow Lottery personnel to maintain an inventory database containing information on every VLT. In addition to VLT enrollment and file maintenance capabilities, the system must support inquiries and reporting of all information for specified VLTs including history of VLT locations, movement, and status changes. Minimum data requirements are VLT serial number, status, manufacturer, VLT model, date of manufacture, current location (i.e., racetrack or authorized storage), installation date. Identify additional information maintained by the system.
- D. The central system must allow Lottery personnel to maintain an inventory database containing information on every authorized site controller. In addition to site controller enrollment and file maintenance capabilities, the central system must support inquiries and reporting of all information for specified site controllers. Minimum data requirements include site controller serial number, status, model number, date of manufacture, current location (i.e., racetrack or authorized storage), and installation date. Please identify additional information maintained by the central system. Each site controller must be identified by a unique key field that is independent of any other information about the site controller.
- E. The central system must provide a means to easily and safely make mass changes to selected fields and records in any of the databases. Access to this function must be strictly controlled. Describe how this functionality will be provided and what controls exist to restrict its use.
- F. Vendors must identify how many active games per VLT the central system will support and how many games system wide it will support. Describe any limitations the system has in this area.
- G. The Lottery must provide any and all safeguards to prevent illegal activities regarding the play on VLTs. Specifically, attempts to "launder money" need to be identified.

Vendors are required to address in their proposal how a potential attempt to launder money can be identified as a special event on the system. For example, if each terminal has a credit limit of \$X (say \$500), the central system would track each time a terminal is loaded to the credit limit and after a minimal number of plays a cash out voucher is produced, the bar code would have an identifier to alert the cashier that a possible security problem exists.

### 3.15 EPROM Management

Management of EPROM video lottery game chips is a critical aspect of the overall security of the central system. The following specifications are required to ensure that only approved EPROMs are used in VLTs. Vendors should fully describe how the central system will perform each function.

- A. Define new EPROMs to the system and enter all characteristics including games. Identify each EPROM by VLT manufacturer, chip ID, and chip version.
- B. Load EPROM game chip(s) images to the central system and identify each stored image by VLT manufacturer, chip ID, and chip version.

- C. Perform a mathematical process on the EPROM image and compare this result to the result on an identical process performed by a VLT on its EPROM game chip(s).
- D. Set the status of an EPROM to 'pending', 'fully enabled' for general use, 'partially enabled' only on VLTs that are currently using EPROM, and 'disabled'.
- E. Delete the EPROM image file after the EPROM status has been changed to 'disabled'.

### 3.16 Cash Voucher Production and Validations

- A. When a player requests to be cashed out, the VLT will generate a unique serial number according to an algorithm provided by the central system contractor. The algorithm must include a check digit. A cash voucher with basic information and the serial number and the bar code representation of the serial number printed on it will be produced by the VLT. This transaction will be sent to and recorded on the central system via the site controller. Describe the algorithm used to generate cash voucher serial numbers that are unique across the entire system, regardless of which VLT produces the number and when it is produced.
- B. Describe how the production and recording of cash vouchers are affected when communications between the site controller and central system are interrupted. This should include a description of what happens if communications are interrupted during the transaction as well as if communications have been interrupted prior to the time the cash voucher is requested.
- C. The application must validate cash vouchers on the central system, including updating the central system database, when a validation request is sent from the site controller. A cash voucher is validated at the racetrack location where the voucher was issued by keying the serial number on the keypad of the validation terminal or scanning the barcode printed on the cash voucher by the VLT and transmitting the transaction to the central system. The central system will verify that the serial number is on the validation file, has not been previously paid, is being validated at the same racetrack where the prize was won or at the Lottery Headquarters, and is not older than 7 days. Any voucher older than seven days must be claimed at a Lottery regional office or mailed to Lottery headquarters in Schenectady. Vouchers up to 365 days old will be paid through the Lottery's internal system after proper validation. If the validation is successful, the validation record will be updated on the central system. If the validation is unsuccessful, a record of the validation attempt will be logged with the reason for why it was not successful. In either case, an appropriate response will be sent to the site controller from central. For individual wins of \$600 or more, the validation process must capture the winner's personal information for IRS reporting and generate a W2-G for the winner. For wins greater than \$5,000, appropriate taxes are withheld. The Lottery will provide the withholding percentage as set by law to the contractor.

For wins greater than \$600, the central system must check for delinquent child support and public assistance. In order to meet the offset for delinquent child support and/or public assistance, the Lottery will withhold up to ½ or all of the winnings. Vendors must explain how this will be accomplished in their system. The Lottery will supply offset tables monthly for loading on the contractor's system if this approach is proposed. The contractor may also choose to use a real-time transaction sent to the Lottery mainframe to perform this lookup.

Describe the manner in which cash voucher and validation transactions are recorded and updated on the central system.

- D. A cash voucher inquiry capability must be provided to show current status and payment data if previously paid. Access to validation and inquiry functions must be strictly controlled at the central system level.
- E. A database on the central system must be maintained which contains a record of all cash vouchers showing the current status of ticket and payment information. Describe the format and content of the database record key that will be used to ensure that duplicate keys do not occur.

### 3.17 Application Security Controls

- A. The system must provide VLT control capabilities to selected Lottery personnel using management terminals to immediately activate and deactivate the following:
  - 1) an individual site controller (all VLTs attached to the site controller must be disabled automatically);
  - 2) any one or all games on an individual VLT;
  - 3) a game on one or all VLTs;
  - 4) all VLTs of a given manufacturer's VLT model;
  - 5) all VLTs of a given manufacturer using an EPROM that matches a given EPROM identification number; and
  - 6) all VLTs in a given racetrack location as identified by racetrack.
- B. The system must record and report (printed report or management terminal display) by VLT and racetrack all events of open VLT doors, error conditions, out-of-service conditions, loss of power, loss of communications, logic area access, cash compartment access, failed integrity checks, and any other special events as designated by the Lottery or approved in writing by the Lottery including site controller events.
- C. The central system must be able to direct event transactions to selected printers. There must be a capability to filter the events that appear on each printer.
- D. All event and cash voucher transactions must be date and time stamped. Describe how this will be accomplished and recorded.

### 3.18 Progressive Jackpots

- A. The central system must support the use of progressive jackpots. Describe what options exist for progressive jackpots, including progressive games that involve:
  - Multiple VLTs within a racetrack's location;
  - VLTs across racetrack locations in a selected group; and
  - Statewide progressive jackpots.
- B. Describe how progressive jackpot amounts can be calculated, including whether they are based on actual or estimated sales volumes.

- C. Describe how progressive jackpot amounts are communicated to the VLTs that are participating in progressive jackpots.
- D. Describe how cash vouchers that include progressive jackpot winnings will be validated.
- E. Describe how VLT meters are used to record progressive jackpot plays.

### 3.19 Site Controller and VLT Communications

The central system must communicate with all site controllers for the purposes of exchanging commands, requesting data, and transmitting data. Describe how the following specifications will be achieved:

- A. Each site controller must communicate with every VLT attached to it at least once every three (3) seconds. Describe how this will occur and what information will be exchanged.
- B. The central system must communicate with every site controller at least once every five (5) seconds. Describe how this will occur and what information will be exchanged. At a minimum, information about events, production of cash vouchers and validations must be transmitted. All affected databases must be updated as data is received from the site controllers. When the central system is unable to communicate with a site controller overnight, cash vouchers and events from the previous day are recorded on the system.
- C. Depending on the day of the week, video lottery games will be played between the hours of 10:00 a.m. (the start of the business day) and 12:00 a.m. (the end of the business day) local time. Game play shall be disabled at the required closing time. The site controllers shall remain active for another hour for reports. Describe how this will be accomplished.
- D. The central system must download site controller software to the site controller. The central system must have the capability to download to a specific site controller and to broadcast the new software to all site controllers. Describe how this will be accomplished.
- E. Within six months of startup, the central system will be required to download game software to VLTs via the site controller. The central system must have the capability to download to a specific VLT, to VLTs at a specific racetrack location, and to broadcast the new software to all VLTs of a specified manufacturer and model. Describe how this will be accomplished.
- F. The central system should download basic racetrack information, including license number, name and address of the racetrack, to the site controller for use by the site controller and VLTs on displays, reports, and voucher slips.
- G. The central system must be capable of downloading a parameter from the central system to VLTs that specifies the length of time in seconds the VLT can continue to operate since the last successful communication with the site controller. Values to range from zero to 999 seconds.
- H. The central system must be capable of downloading a parameter to site controllers that specifies the length of time in seconds the site controller can continue to operate since the last successful communication with the central system. Values to range from zero to 999 seconds.

- I. Using the definition in Section 1.1, if a game with a jackpot prize(s) (the dollar value to be determined by the Lottery) reaches a point where the finite pool no longer contains any jackpot wins, describe how you would satisfy the objective that a player of a game has to have the opportunity of playing for a jackpot prize in that game.

For example, if "x" number of tickets remain in the existing pool resident in the site controllers and none of them are valued as a jackpot win- are these tickets removed from play and a new pool issued, or are the remaining tickets randomly added to the new finite pool.

This scenario has an impact on the expected and actual prize payout percentage. Please address this in your proposal and include recommended solutions.

### 3.20 Periodic Application Processing

- A. Starting at the end of every business day all accounting and sales data ("meters") for each VLT must be collected and posted to the appropriate central system databases.
  - Describe process to collect meters;
  - Describe edits on received meter data for validity and reasonableness;
  - Provide exception reports showing rejected meter data and reason for rejection;
  - Provide capability to correct rejected or erroneously posted meters (corrections must propagate forward to include most recently received meters);
  - Provide daily activity summary report by racetrack; and
  - Provide report showing racetracks and VLT not responding to request for meter data.
- B. On a daily basis an electronic file in a Lottery approved format must be provided which contains all cash vouchers issued; cash vouchers paid, net sales for each VLT, and the number of VLTs at each racetrack location recorded on the central system from the current business day. This file will be used as input to the Lottery's Internal Control System (ICS).
- C. Calculate an invoice on a daily basis for each location. The system must:
  - Accept a magnetic tape or diskette or CD or electronic transmission produced by the Lottery that contains net adjustment amounts per racetrack and apply these amounts to each racetrack's daily invoice as appropriate;
  - Calculate specified commission amount for each racetrack;
  - Calculate the daily net amount due to the Lottery from each racetrack, including racetrack commissions, account adjustments, cash vouchers paid by the racetrack;
  - Provide billing notification to the racetracks in the form of a report printed on the site controller showing billing breakdown, date, the amount due, and the date of the Electronic Funds Transfer (EFT) sweep; and

- Provide inquiry to display the daily invoice for specified racetrack on management terminals.
- D. Compute and store fiscal quarter-to-date and fiscal quarterly sales amounts by racetrack. The fiscal year begins on April 1.
  - E. Compute based on business weeks and racetrack year-to-date sales amounts for the current business year by racetrack by VLT for the calculation of racetrack commissions.
  - F. Create a fiscal quarterly net sales file in a Lottery approved format.
  - G. Define and send a sign-on message to site controllers, with a minimum length of 60 characters.

### 3.21 Report Specifications

The central system must produce reports to meet the needs of various units at the Lottery. Routine reports are to be produced on regular cycles (daily, weekly, etc.) and special report requests are to be provided upon request. After award of the contract, the vendor must provide database schemata of all files to the Lottery. Report formats and contents must be approved by the Lottery. At a minimum, the system must:

- A. Be capable of producing ad hoc reports using the report writer.
- B. Be capable of reporting on sales trends and play trends on a daily, weekly, range of weeks, annual, and YTD basis by VLT, by game. Summaries shall be by racetrack, VLT manufacturer, VLT model, EPROM ID, and game.
- C. Be capable of reporting on revenue, payout, and net sales on a daily, weekly, range of weeks, annual, and YTD basis by VLT, by game. Summaries shall be by racetrack, VLT manufacturer, VLT model, EPROM ID, and game.
- D. Provide a daily activity report summarized by VLT terminal manufacturer, VLT model, VLT EPROM ID, and game.
- E. Describe any other management, operational, and marketing reports produced by the central system.
- F. Samples of standard central system reports should be included in the proposal.

### 3.22 Application System Access and Use

- A. Application interfaces shall be through user-friendly menus or a Windows-based interface.
- B. Custom menus must be able to be defined for each authorized user or group of users. The central system must have a controlled and restricted process for setting up and modifying user menus that can be used at any time during the day without support from the vendor.
- C. For any parts of the central system that are menu driven, the central system should allow accelerated navigation for experienced users. This would allow going directly to a screen that may be several menu levels deep, and from one screen to another; rather than always having to back out of and through the menu structure.

### 3.23 Application Documentation

Documentation about the central system must be complete and maintained on a current basis as changes to the central system occur. The documentation must reflect actual central system operation and be updated as part of the process for requesting changes to the central system. The documentation must fully describe all central system inputs and outputs including interfaces with other systems, data definitions, file and database descriptions, central system inventories, functional system flow, theory of operation, and central system narratives.

### 3.24 Support for Testing Application Software

Modifications to the central system will be required to keep pace with the industry, comply with statutory requirements, meet new policy determinations, and to implement desired improvements in the central system's capabilities and performance. On-going testing of these software changes is a critical aspect of ensuring the continued accuracy and integrity of the video lottery system. All system modifications will be subject to a thorough acceptance test process that will verify the new software prior to being used in a production mode.

- A. This approach to acceptance testing requires a test region on both the primary and backup central systems that is separate from the production region. This separation includes both data and software programs. Accordingly, the central systems must have a test region that will allow every software change to be completely tested and verified prior to the software being used in a production environment. This testing capability must include front-end processing and network testing so that the site controllers with attached VLTs can be used to fully test a racetrack configuration. This test region must be available at all times on the central system without any impact on the performance and operation of the production gaming system. This includes having no impact or reduction in the fault tolerant capabilities of the central system and no noticeable impact on the performance of the production processing environment.
- B. The central system should provide tools to allow for efficient and effective testing. This could include the use of a random test data generator where large quantities of data can be created based on a few parameters that describe the general characteristics of the data (e.g., value ranges, volume of data, transaction types, etc.) This may be accomplished via terminal simulator that simulates all types of transactions, including validations, VLT transactions, report requests, service transactions, and signing on to and off the system. Describe any transaction similar to test data generators available as part of the system.
- C. A method to extract from the production environment all data related to a particular racetrack, VLT, etc. and copy it to the test environment allows a test condition to be easily created that imitates a particular production problem. Another tool test that is useful in an on-line environment is an automated test scripting tool that allows for simulation of on-line data entry activities. Describe any other testing tools available in the central system.

### 3.25 Racetrack Site Controller Specifications

This section describes the functional specifications of the site controller and requests detailed information about the physical configuration of site controllers and how it will perform the required functions. The vendor should specify the number of site controllers planned for each racetrack based on the number of VLTs shown in the table in Exhibit 2.

### 3.26 Site Controller Hardware Specifications

- A. Describe site controllers available functionality and its standard and optional data input/output components.
- B. Describe the physical characteristics of the site controller, including:
  - size and weight;
  - memory size, expansion options and upgrade procedure;
  - how buttons and internal components are protected from liquid spills, including results of liquid spill tests;
  - print method (thermal or dot matrix) and speed (minimum print speed of 5 20-character print lines per second);
  - the method, capacity and expansion options of any data storage capabilities; and
  - other configuration options and environmental requirements.
- C. Each site controller must be able to support any combination of VLTs attached to it. Each site controller should be able to support at least ten (10) VLTs. Describe how this can be achieved, and identify the maximum each site controller can support.
- D. Each site controller must have built-in power protection to ensure isolation from power bumps, brown outs, electric noise transmissions, and other forms of noise over common 120V power circuits. Site controllers shall not emit any form of noise back onto lines.
- E. Each site controller must have a battery to save critical memory to support an on-board time keeping device in the event of a loss of power. Batteries must have a minimum life expectancy of five years to allow the site controller the capability to retain critical information for a minimum of four (4) weeks after the loss of power. Each site controller must be equipped with a "low battery" indicator that will record the condition as an event to be sent to the central system.
- F. Provide information site controller power requirements.

### 3.27 Site Controller Network Connectivity

- A. Describe the operation of site controllers and any events that occur should the site controllers lose communications capability with the central system.
- B. Describe how a site controller will be connected to the network interface device in the racetrack's establishment and the physical interface, communications protocol, and other relevant transmission requirements.
- C. Describe how a site controller will be connected to the VLTs. This should include a complete description of the physical cabling requirements and the VLT interface board.

### 3.28 Site Controller Security Controls

- A. Communications between a site controller and the VLTs must be encrypted. Describe how data encryption will be accomplished, including which encryption algorithm will be used.
- B. A means by which racetracks can choose between high (level 1 security) and low (level 2 security) access controls over site controller functions must be provided. Site controller functions are not allowed until a site controller is signed-on by entering the



sign-on password. Password maintenance is based on access. Level 1 can modify levels 1 and 2 passwords; level 2 can only modify level 2 passwords. Use of an administrator function to accomplish this is acceptable. Vendors should explain how this would be implemented. The high level of access control requires site controller functions as follows:

- Access to group 1 reports requires entry of the corresponding password;
  - Access to group 2 reports requires entry of the corresponding password;
  - VLT cash door access requires entry of the corresponding password; and
  - Password maintenance requires entry of the corresponding password.
- C. A password maintenance function to allow the racetrack to set/change the sign-on, group 1 reports, group 2 reports, cash door access, and password maintenance passwords must be provided. This function can be accessed only after entering the correct password maintenance password.
- D. Each site controller must monitor the operation of each VLT that is attached to the site controller. Each site controller must report to the central system all events of open doors, error conditions, out-of-service conditions, loss of power, loss of communications, logic area access, cash compartment access, failed integrity checks, and any other special VLT events as defined by the Lottery. Each site controller must also report to the central system events that occur within the site controller such as sign-on, sign-off, loss of power, loss of communication, etc. Certain events will be reported to the central system as either a high or low security event depending on which access passwords were entered.
- E. If the cash door access password is not entered for a Level 1 site and the cash door is opened, then the event that is sent to the central system will be flagged as a high level security event. When the password for cash door access is entered it will remain in effect for 30 minutes or until the racetrack enters the cash door access password again to deactivate it.
- F. Lottery representatives will be required to enter their own password to sign-on at the racetrack location. Sign-on should be disabled after the central system specified time period has elapsed and a function to force a sign-off should be available on the central system. This password authorizes logic area access, diagnostics, Lottery representative reports, Group 1 reports, and Group 2 reports. If the logic area is accessed and a field representative has not entered their password, then the event that is sent to the central system will be flagged as a high level security event.
- G. Each site controller must disable a VLT when certain events occur (e.g., when a VLT fails to respond to a poll from a site controller, when event data indicates that the logic area was accessed, a power failure, a memory problem, etc.). A site controller will then require the VLT to successfully pass integrity tests before the VLT is allowed to resume play. Integrity tests must include verifying the EPROM signature. Describe how this will be accomplished, when integrity verification takes place, and what events will be passed to and recorded on the central system as a result of this situation.
- H. A site controller must disable VLTs when communications with the central system is lost for the number of seconds specified by a download from the central system.

- I. Describe how a site controller will restore sales and other data to its buffer after a site controller's memory is cleared or a VLT logic board is cleared or swapped.

### 3.29 Site Controller Reports

Each site controller must produce printed reports of daily and weekly sales and daily invoice information, game play results, and configuration status. Describe the reports produced by a site controller and whether they will be produced from data held at the central system or in a site controller. At a minimum, the following reports should be available from a site controller.

- A. Daily sales reports for at least the last seven (7) days;
- B. Daily sales invoice report for the last two (2) weekly periods. This report needs to include all sales information, validations paid by the racetrack, unpaid cash vouchers charged to the racetrack, racetrack commission, racetrack commission rate, account adjustment amount, amount due to the Lottery, racetrack, week ending date, and EFT draw date;
- C. Configuration inventory report that should only be accessible by a security officer. This report should include the VLT numbers, each VLTs EPROM ID, each VLTs logic board number, site controller number, site controllers address and site controllers EPROM ID;
- D. Event report: This report should include the last 100 events sent to the central system. Must have capability to select by specific VLT number, VLT or site controller events, and date/time range;
- E. "Group 1" reports to include:
  - Current day sales report;
  - Previous days sales reports; and
  - Event report.
- F. "Group 2" reports to include:
  - all "Group 1" reports;
  - Invoice report;
  - Current commission rate;
  - YTD sales; and; and
  - YTD commissions.
- G. Describe how additional reports added after start-up can be printed on the site controller.

### 3.30 Site Controller Simulators

- A. The contractor must provide a fully functional site controller EPROM that will support up to 5 VLTs in stand-alone mode, i.e., the site controller is not connected to the central system. The EPROM will be used for training racetracks and Lottery staff.
- B. The contractor must provide PC-based software that simulates all functionality of a site controller with the capability to individually select and execute the various functions. This simulator will be used to test and debug VLT software and operations. Describe simulator capabilities and any special hardware that the Lottery may require to support this capability.

### 3.31 Site Controller Application Functionality

- A. When requested by the central system, the site controller must enable or disable the operation of any one or all VLTs that are attached to the site controller.
- B. A site controller must be able to accept, load, and re-boot using software that is downloaded from the central system.
- C. A site controller will be able to accept new software that is downloaded from the central system for any or all of the VLTs that are attached to the site controller and transmit that software to the appropriate VLT. A site controller must be able to monitor and report on the software versions that are in use by each VLT and that is in use by site controller.
- D. Accept, either directly or through an attached device, bar-coded cash voucher that has been produced by a VLT, converting the bar-code to the associated unique serial number, and transmitting that number to the central system for validation on the central database.
- E. Allow for keyboard input of cash voucher validation information (in the event that a bar-coded ticket is unreadable).
- F. When a racetrack signs-on, a site controller displays on its screen a sign-on message sent from the central system.
- G. Describe how progressive games are supported by a site controller. This must include progressive lottery games for VLTs within the racetrack's establishment as well as progressive lottery games as part of a broader group of VLTs (e.g., multiple selected locations or Statewide).
- H. Describe the diagnostic functions which will be available on a site controller and how access to these functions will be limited to Lottery representatives. Diagnostic functions must include:
  - Testing the connections from the site controller to the attached VLTs;
  - Testing the connections from the site controller to the central system;
  - Memory check;
  - Battery check;
  - Printer test; and
  - Number of VLTs in communication with the site controller.

### 3.32 Site Controller Documentation

- A. Provide a proposed table of contents for a racetrack user manual.
- B. Provide a copy of technical specifications and service manual.

### 3.33 Site Controller Maintenance and Repair

- A. The vendor will perform maintenance and bench repair of failed site controllers.
- B. Describe the serviceability of a site controller, including the ease of field replacement of subassemblies.

### 3.34 Performance Factors

This section describes critical performance factors for the central system. The Lottery will verify these performance criteria prior to accepting the new system. These performance criteria pertain to a fully loaded and operational system with all network communications encrypted using the encryption algorithm agreed upon by the Lottery. These criteria represent minimum performance standards. Vendors should describe how their systems will be able to meet the Lottery's performance standards. The performance factors that must be responded to include:

#### A. Cash Voucher Production Response

Defined as the number of seconds between requesting a cash voucher from a VLT, recording each voucher data, and the production of the cash voucher at the VLT.

Performance measure = (10) seconds

#### B. Validation Response

Defined as the number of seconds between entering the unique cash voucher serial number and receiving a response from the central system as to its validity.

Performance measure = (10) seconds

#### C. Special Event Response

Defined as the number of seconds required to record on the central system the occurrence of a special event at a VLT (such as access without a password, off-hours activity, open doors, paper jams, etc.).

Performance measure = (10) seconds

#### D. Nightly Batch Processing

Defined as the number of hours required to perform all batch processing that must occur in the available time window between authorized periods of VLT gaming activity. This includes, at a minimum, backup of all critical and changed data files on the central system, polling and obtaining sales and game data from site controllers for a fully populated VLT base of 20,000 devices. All file and database updating and any special weekly or other periodic processing must also occur within this time period. Standard report generation and the backup of static data files can occur outside of this nightly batch window as long as full availability of the fault tolerant production environment is not impacted.

Performance measure = successful completion of all batch processing within the available batch window (one hour after gaming stops to 10:00 a.m.)

### 3.35 Promotions

The Lottery will want the capability of providing players with coupons offering a free play for a game VLT. This coupon, similar to the bar coded voucher, will be inserted into the VLT and allow the play of a game for a defined amount (i.e., a value of 50 cents or \$1.00). The vendor's system must be capable of accepting a file from the Lottery containing the bar code information and accounting for these free play coupons.

### 3.36 Desirable Options

The following capabilities are considered desirable by the Lottery. The vendor may choose to propose them as included in its base price or as separately priced, see pricing chart in Section 4.

If they are proposed as part of the basic system, they will be considered in the evaluation. If they are separately priced or not proposed at all, they will not be considered. Vendors will not lose points if they do not propose any of the following:

- A. The Lottery desires that a player be able to purchase a standard on-line lottery product, i.e., Daily Numbers, Lotto, etc. from a VLT. Vendors should indicate if their central system can support the required connectivity to act as a retailer terminal on the existing lottery wagering system, how an on-line "ticket voucher" would be produced, and how the necessary fund transfers would be accomplished.
- B. The vendor should propose how they would approach a central system driven customized promotion program. Customization should encompass but not be limited to promotions by manufacturer by game type bank of games, race track, and by theme. The purpose of this capability is to enable the New York Lottery to manage on-premise promotions by racetrack in an efficient centralized manner without the use of on-track resources. The vendor should illustrate experience with major co-op promotions and strategic partnerships in past VLT operations. Examples might be car dealers, local major hotels, major restaurants, major department stores, etc. The central system should be able to telegraph to the machines the promotion announcement, explain the rules of the promotion and control the accountability for all transactions.

### 3.37 Financial Viability

In order to determine the vendor's financial ability to perform under the contract, the Lottery requires the following financial information:

- A. Audited financial statements for the vendor for the last three years (most recent and two prior fiscal years). If the vendor is a subsidiary of another corporation, the financial statements of the vendor, as well as the consolidated financial statements of the parent company, shall be submitted. If the vendor is a parent corporation, parent-only financial statements, if available, and statements for the operating division that will perform these services shall be submitted.

These statements shall be prepared in accordance with generally accepted accounting principles and must have been audited by a certified public accountant licensed to do business in the state in which the vendor's principal place of business is located. If audited parent-only or vendor/subsidiary statements are not available, the Lottery will accept unaudited statements provided the vendor's chief financial officer certifies that the statements are current, accurate and complete.

- B. Any reports to the Securities and Exchange Commission (SEC).
  - 1. 10K reports for the last three fiscal years (most recent and two prior fiscal years).
  - 2. 10Q's for the current fiscal year and 8K reports for the current fiscal year.
- C. Any quarterly reports to shareholders for the current fiscal year.

- D. If the vendor is a subsidiary and will rely on the financial resources of the parent to perform this contract, the parent must certify, in writing, the availability of its resources to the vendor.
- E. The vendor must provide a letter of commitment from a creditor, if borrowing will provide any or all of the capital necessary for the vendor to perform any work for any contract resulting from this RFP.
- F. The Lottery reserves the right to require any additional information necessary to determine the financial integrity and responsibility of the vendor.

Four (4) sets of the reports/statements identified above must be included with the ten (10) copies of the technical proposal.

3.38 Vendor Corporate Capability

The vendor is required to demonstrate corporate experience, technical capability, and financial means to support this contract.

3.39 Corporate Experience

The vendor must provide the following information:

- A. Name and address of business entity making the proposal.
- B. Type of business entity (e.g., corporation, partnership, etc.)
- C. Place of incorporation, if applicable.
- D. Name, location of major offices, plants and other facilities that relate to the vendor's performance under the terms of this RFP.
- E. Name and address and function of any and all subcontractors, associated companies, or consultants to be involved in any phase of this project.
- F. Name, address and telephone number of vendor's representative to contact regarding all contractual matters concerning this proposal.
- G. Name, address and telephone number of vendor's representative to contact regarding all technical matters concerning this proposal.
- H. Name, address and telephone number of vendor's representative to contact regarding site visit schedule and other arrangements.
- I. Five long-term client references with over 2 years experience with vendor.
- J. Vendor's Federal Employer Identification Number.

### 3.40 Gaming Systems Experience

Vendor shall describe, in detail, the current and historical experience the vendor has in operating a central system for video lottery gaming. The vendor shall provide descriptions and references for all engagements of comparable complexity and sensitivity which have been conducted by the vendor over the past five years.

The description of experience shall be detailed and cover all gaming contracts which the vendor and any subcontractors have had and all experience similar to this contract which qualifies the vendor to meet the requirements of this contract. Included shall be the names, titles, addresses and telephone numbers of organizations which may be contacted to verify qualifying experience. Each experience statement shall also include the following:

- A. Name of lottery or gaming enterprise(s) and size of contract (annual sales and number of video lottery terminals supported by the central system).
- B. The promised delivery dates and actual delivery dates of such central system.
- C. The term of the contract including effective dates.
- D. Reason for contract termination/expiration, if contract is no longer in effect.
- E. Types of services directly provided by the vendor under the contract and whether the vendor was a contractor or subcontractor.

## PART 4 - PRICING

### 4.0 Introduction

This section describes the manner in which the vendors will submit pricing for the Lottery's consideration.

### 4.1 Separately Sealed Price Proposal

Each vendor is required to provide pricing in a separately sealed proposal. The price proposal must include a submittal letter signed by an individual authorized to obligate the company to the bid as stated.

### 4.2 Duration of the Price Proposal

The price proposal must be valid for eighteen (18) months from the proposal submission date.

### 4.3 Form of the Price Submission

The vendor must submit pricing in the following format:

- A. Pricing as a percentage of weekly net sales (net sales being sales less prizes - also known as net machine income) given in the format X.dddd where x represents the whole number value and d represents decimal digits. Example: 1.2500 percent - which would be \$12,500 compensation per one million dollars of net sales.
- B. Pricing as a percentage of net machine income given in the format X.dddd where x represents the whole number and d represents decimal digits. Example: 3.2500 percent - which would be \$32,500 for one million dollars in net machine income. This pricing quotation must include 2 percent video lottery advertising that will be remitted back to the Lottery in each week's remittance.

In the example, the vendor would receive 1.2500 percent. The 3.2500 percent includes the 2 percent for video lottery advertising.

- C. The Lottery will estimate a cost for the term of the contract, which will allow fair comparison of the proposals. The estimated cost will be based on the Lottery's forecast of VLT sales.

### 4.4 Pricing and Scoring of Options

Vendors are encouraged to propose options regarding innovative functions, features, services, and solutions. **However, options which are separately priced shall be clearly noted in the Technical Proposal (although without pricing information) and their corresponding prices listed in the Pricing Proposal as separate line items. (Otherwise they will be considered as N/C (no charge) items.**

**To make the evaluation tractable, the Evaluation Committee's score will only include features and services of the Proposal.**



**New York Lottery  
Gaming Systems Request for Proposals  
Contract No.**

**Price Quotation Form**

- I. Base System Pricing – (Base system includes central system, backup system, site controllers and validation terminals, personnel, telecommunications, etc.)

Vendors are required to provide their pricing as a percentage of net sales, carried to four (4) decimal places, including zeros.

VLT Central System Weekly Net Sales

- II. Separately Priced Options

Vendors should price each separate option and individual item. Pricing should be additive to their base price. During contract negotiation, the Lottery will specify each of these options it requires.

Note: If a vendor does not carry out a price quote to four (4) decimal places, the Lottery will add the appropriate number of zeros. For example, if a quote is stated as 0.10%, the Lottery will add two zeros to make the quote read 0.1000%.

## PART 5 - PROPOSAL EVALUATION

### 5.0 Introduction

This section describes the evaluation process which will be used to determine which proposal provides the maximum benefits to the Lottery.

### 5.1 Evaluation Committee

The Lottery intends to conduct a comprehensive, fair, and impartial evaluation of each proposal received in response to this RFP. In making this determination, the Lottery will be represented by an Evaluation Committee comprised of several professional disciplines, including Operations, Systems, Research & Development and Financial Management. The Evaluation Committee will evaluate each proposal and make a recommendation.

### 5.2 Evaluation Steps

The evaluation process will comprise all of the following:

- A. Review of each proposal to assess compliance with:
  - 1. Proposal submission,
  - 2. Terms and conditions,
  - 3. Mandatory requirements.
- B. Detailed evaluation of proposed functions, features, services and solutions.
- C. Site visits and demonstrations, if required.
- D. Scoring of technical proposals.
- E. Evaluation of price proposals.
- F. Preparation of Evaluation Committee report and recommendation.
- G. Director's decision.
- H. Issue of notice of intent to negotiate a contract.

### 5.3 Submission Requirements, Terms, Mandatory Requirements

Proposals must meet all submission requirements as stated in Part 1; to signify compliance with terms and conditions noted in Part 2, and to meet all technical mandates identified in Part 3. Proposals which fail to do so may be rejected. The Lottery reserves the right to permit cure of minor irregularities and to waive requirements when in the Lottery's best interests, and if such a waiver is not prejudicial to competition.

#### 5.4 Site Visits

Prior to completion of the evaluation process each vendor may be required to demonstrate its proposed system and explain how its components would be applied to the specifications described in this RFP.

It is expected that these demonstrations will occur in vendor manufacturing or development facilities or at an existing VLT operation; or some combination of these. Up to eight (8) people may go on these visits, and all costs associated with them shall be the responsibility of the Lottery.

#### 5.5 Scoring-Technical

A consensus method of scoring will be utilized during the evaluation of technical proposals.

Each of the technical (non-price) factors in Part 3 will be graded by the Evaluation Committee based on its best professional judgment, considering all proposal text, clarifications, and site visits and/or demonstrations. A weighted scoring system will be used.

The weighted scoring system will consist of a 40-100% grading scale to multiply the points available for each of the sections of Part 3. The 40-100% scale is defined as follows:

- 90-100 The Evaluation Committee perceived no real limitations and little or no room for improvement in the approach; excellent.
- 80-89 The Evaluation Committee perceived at least one limitation or possible improvement, but overall the approach was very good.
- 60-79 The approach has several limitations and requires possible improvements.
- 40-59 The approach has numerous limitations and possible improvements and is the minimum judged acceptable.

Points available for each of the sections are given below.

The final technical score for each proposal will be obtained by summing the results from each part, with a perfect score being 100 points.

Although the sections have different weights, as defined in the table below, the vendor is cautioned that:

- A. Every part contains mandatories which must be met regardless of the section's weight; and
- B. A poor response to a lesser - weighted part may have a significant negative impact on the vendor's final technical score.

## Points Available For Technical Evaluation

1) Central Computer System	20
2) Site Controller and VLT Communications	15
3) Communications Network (Site Controller to Central Computer)	10
4) Software Applications (including progressives), Files and Reporting	15
5) Facilities	5
6) Implementation, VLT Protocols, and EPROMs	15
7) Vendor Experience, Personnel and Corporate Capability	20
Total Technical Points	100

The weighted scoring system will provide numerical scores which represent the Evaluation Committee's assessments of the relative merits of each proposal. The scores will be used to develop a preference ranking based for each proposal on non-price factors.

### 5.6 Scoring of Options

The vendor may propose optional functions, features, services, and solutions. However, only options included in the base price will be scored. Options which are additionally priced may be considered during contract negotiations.

### 5.7 Price Evaluation

Price evaluation will occur after technical scoring.

Based on each vendor's pricing percentage matrix, as discussed in Part 4, the Evaluation Committee will estimate a cost for the term of the contract, which will allow fair comparison of the proposals.

The estimated cost will be based on the industry average of net machine income for 9,750 terminals adjusted for facility location, hours of operation, and terminal type. A sales (net machine income) benchmark for cost comparison only will be provided to each vendor at the mandatory vendors' conference.

The Evaluation Committee will then award up to fifty (50) points for price, based on a ratio of the Proposal being evaluated versus the lowest cost acceptable Proposal. The formula for any each proposal evaluated is :

$$\text{PRICE POINTS} = 50 \times (\text{LOWEST PROPOSAL COST} / \text{PROPOSAL COST})$$

Under this formula, the lowest cost acceptable Proposal receives all the fifty (50) available price points. A Proposal twice as expensive as the lowest cost acceptable Proposal earns half as many, or twenty five (25) price points.

### 5.8 Scoring and Pricing Combined

The Lottery will combine the technical points and price points to determine the total score for each Proposal, the highest of which being the apparent overall preferred Proposal.

The available one hundred (100) technical points and fifty (50) price points provide a maximum of one hundred fifty (150) points.

Upon completion of the evaluation and scoring, the Evaluation Committee, using total scores, shall rank order the Proposals in the order reflecting the best value to the Lottery and the State of New York.

#### 5.9 Recommendation and Negotiation

The Evaluation Committee's ranking will be presented to the Director for review. If the Director does not approve the Evaluation Committee's ranking, the Director may either (1) evaluate the competing Proposals himself/herself, according to the scoring procedures set forth in this Part 5 of the RFP, and document his/her own evaluation; or (2) order the Evaluation Committee to re-evaluate and re-score the competing Proposals. In either event, the Director shall state in writing his/her reason(s) made for disapproving the Evaluation Committee's recommendation.

After the Director's decision, the Lottery will notify the competitors in writing of the name of the competitor with the highest ranked Proposal, including a brief description of the reason(s) for the ranking. Not later than ten (10) days after the date of such notice, any competitor claiming to be aggrieved by the ranking may protest the ranking by filing a written protest with the Contracting Officer at the address specified in Section 1.3.

Also, after the Director's decision, the Lottery shall begin negotiations with the vendor having the highest ranked Proposal. Should the Lottery be unable to negotiate with that vendor the conditions and price that the Lottery deems to be fair, competitive, and reasonable, the Lottery shall then undertake negotiations with the vendor having the second ranked Proposal, and so on. Negotiations shall continue at the sole option of the Lottery until an agreement is reached or all Proposals are rejected.

## STATE OF NEW YORK

S. 5828

A. 9459

2001-2002 Regular Sessions

## SENATE — ASSEMBLY

October 24, 2001

IN SENATE -- Introduced by COMMITTEE ON RULES -- (at request of the Governor) -- read twice and ordered printed, and when printed to be committed to the Committee on Rules

IN ASSEMBLY -- Introduced by COMMITTEE ON RULES -- (at request of the Governor) -- read once and referred to the Committee on Ways and Means

AN ACT directing the New York power authority to provide low-cost electricity to businesses dislocated as a result of the destruction of the World Trade Center (Part A); to amend the executive law, the state finance law, the penal law and the general municipal law, in relation to certain gaming (Part B); to amend the tax law, in relation to authorizing the division of the lottery to conduct a pilot program involving the operation of video lottery terminals at certain race-tracks (Part C); to amend the tax law, in relation to joint, multi-jurisdiction, and out-of-state lottery in cooperation with a government authorized lottery of one or more jurisdictions and to repeal certain provisions of the tax law relating thereto (Part D); to amend the tax law, in relation to providing a credit under section 189 thereof for a tax paid to another jurisdiction (Part E); to amend the education law, the general city-law, the local finance law, the public authorities law and chapter 149 of the laws of 2001, relating to implementing certain provisions of law which impact upon the expenditure of certain appropriations made by the chapter of the laws of 2001 which enacts the education, labor and family assistance budget, in relation to apportionments payable to certain school districts of the state of New York and New York city schools generally, grants for teacher support, bilingual education grants and authorizing additional grants for teachers of tomorrow teacher recruitment and retention program and to repeal section 26 of Part B of chapter 149 of the laws of 2001, relating to funds appropriated for general support for public schools (Part F); to amend the public authorities law, in relation to permitting the issuance of qualified zone academy bonds (Part G); in relation to increasing certain Medicaid per diem rates of reimbursement for inpatient psychiatric services to certain general hospitals

EXPLANATION--Matter in italics (underscored) is new; matter in brackets [ ] is old law to be omitted.

LBD12332-01-1

46

PART C

47 Section 1. The tax law is amended by adding a new section 1617-a to  
48 read as follows:

49 § 1617-a. Video lottery gaming. a. The division of the lottery is  
50 hereby authorized to license, pursuant to rules and regulations to be  
51 promulgated by the division of the lottery, the operation of video  
52 lottery gaming at Aqueduct, Monticello, Yonkers, Finger Lakes and Vernon  
53 Downs racetracks, or at any other racetrack licensed pursuant to article  
54 three of the racing, pari-mutuel wagering and breeding law that are

1 located in a county or counties in which video lottery gaming has been  
2 authorized pursuant to local law, excluding the licensed racetrack  
3 commonly referred to in article three of the racing, pari-mutuel wager-  
4 ing and breeding law as the "New York state exposition" held in Onondaga  
5 county and the racetracks of the non-profit racing association known as  
6 Belmont Park racetrack and the Saratoga thoroughbred racetrack. Such  
7 rules and regulations shall provide, as a condition of licensure, that  
8 racetracks to be licensed are certified to be in compliance with all  
9 state and local fire and safety codes, that the division is afforded  
10 adequate space, infrastructure, and amenities consistent with industry  
11 standards for such video gaming operations as found at racetracks in  
12 other states, that racetrack employees involved in the operation of  
13 video lottery gaming pursuant to this section are licensed by the racing  
14 and wagering board and such other terms and conditions of licensure as  
15 the division may establish.

16 b. Video lottery gaming shall only be permitted during the hours of  
17 ten a.m. through ten p.m. Sunday through Thursday and twelve p.m.  
18 through twelve a.m. Friday and Saturday, provided, however, that the  
19 lottery may authorize such video lottery gaming on public holidays and  
20 the day preceding such holidays from twelve p.m. through twelve a.m.

21 c. The division shall promulgate such rules and regulations as may be  
22 necessary for the implementation of video lottery gaming in accordance  
23 with the provisions of this section and paragraph five of subdivision a  
24 of section sixteen hundred twelve of this article.

25 d. All workers engaged in the construction, reconstruction, develop-  
26 ment, rehabilitation or maintenance of any area for the purpose of the  
27 installation, maintenance or removal of video lottery terminals shall be  
28 subject to the provisions of articles eight and nine of the labor law to  
29 the extent provided in such articles.

30 § 2. Subdivision a of section 1612 of the tax law is amended by adding  
31 a new paragraph 5 to read as follows:

32 (5) (A) The balance of the total revenue after payout for prizes for  
33 games known as "video lottery gaming," less fifteen percent of the total  
34 revenue wagered after payout for prizes to be retained by the division  
35 for operation, administration, procurement and promotional purposes; and  
36 less a vendor's fee to be paid to the track operator at a rate to be  
37 established by the division which shall be not less than twelve percent  
38 or more than twenty-five percent of the total revenue wagered at the  
39 vendor track after payout for prizes pursuant to this chapter, which  
40 amount shall be paid to the operator of the racetrack for serving as a  
41 lottery agent under this pilot program. In establishing the lottery  
42 agent fee, the division shall ensure the maximum lottery support for  
43 education while also ensuring the effective implementation of section  
44 sixteen hundred seventeen-a of this article through the provision of  
45 reasonable reimbursements and compensation to vendor tracks for partic-  
46 ipation in such pilot program.

47 (B) In consideration for its licensure and participation in this pilot  
48 program, each track shall reinvest in the racing industry a percentage  
49 of the vendor fee received pursuant to subparagraph (A) of this para-  
50 graph in the manner set forth in this subparagraph. Each such track  
51 shall dedicate the following percentages of its vendor fee solely for  
52 the purpose of enhancing purses at said track: in the first year of  
53 video lottery gaming at such track, thirty-five percent; and in the  
54 second and any subsequent year, forty-five percent. In addition, no less  
55 than five percent of its vendor fee shall be distributed to the appro-  
56 appropriate breeding fund for the manner of racing conducted by said track:



1 (C) The specifications for video lottery gaming shall be designed in a  
2 manner as to pay prizes that average no less than ninety percent of  
3 sales.

4 (D) Of the fifteen percent retained by the division for administrative  
5 purposes, any amounts beyond that which is necessary for the promotion,  
6 operation or administration of this pilot program, shall be deposited in  
7 the lottery education account.

8 § 3. Severability. If any clause, sentence, provision, paragraph,  
9 subdivision, section, or part of this act shall be adjudged by any court  
10 of competent jurisdiction to be invalid, such judgment shall not affect  
11 or impair, or invalidate the remainder thereof, but shall be confined in  
12 its operation to the clause, sentence, provision, paragraph, subdivi-  
13 sion, section, or part thereof directly involved in the controversy in  
14 which such judgment shall have been rendered. It is hereby declared to  
15 be the intent of the legislature that this act would have been enacted  
16 even if such invalid provisions had not been included herein. The  
17 remainder of this act and its relevant applicability shall not be  
18 affected.

19 § 4. This act shall take effect immediately; provided, however, that  
20 the provisions of this act shall expire and be deemed repealed three  
21 years after the division of the lottery certifies to the governor, the  
22 temporary president of the senate and the speaker of the assembly that  
23 video lottery gaming is in operation in at least one racetrack; provided  
24 that the division of the lottery shall also notify the legislative bill  
25 drafting commission in order that the commission may maintain an accu-  
26 rate and timely effective data base of the official text of the laws of  
27 the state of New York in furtherance of effecting the provisions of  
28 section 44 of the legislative law and section 70-b of the public offi-  
29 cers law.

**Potential Racetracks Included in Legislation****Potential Number of VLTs at Start**

Aqueduct Jamaica, New York	2,500
Finger Lakes Farmington, New York	1,000
Monticello Raceway Monticello, New York	1,000
Vernon Downs Verona, New York	500
Yonkers Raceway Yonkers, New York	2,500

**Racetracks Requiring Local Authority****Potential Number of VLTs at Start**

Batavia Downs Batavia, New York	750
Buffalo Raceway Hamburg, New York	750
Saratoga Equine Sports Center Saratoga Springs, New York	750

APPENDIX A  
STANDARD CLAUSES FOR ALL  
NEW YORK STATE CONTRACTS

The parties to the attached contract, license, lease, amendment or other agreement of any kind (hereinafter, "the contract" or "this contract") agree to be bound by the following clauses which are hereby made a part of the contract (the word "Contractor" herein refers to any party other than the State, whether a contractor, licensor, licensee, lessor, lessee or any other party):

1. EXECUTORY CLAUSE. In accordance with Section 41 of the State Finance Law, the State shall have no liability under this contract to the Contractor or to anyone else beyond funds appropriated and available for this contract.
2. NON-ASSIGNMENT CLAUSE. In accordance with Section 138 of the State Finance Law, this contract may not be assigned by the Contractor or its right, title or interest therein assigned, transferred conveyed, sublet or otherwise disposed of without the previous consent, in writing, of the State and any attempts to assign the contract without the State's written consent are null and void. The Contractor may, however, assign its right to receive payment without the State's prior written consent unless this contract concerns Certificates of Participation pursuant to Article 5-A of the State Finance Law.
3. COMPTROLLER'S APPROVAL. In accordance with Section 112 of the State Finance Law (or, if this contract is with the State University or City University of New York, Section 355 or Section 6218 of the Education Law), if this contract exceeds \$15,000 (or the minimum thresholds agreed to by the Office of the State Comptroller for certain S.U.N.Y. and C.U.N.Y. contracts), or if this is an amendment for any amount to a contract which, as so amended, exceeds said statutory amount, or if, by this contract, the State agrees to give something other than money when the value or reasonably estimated value of such consideration exceeds \$10,000, it shall not be valid, effective or binding upon the State until it has been approved by the State Comptroller and filed in his office.
4. WORKERS' COMPENSATION BENEFITS. In accordance with Section 142 of the State Finance Law, this contract shall be void and of no force and effect unless the Contractor shall provide and maintain coverage during the life of this contract for the benefit of such employees as are required to be covered by the provisions of the Workers' Compensation Law.
5. NON-DISCRIMINATION REQUIREMENTS. In accordance with Article 15 of the Executive Law (also known as the Human Rights Law) and all other State and Federal statutory and constitutional non-discrimination provisions, the Contractor will not discriminate against any employee or applicant for employment because of race, creed, color, sex, national origin, age, disability or marital status. Furthermore, in accordance with Section 220-e of the Labor Law, if this is a contract for the construction, alteration or repair of any public building or public work or for the manufacture, sale or distribution of materials, equipment or supplies, and to the extent that this contract shall be performed within the State of New York, Contractor agrees that neither it nor its subcontractors shall, by reason of race, creed, color, disability, sex, or national origin: (a) discriminate in hiring against any New York State citizen who is qualified and available to perform the work; or (b) discriminate against or intimidate any employee hired for the performance of work under this contract. If this is a building service contract as defined in Section 230 of the Labor Law, then, in accordance with Section 239 thereof, Contractor agrees that neither it nor its subcontractors shall by reason of race, creed, color, national origin, age, sex, or disability: (a) discriminate in hiring against any New York State citizen who is qualified and available to perform the work; or (b) discriminate against or intimidate any employee hired for the performance of work under this contract. Contractor is subject to fines of \$50.00 per person per day for any violation of Section 220-e or Section 239 as well as possible termination of this contract and forfeiture of all moneys due hereunder for a second or subsequent violation.
6. WAGE AND HOURS PROVISIONS. If this is a public work contract covered by Article 8 of the Labor Law or a building service contract covered by Article 9 thereof, neither Contractor's employees nor the employees of its subcontractors may be required or permitted to work more than the number of hours or days stated in said statutes, except as otherwise provided in the Labor law and as set forth in prevailing wage and supplement schedules issued by the State Labor Department. Furthermore, Contractor and its subcontractors must pay at least the prevailing wage rate and pay or provide the prevailing supplements, including the premium rates for overtime pay, as determined by the State Labor Department in accordance with the Labor Law.
7. NON-COLLUSIVE BIDDING REQUIREMENT. In accordance with Section 139-d of the State Finance Law, if this contract was awarded based upon the submission of bids, Contractor warrants, under penalty of perjury, that its bid was arrived at independently and without collusion aimed at restricting competition. Contractor further warrants that, at the time Contractor submitted its bid, an authorized and responsible person executed and delivered to the State a non-collusive bidding certification on Contractor's behalf.
8. INTERNATIONAL BOYCOTT PROHIBITION. In accordance with Section 220-f of the Labor Law and Section 139-h of the State Finance Law, if this contract exceeds \$5,000, the Contractor agrees, as a material condition of the contract, that neither the Contractor nor any substantially owned or affiliated person, firm, partnership or corporation has participated, is participating, or shall participate in an international boycott in violation of the Federal Export Administration Act of 1979 (50 USC App. Sections 2401 et seq.) or regulations thereunder. If such Contractor, or any of the aforesaid affiliates of Contractor, is convicted or is otherwise found to have violated said laws or regulations upon the final determination of the United States Commerce Department or any other appropriate agency of the United States subsequent to the contractors execution, such contract, amendment or modification thereto shall be rendered forfeit and void. The Contractor shall so notify the State Comptroller within five (5) business days of such conviction, determination or disposition of appeal (2NYCRR 105.4).
9. SET-OFF RIGHTS. The State shall have all of its common law, equitable and statutory rights of set-off. These rights shall include, but

not be limited to, the State's option to withhold for the purposes of set-off any moneys due to the Contractor under this contract up to any amounts due and owing to the State with regard to this contract, any other contract with any State department or agency, including any contract for a term commencing prior to the term of this contract, plus any amounts due and owing to the State for any other reason including, without limitation, tax delinquencies, fee delinquencies or monetary penalties relative thereto. The State shall exercise its set-off rights in accordance with normal State practices including, in cases of set-off pursuant to an audit, the finalization of such audit by the State agency, its representatives, or the State Comptroller.

10. RECORDS. The Contractor shall establish and maintain complete and accurate books, records, documents, accounts and other evidence directly pertinent to performance under this contract (hereinafter, collectively, "the Records"). The Records must be kept for the balance of the calendar year in which they were made and for six (6) additional years thereafter. The State Comptroller, the Attorney General and any other person or entity authorized to conduct an examination, as well as the agency or agencies involved in this contract, shall have access to the Records during normal business hours at an office of the Contractor within the State of New York or, if no such office is available, at a mutually agreeable and reasonable venue within the State, for the term specified above for the purposes of inspection, auditing and copying. The State shall take reasonable steps to protect from public disclosure any of the Records which are exempt from disclosure under Section 87 of the Public Officers Law (the "Statute") provided that: (i) the Contractor shall timely inform an appropriate State official, in writing, that said records should not be disclosed; and (ii) said records shall be sufficiently identified; and (iii) designation of said records as exempt under the Statute is reasonable. Nothing contained herein shall diminish, or in any way adversely affect, the State's right to discovery in any pending or future litigation.

11. IDENTIFYING INFORMATION AND PRIVACY NOTIFICATION. (a) FEDERAL EMPLOYER IDENTIFICATION NUMBER and/or FEDERAL SOCIAL SECURITY NUMBER. All invoices or New York State standard vouchers submitted for payment for the sale of goods or services or the lease of real or personal property to a New York State agency must include the payee's identification number, i.e., the seller's or lessor's identification number. The number is either the payee's Federal employer identification number or Federal social security number, or both such numbers when the payee has both such numbers. Failure to include this number or numbers may delay payment. Where the payee does not have such number or numbers, the payee, on its invoice or New York State standard voucher, must give the reason or reasons why the payee does not have such number or numbers.

(B) PRIVACY NOTIFICATION. (1) The authority to request the above personal information from a seller of goods or services or a lessor of real or personal property, and the authority to maintain such information, is found in Section 5 of the State Tax Law. Disclosure of this information by the seller or lessor to the State is mandatory. The principal purpose for which the information is collected is to enable the State to identify individuals, businesses and others who have been delinquent in filing tax returns or may have understated their tax liabilities and to generally identify persons affected by the taxes administered by the Commissioner of Taxation and Finance. The information will be used for tax administration purpose and for any other purpose authorized by law.

(2) The personal information is requested by the purchasing unit of the agency contracting to purchase the goods or services or lease "the real or personal property covered by this contract or lease. The information is maintained in New York State's Central Accounting System by the Director of Accounting Operations, Office of the State Comptroller, AESOB, Albany, New York 12236.

12. EQUAL EMPLOYMENT OPPORTUNITIES FOR MINORITIES AND WOMEN. In accordance with Section 312 of the Executive law, if this contract is: (i) a written agreement or purchase order instrument, providing for a total expenditure in excess of \$25,000.00, whereby a contracting agency is committed to expend or does expend funds in return for labor, services, supplies, equipment, materials or any combination of the foregoing, to be performed for, or rendered or furnished to the contracting agency; or (ii) a written agreement in excess of \$100,000.00 whereby a contracting agency is committed to expend or does expend funds for the acquisition, construction, demolition, replacement, major repair or renovation of real property and improvements thereon; or (iii) a written agreement in excess of \$100,000.00 whereby the owner of a State assisted housing project is committed to expend or does expend funds for the acquisition, construction, demolition, replacement, major repair or renovation of real property and improvements thereon for such project, then:

(a) The Contractor will not discriminate against employees or applicants for employment because of race, creed, color, national origin, sex, age, disability or marital status, and will undertake or continue existing programs of affirmative action to ensure that minority group members and women are afforded equal employment opportunities without discrimination. Affirmative action shall mean recruitment, employment, job assignment, promotion, upgradings, demotion, transfer, layoff, or termination and rates of pay or other forms of compensation;

(b) at the request of the contracting agency, the Contractor shall request each employment agency, labor union, or authorized representative of workers with which it has a collective bargaining or other agreement or understanding, to furnish a written statement that such employment agency, labor union or representative will not discriminate on the basis of race, creed, color, national origin, sex, age, disability or marital status and that such union or representative will affirmatively cooperate in the implementation of the contractor's obligations herein; and

(c) the Contractor shall state, in all solicitations or advertisements for employees, that, in the performance of the State contract, all qualified applicants will be afforded equal employment opportunities without discrimination because of race, creed, color, national origin, sex, age, disability or marital status.

Contractor will include the provisions of "a", "b", and "c" above, in every subcontract over \$25,000.00 for the construction, demolition, replacement, major repair, renovation, planning or design of real property and improvements thereon (the Work) except where the Work is

for the beneficial use of the Contractor. Section 312 does not apply to: (i) work, goods or services unrelated to this contract; or (ii) employment outside New York State; or (iii) banking services, insurance policies or the sale of securities. The State shall consider compliance by a contractor or subcontractor with the requirements of any federal law concerning equal employment opportunity, which effectuates the purpose of this section. The contracting agency shall determine whether the imposition of the requirements of the provisions hereof duplicate or conflict with any such federal law and if such duplication or conflict exists, the contracting agency shall waive the applicability of Section 312 to the extent of such duplication or conflict. Contractor will comply with all duly promulgated and lawful rules and regulations of the Division of Minority and Women's Business Development pertaining hereto.

13. CONFLICTING TERMS. In the event of a conflict between the terms of the contract (including any and all attachments thereto and amendments thereof) and the terms of this Appendix A, the terms of this Appendix A shall control.

14. GOVERNING LAW. This contract shall be governed by the laws of the State of New York except where the Federal supremacy clause requires otherwise.

15. LATE PAYMENT. Timeliness of payment and any interest to be paid to Contractor for late payment shall be governed by Article XI-A of the State Finance Law to the extent required by law.

16. NO ARBITRATION. Disputes involving this contract, including the breach or alleged breach thereof, may not be submitted to binding arbitration (except where statutorily authorized), but must, instead, be heard in a court of competent jurisdiction of the State of New York.

17. SERVICE OF PROCESS. In addition to the methods of service allowed by the State Civil Practice Law & Rules ("CPLR"), Contractor hereby consents to service of process upon it by registered or certified mail, return receipt requested. Service hereunder shall be complete upon Contractor's actual receipt of process or upon the State's receipt of the return thereof by the United States Postal Service as refused or undeliverable. Contractor must promptly notify the State, in writing, of each and every change of address to which service of process can be made. Service by the State to the last known address shall be sufficient. Contractor will have thirty (30) calendar days after service hereunder is complete in which to respond.

18. PROHIBITION ON PURCHASE OF TROPICAL HARDWOODS. The Contractor certifies and warrants that all wood products to be used under this contract award will be in accordance with, but not limited to, the specifications and provisions of State Finance Law §165. (Use of Tropical Hardwoods) which prohibits purchase and use of tropical hardwoods, unless specifically exempted, by the State or any governmental agency or political subdivision or public benefit corporation. Qualification for an exemption under this law will be the responsibility of the contractor to establish to meet with the approval of the State.

In addition, when any portion of this contract involving the use of woods, whether supply or installation, is to be performed by any subcontractor, the prime Contractor will indicate and certify in the submitted bid proposal that the subcontractor has been informed and is in compliance with specifications and provisions regarding use of tropical hardwoods as detailed in §165 State Finance Law. Any such use must meet with the approval of the State, otherwise, the bid may not be considered responsive. Under bidder certifications, proof of qualification for exemption will be the responsibility of the Contractor to meet with the approval of the State.

19. MACBRIDE FAIR EMPLOYMENT PRINCIPLES. In accordance with the MacBride Fair Employment Principles (Chapter 807 of the Laws of 1992), the Contractor hereby stipulates that the Contractor either (a) has no business operations in Northern Ireland, or (b) shall take lawful steps in good faith to conduct any business operations in Northern Ireland in accordance with the MacBride Fair Employment Principles (as described in Section 165 of the New York State Finance Law), and shall permit independent monitoring of compliance with such principles.

20. OMNIBUS PROCUREMENT ACT OF 1992. It is the policy of New York State to maximize opportunities for the participation of New York State business enterprises, including minority and women-owned business enterprises as bidders, subcontractors and suppliers on its procurement contracts.

Information on the availability of New York State subcontractors and suppliers is available from:

Department of Economic Development

Division for Small Business

30 South Pearl Street

Albany, New York 12245

Tel. 518-292-5220

A directory of certified minority and women-owned business enterprises is available from:

Department of Economic Development

Minority and Women's Business Development Division

30 South Pearl Street

Albany, New York 12245

<http://www.empire.state.ny.us>

The Omnibus Procurement Act of 1992 requires that by signing this bid proposal or contract, as applicable, Contractors certify that whenever the total bid amount is greater than \$1 million:

(a) The Contractor has made reasonable efforts to encourage the participation of New York State Business Enterprises as suppliers and subcontractors, including certified minority and women-owned business enterprises, on this project, and has retained the documentation of these efforts to be provided upon request to the State;

- (b) The Contractor has complied with the Federal Equal Opportunity Act of 1972 (P.L. 92-261), as amended;
- (c) The Contractor agrees to make reasonable efforts to provide notification to New York State residents of employment opportunities on this project through listing any such positions with the Job Service Division of the New York State Department of Labor, or providing such notification in such manner as is consistent with existing collective bargaining contracts or agreements. The Contractor agrees to document these efforts and to provide said documentation to the State upon request; and
- (d) The Contractor acknowledges notice that the State may seek to obtain offset credits from foreign countries as a result of this contract and agrees to cooperate with the State in these efforts.

21. RECIPROCITY AND SANCTIONS PROVISIONS. Bidders are hereby notified that if their principal place of business is located in a country, nation, province, state or political subdivision that penalizes New York State vendors, and if the goods or services they offer will be substantially produced or performed outside New York State, the Omnibus Procurement Act 1994 and 2000 amendments (Chapter 684 and Chapter 383, respectively) require that they be denied contracts which they would otherwise obtain. Contact the Department of Economic Development, Division for Small Business, 30 South Pearl Street; Albany New York 12245, for a current list of jurisdictions subject to this provision.

Revised November 2000

## APPENDIX B

### NYS DIVISION OF THE LOTTERY POLICY STATEMENT ON STANDARDS OF CONDUCT

**PURPOSE:** To establish standards of conduct for Lottery employees to avoid conflicts of interest, improprieties, or even the appearance of impropriety.

#### ORGANIZATIONAL RESPONSIBILITY:

1. Counsel shall be the Ethics Officer for the Lottery. As Ethics Officer, Counsel shall be responsible for assuring compliance with this policy and for advising the Director and all other employees on ethical standards.
2. At the time of appointment, Personnel shall be responsible for providing each employee with a copy of this policy statement and of Sections 73 through 78 of the Public Officers Law and obtaining a certificate from each employee acknowledging that the employee has received and read those sections and agrees to conform to their requirement. Sections 73 through 78 contain (i) restrictions on the outside business or professional activities of employees; (ii) financial disclosure requirements for certain employees; and (iii) the code of ethics for employees.

#### GENERAL STANDARDS:

1. Lottery employees must at all times conduct themselves with the highest degree of fairness, honesty, and integrity.
2. Employees may not accept any gift or gratuity which will improperly influence or reward the official conduct of the recipient or create the appearance of such influence or reward.
3. Employees must avoid conflicts of interest between their obligations to the Lottery and their personal interests, including the interests of family members.
4. Every Lottery employee is responsible for complying with all applicable Federal, State and local laws, regulations, codes, and rules of conduct.

5. No Lottery employee shall become a candidate for public office or assume a public office unless permitted to do so by the regulations of the State Ethics Commission (19 NYCRR Part 932). Any candidacy or assumption of office must be approved in advance by the Director, and if required by regulation, the State Ethics Commission.
6. No Lottery employee shall expend time or otherwise engage in any employment, profession, business, or any other outside activity from which more than nominal compensation is receivable unless permitted to do so by the regulations of the State Ethics Commission (19 NYCRR Part 932). Any such activity must be approved in advance by the Director and, if required by regulation, the State Ethics Commission.

GIFTS OR GRATUITIES:

1. A gift or gratuity includes any money, service, loan, travel, entertainment, hospitality, thing, promise, or any other form of consideration.
2. A Lottery employee may not solicit or accept a gift or gratuity from a Lottery contractor, subcontractor, supplier, licensed Lottery sales agent, Lottery prize winner, Lottery player, or any other person or firm doing business with or likely to do business with the Lottery under circumstances in which it could reasonably be inferred or expected that the gift or gratuity was intended to influence or reward the official conduct of the employee.
3. A Lottery employee may not solicit a special contribution from a person doing business with or likely to do business with the Lottery for the purpose of financing an employee holiday party, picnic, shower, going-away party, retirement luncheon, etc., except that such person may be permitted to contribute a commensurate share of the cost of an event, as, for example, when all persons attending a party are expected to make an equal contribution to the cost of the party.
4. A gift or gratuity (including gratuitous food or refreshments) may be accepted by a Lottery employee only on infrequent occasions where it is clear that the gift or gratuity is of nominal value and is merely an expression of courtesy or good will during the normal course of business which is not intended to and will not, in fact, influence or reward the employee's official conduct.



SPECIAL STANDARDS REGARDING COMPETITIONS FOR LOTTERY  
CONTRACTS:

1. In addition to the general standards of conduct imposed by law and by this policy statement, Lottery employees are responsible for conforming to special standards regarding any active competition for a contract to be awarded by the Division of the Lottery.
2. For the purposes of these special standards, the term "during an active competition" means a period beginning either at a time designated by the Director or at the time when any employee becomes directly involved in the preparation of specifications to be included in a Request for Proposals ("RFP"), whichever is earlier, and continuing through release of the RFP, receipt and evaluation of proposals, award and negotiation of an agreement, and ending with either the rejection of all proposals or the execution of a written contract.
3. During an active competition, Lottery employees must provide every competitor with an equal opportunity to compete. No information may be given to one competitor without being made available to all other competitors. As a general rule, competitors should be instructed to submit every question in writing and a copy of each question, together with the Lottery's written answer, should be supplied to all competitors. Lottery employees should avoid giving oral explanations or clarifications to one competitor if such statements would be to the disadvantage of a competitor who does not have an opportunity to hear the same statements.
4. During an active competition any communication between a Lottery employee and a competitor concerning the subject of the RFP must be by telephone, in writing, or in the Lottery's or the competitor's place of business.
5. During an active competition, no communications between a Lottery employee and a competitor concerning the subject of the RFP shall be conducted over lunch, dinner, or cocktails provided by a competitor except that communications may continue during a refreshment break, working lunch or similar meal at the place of business of either the Lottery or a competitor.
6. Every Lottery employee who communicates with a competitor concerning the subject of the RFP during an active competition must document the communication in writing.

7. A Lottery employee may not discuss the content of one competitor's proposal with another competitor without the permission of the proposer unless it is clear that the item under discussion is public information.

**INSTRUCTIONS FOR COMPLETING THE NEWYORK STATE LOTTERY'S  
VENDOR/CONTRACTOR'S UTILIZATION FORM**

As mandated by Article 15-A of the Executive Law and the new subtitle N of 9 NYCRR 540 et seq, the Division of the Lottery has established a goal of \_\_\_\_ participation by New York State Certified Minority owned business Enterprise and \_\_\_\_ participation by New York Certified Women Owned Business Enterprises as subcontractors/suppliers in this contract. Contractors must submit the attached Utilization Form indicating how they intend to comply with the established goals.

The first section, upper left hand corner, will be completed by the Lottery listing your agency contact and phone number.

The Contractor must complete the following sections: Contractor's name and address, check appropriate box for supplier or contractor, date submitted, contractor's federal ID#, total value of contract, goals, job number and contract number.

The contractor should then list the names and addresses of all subcontractors or suppliers that will be utilized during this contract. The following items should be completed for each vendor listed: check whether they are subcontractors "SUB" or suppliers "SUP", list their federal ID#, check whether they are a minority owned business enterprise "MBE" or women owned business enterprise "WBE", check **yes** or **no** indicating whether or not they are New York State Certified, list a brief description of the work they will provide and the dollar value of the contract, additional sheets may be used if necessary.

The contractor should then complete the "totals" section for the vendors they listed as subcontractors or suppliers:

- A) total subcontractors for commodities and services to MBE's
- B) total subcontractors for commodities and services to WBE's and
- C) other subcontractors for commodities or services.

The number, amount and % of total should be completed for each of the items.

The preparer should then sign in the appropriate box, print the name of the contractor, telephone number and date.

The last section will be completed by the Lottery upon its review of the form.

Completed Utilization Forms should be submitted to the Agency contract listed at the top of the form. The contractor will be notified of the Utilization Forms' acceptance or deficiency.

If assistance is required in completing this form or locating New York State certified vendor to utilize as subcontractors or suppliers, please contact the Lottery's Financial Management Unit at (518) 388-3325.

**NEW YORK STATE DIVISION OF THE LOTTERY  
VENDOR/CONTRACTOR'S UTILIZATION FORM**

Appendix C

AGENCY NAME \_\_\_\_\_  
 AGENCY CONTACT \_\_\_\_\_  
 AGENCY PHONE \_\_\_\_\_

CONTRACTOR NAME AND ADDRESS	CHECK APPROPRIATE BOX <input type="checkbox"/> SUPPLIER <input type="checkbox"/> CONTRACTOR		DATE SUBMITTED		TOTAL VALUE OF CONTRACT		
			CONTRACTOR'S FID#		CONTRACT EFFECTIVE DATES		
PROJECT DESCRIPTION	GOALS MBE WBE		JOB NUMBER (IF APPLICABLE)		CONTRACT NUMBER		
SUBCONTRACTOR/SUPPLIER NAME & ADDRESS	CHECK ONE	SUBCONTRACTOR/SUPPLIER TAXPAYER/FEDERAL ID #	MBE (CHECK)	WBE (CHECK)	NYS CERTIFIED (CHECK)	DESCRIPTION OF WORK	\$ VALUE OF CONTRACT
	SUB _____ SUP _____		YES _____ NO _____	YES _____ NO _____	YES _____ NO _____		
	SUB _____ SUP _____		YES _____ NO _____	YES _____ NO _____	YES _____ NO _____		
	SUB _____ SUP _____		YES _____ NO _____	YES _____ NO _____	YES _____ NO _____		
	SUB _____ SUP _____		YES _____ NO _____	YES _____ NO _____	YES _____ NO _____		

NUMBER                  AMOUNT                  % OF TOTAL

(A) TOTAL CONTRACT BID AMOUNT: \_\_\_\_\_  
 (B) TOTAL SUBCONTRACTS FOR COMMODITIES AND SERVICES TO MBE'S: \_\_\_\_\_  
 (C) TOTAL SUBCONTRACTS FOR COMMODITIES AND SERVICES TO WBE'S: \_\_\_\_\_  
 (D) OTHER SUBCONTRACTS FOR COMMODITIES AND SERVICES: \_\_\_\_\_

CONTRACTOR'S STATEMENT: MY FIRM PROPOSES TO USE THE MWBE'S LISTED ON THIS FORM.

PREPARED BY: (SIGNATURE OF CONTRACTOR)	PRINT NAME OF CONTRACTOR	TELEPHONE NUMBER	DATE
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FOR OFFICE USE ONLY
REVIEWED BY:
DATE:
MWBE FIRMS CERTIFIED:
MWBE FIRMS NOT CERTIFIED:

\*This report is required pursuant to Executive Law. Failure to report will result in noncompliance.

**NORTHERN IRELAND STIPULATION**

In compliance with section 174-b of the State Finance Law, every bidder or proposer is required to stipulate regarding activities in Northern Ireland by responding to the following questions with regard to the bidder or proposer or any legal entity in which the bidder or proposer holds a 10% or greater ownership interest or any individual or legal entity that holds a 10 % interest in the bidder or proposer.

1. Does such person have business operations in Northern Ireland?

YES

NO

2. If the answer to question 1 is YES, will the person take lawful steps in good faith to conduct any business operations in Northern Ireland in accordance with the MacBride Fair Employment Principals relating to nondiscrimination in employment and freedom of workplace opportunity regarding such operations in Northern Ireland and permit independent monitoring of compliance with such principals?

YES

NO

**CONTRACTOR'S EEO POLICY STATEMENT**

Prior to the award of a State contract, the Contractor shall submit an Equal Employment Opportunity ("EEO") Policy Statement to the contracting agency within the timeframe established by that agency. The Contractor's EEO Policy Statement shall contain, but not necessarily be limited to, and the Contractor, as a precondition to entering into a valid and binding State contract, shall, during the performance of the State contract, agree to the following:

- (a) The Contractor will not discriminate against any employee or applicant for employment because of race, creed, color, national origin, sex, age, disability or marital status, will undertake or continue existing programs of affirmative action to ensure that minority group members and women are afforded equal employment opportunities without discrimination, and shall make and document its conscientious and active efforts to employ and utilize minority group members and women in its work force on State contracts.
- (b) The Contractor shall state in all solicitations or advertisements for employees that, in the performance of the State contract, all qualified applicants will be afforded equal employment opportunities without discrimination because of race, creed, color, national origin, sex, age, disability or marital status.
- (c) At the request of the contracting agency, the Contractor shall request each employment agency, labor union, or authorized representative of workers with which it has a collective bargaining or other agreement or understanding, to furnish a written statement that such employment agency, labor union, or representative will not discriminate on the basis of race, creed, color, national origin, sex, age, disability or marital status and that such union or representative will affirmatively cooperate in the implementation of the Contractor's obligations herein.

**STAFFING PLAN**

Project/RFP Title \_\_\_\_\_ Location of Contract \_\_\_\_\_  
County Zip

Contractor/Firm Name \_\_\_\_\_ Address \_\_\_\_\_  
State Zip

Check applicable categories: (1) Staff Estimates include: Contract/Project Staff Total Work Force Subcontractors  
 (2) Type of Contract: Construction Consultants Commodities Services/Consultants

Total Anticipated Work Force											Total Percent Minority Employees	Total Percent Female Employees
Federal Occupational Category	Total Number of Employees		Black (Not of Hispanic Origin)		Hispanic		Asian or Pacific Islander		Native American/Alaskan Native			
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female		
Officials/Admin												
Professionals												
Technicians												
Sales Workers												
Office & Clerical												
Craft Workers												
Operatives												
Laborers												
Service Workers												
TOTALS												

Company Official's Name \_\_\_\_\_ Title \_\_\_\_\_

Company Official's Signature \_\_\_\_\_ Date \_\_\_\_\_

Telephone Number \_\_\_\_\_

**Non-Collusive Bidding Certification  
Required By Section 139-D of the State Finance Law**

By submission of this bid, bidder and each person signing on behalf of bidder certifies, under penalty of perjury, that to the best of his/her knowledge and belief:

[1] The prices of this bid have been arrived at independently, without collusion, consultation, communication, or agreement, for the purposes of restricting competition, as to any matter relating to such prices with any other Bidder or with any competitor;

[2] Unless otherwise required by law, the prices which have been quoted in this bid have not been knowingly disclosed by the Bidder and will not knowingly be disclosed by the Bidder prior to opening, directly or indirectly, to any other Bidder or to any competitor; and

[3] No attempt has been made or will be made by the Bidder to induce any other person, partnership or corporation to submit or not to submit a bid for the purpose of restricting competition.

**A BID SHALL NOT BE CONSIDERED FOR AWARD NOR SHALL ANY AWARD BE MADE WHERE [1], [2], [3] ABOVE HAVE NOT BEEN COMPLIED WITH; PROVIDED HOWEVER, THAT IF IN ANY CASE THE BIDDER(S) CANNOT MAKE THE FORGOING CERTIFICATION, THE BIDDER SHALL SO STATE AND SHALL FURNISH BELOW A SIGNED STATEMENT WHICH SETS FORTH IN DETAIL THE REASONS THEREFORE:**

[AFFIX ADDEDUM TO THIS PAGE IF SPACE IS REQUIRED FOR STATEMENT.]

Subscribed to under penalty of perjury under the laws of the State of New York, this \_\_\_\_\_ day \_\_\_\_\_, 2002 as the act and deed of said corporation.

\_\_\_\_\_  
Title

\_\_\_\_\_  
Signature



## Exhibit 1

## RESPONSIBILITY QUESTIONNAIRE

## INSTRUCTIONS:

Please complete this form answering every question. A "Yes" answer to any question requires a written explanation attached to the questionnaire and submitted on company letterhead signed by an officer of the company.

All new mailing list applicants are required to complete this form at the time of application. Companies are responsible for updating information in their Responsibility Questionnaire as changes occur. Any vendor recommended for award on a New York State contract will be required to have this form on file prior to the award date.

## QUESTIONS:

Within the past five years, has your firm, any affiliate, any owner or officer or major stockholder (5% or more shares) or any person involved in the bidding or contracting process been the subject of any of the following:

- a. a judgment or conviction for any business-related conduct constituting a crime under local, state or federal law including, but not limited to, fraud, extortion, bribery, racketeering, price-fixing, or bid collusion? \_\_\_\_\_ YES \_\_\_\_\_ NO
- b. a criminal investigation or indictment for any business-related conduct constituting a crime under local, state or federal law including, but not limited to, fraud, extortion, bribery, racketeering, price-fixing, or bid collusion? \_\_\_\_\_ YES \_\_\_\_\_ NO
- c. an unsatisfied judgment, injunction or lien obtained by a government agency including, but not limited to, judgments based on taxes owed and fines and penalties assessed by any government agency? \_\_\_\_\_ YES \_\_\_\_\_ NO
- d. an investigation for a civil violation by any local, state or federal agency? \_\_\_\_\_ YES \_\_\_\_\_ NO
- e. a grant of immunity for any business-related conduct constituting a crime under local, state or federal law including, but not limited to, fraud, extortion, bribery, racketeering, price-fixing, or bid collusion? \_\_\_\_\_ YES \_\_\_\_\_ NO
- f. a local, state, or federal suspension, debarment or termination from the contract process? \_\_\_\_\_ YES \_\_\_\_\_ NO
- g. a local, state or federal contract suspension or termination for cause prior to the completion of the term of a contract? \_\_\_\_\_ YES \_\_\_\_\_ NO
- h. a local, state, or federal denial of award for non-responsibility? \_\_\_\_\_ YES \_\_\_\_\_ NO
- i. an agreement to a voluntary exclusion from bidding/contracting? \_\_\_\_\_ YES \_\_\_\_\_ NO
- j. an administrative proceeding or civil action seeking specific performance or restitution in connection with any local, state or federal contract? \_\_\_\_\_ YES \_\_\_\_\_ NO
- k. a State Labor Law violation deemed willful? \_\_\_\_\_ YES \_\_\_\_\_ NO
- l. a firm-related bankruptcy proceeding? \_\_\_\_\_ YES \_\_\_\_\_ NO
- m. a sanction imposed as a result of judicial or administrative proceedings relative to any business or professional license? \_\_\_\_\_ YES \_\_\_\_\_ NO
- n. a denial, decertification, revocation or forfeiture of Women's Business Enterprise, Minority Business Enterprise or Disadvantaged Business Enterprise status? \_\_\_\_\_ YES \_\_\_\_\_ NO
- o. a rejection of a low bid on a local, state or federal contract for failure to meet statutory affirmative action or M/WBE requirements on a previously held contract? \_\_\_\_\_ YES \_\_\_\_\_ NO
- p. a consent order with the New York State Department of Environmental Conservation, or a federal, state or local government enforcement determination involving a violation of federal, state or local government laws? \_\_\_\_\_ YES \_\_\_\_\_ NO
- q. an occupational Safety and Health Act citation and Notification of Penalty containing a violation classified as serious or willful? \_\_\_\_\_ YES \_\_\_\_\_ NO

- \_\_\_\_\_ YES \_\_\_\_\_ NO
- r. a rejection of a bid on a New York State contract for failure to comply with the MacBride Fair Employment Principles?
- \_\_\_\_\_ YES \_\_\_\_\_ NO
- s. a citation, notice, violation order, pending administrative hearing or proceeding or determination for violations of:
- federal, state or local health laws, rules or regulations
  - unemployment insurance or workers' compensation coverage or claim requirements
  - ERISA (Employee Retirement Income Security Act)
  - federal, state or local human rights laws
  - federal or state security laws
  - federal INS and Alienage laws
  - Sherman Act or other federal anti-trust laws
- \_\_\_\_\_ YES \_\_\_\_\_ NO

**NOTES:**

Information on the following additional topics should also be submitted with this questionnaire. Check "none" if topic does not apply.

1. agency complaints or reports of contract deviation received within the past two years for contract performance issues arising out of a contract with any federal, state or local agency? \_\_\_\_\_ NONE
2. disputes within the past two years concerning your company's failure to provide commodities or services to political subdivisions within the past two years pursuant to centralized contracts with the New York State Office of General Services? \_\_\_\_\_ NONE
3. Employee Identification No., Social Security No., Name, DBA, trade name or abbreviation previously or currently used by your business which is different from that listed on your mailing list application form? \_\_\_\_\_ NONE

**CERTIFICATION:**

The undersigned: recognizes that this questionnaire is submitted for the express purpose of assisting the State of New York or its agencies or political subdivisions to make a determination regarding either an application for placement on mailing lists or the status of an existing mailing list entry or to award a contract or approve a subcontract; acknowledges that the State or its agencies and political subdivisions may in its discretion, by means which it may choose, verify the truth and accuracy of all statements made herein; acknowledges that intentional submission of false or misleading information may constitute a felony under Penal Law Section 210.40 or a misdemeanor under Penal Law Section 210.35 or Section 210.45, and may also be punishable by a fine of up to \$10,000 or imprisonment of up to five years under 18 USC Section 1001; and states that the information submitted in this questionnaire and any attached pages is true, accurate and complete.

\_\_\_\_\_  
Name of Business

\_\_\_\_\_  
Signature of Officer

\_\_\_\_\_  
Address

\_\_\_\_\_  
Typed Copy of Signature

\_\_\_\_\_  
City, State, Zip

\_\_\_\_\_  
Title