

TENNESSEE EDUCATION LOTTERY CORPORATION

REQUEST FOR PROPOSAL FOR RANDOM NUMBER GENERATOR CERTIFICATION SERVICES

A. PURPOSE

The Tennessee Education Lottery Corporation (“TEL”) is requesting proposals for Random Number Generator (Hardware and Software) Certification Services, as outlined in this Request For Proposal (“RFP”). Proposal documents shall be submitted to the TEL in accordance with the instructions and specifications detailed herein.

B. PROPOSAL SUBMISSION

This RFP has been issued on Thursday, September 21, 2017. Questions and requests for clarifications relating to this RFP must be directed to the TEL’s Contract Compliance Coordinator. The Contract Compliance Coordinator is to be the **sole** point of contact at the TEL for issues related to the subject matter covered by this RFP, effective with the date of release of this RFP and until a vendor is selected. Contact in connection with the subject matter covered by this RFP with any representative of the TEL, other than the Contract Compliance Officer, will result in disqualification. The TEL’s Contract Compliance Coordinator can be reached at:

Contract Compliance Coordinator
26 Century Blvd., Suite 200
Nashville, TN 37214
Facsimile: (615) 324-6537
Email: procurement@tnlottery.com

Written questions and requests for clarifications must be received by the Contract Compliance Coordinator by 3:00 p.m. C.T. on Wednesday, September 27, 2017. Written questions and requests for clarifications may be submitted by email, facsimile, metered mail, or hand delivery. Questions and requests for clarification received after the aforementioned time and date will not be responded to, accepted or reviewed. Responses to these inquiries will be emailed to solicited vendors no later than 5:00 p.m. C.T. on Friday, September 29, 2017. The TEL reserves the right to change any dates contained in this RFP. Any such changes to this RFP will be posted to the TEL’s website under the “Procurement” tab.

Delivery of six (6) copies of the proposal, with original signatures, to the Contract Compliance Coordinator at the above address is due no later than Tuesday, October 10, 2017 at 3:00 p.m., C.T. Proposals received by the TEL Vice President of Legal Services for Corporate Transactions after this date and time will be rejected, **WITHOUT EXCEPTION. No provisions are made for extenuating circumstances in this RFP. Proposals transmitted electronically will not be accepted.**

A proposal may not be altered after delivery, unless requested by the TEL. A proposal may be withdrawn up until the submission deadline.

C. GENERAL PROVISIONS

All potential vendors should read and become familiar with the Tennessee Education Lottery Implementation Act, T.C.A. §4-51-101 *et seq.* (the “Act”) which is available through a link on the TEL’s website, www.tnlottery.com, under the “About Us” tab.

A contract will be awarded to the vendor (or vendors responding as part of a joint venture) whose proposal is determined to be the most advantageous for the TEL, considering all the conditions set forth in this RFP, and which is otherwise qualified in all respects to perform fully the contract requirements without delay and which will provide the greatest long-term benefit to the TEL. While price will be an important factor, it alone will not be the deciding factor in the selection process. In accordance with the Act, the selected vendor’s (or vendors’) principals assigned to TEL accounts may be required to pass a security and financial responsibility background check.

1. Open Records and Public Meetings Acts

All data, materials and documentation originated and prepared for and delivered to the TEL pursuant to this RFP shall become the property of the TEL and may be used as the TEL deems appropriate. Said materials shall belong exclusively to the TEL and may become available to the public in accordance with the Tennessee Public Records Act, Tenn. Code Ann. § 10-7-101 *et seq.*, and the Tennessee Open Meetings Act, Tenn. Code Ann. §§ 8-44-101 to 8-44-201; however, the TEL will make reasonable attempts to maintain, in accordance with all applicable laws, the confidentiality of any trade secrets or proprietary information identified by a vendor if such vendor properly identifies the particular data or other materials which are trade secrets or proprietary information in writing by page, paragraph and sentence prior to or upon submission to the TEL of the data or other materials to be protected. All markings or identification of trade secrets or proprietary information must be conspicuous; use color, bold, underlining or some other method in order to conspicuously distinguish the mark from the other text. Do not mark the entire page if only portions of a page are protected. The vendor should also state the reasons such confidentiality is necessary. However, under no circumstance will the TEL be liable to any vendor or to any other person or entity for any disclosure of any such trade secret or confidential information.

2. Misunderstanding or Lack of Information

By submitting a proposal, a vendor covenants and agrees that it fully understands and will abide by the Act and the terms and conditions of this RFP and will not make any claims for, or have any rights to, cancellation, remedy or relief because of any misunderstanding or lack of information. Any oral communications shall be considered unofficial and non-binding with regard to this RFP.

3. Rejection of Proposals, Amendments to or Cancellation of RFP; Reissue of RFP

Issuance of this RFP does not constitute an offer to purchase the services or a commitment on the part of the TEL to award a contract pursuant to this RFP. The TEL reserves the right to accept or to reject any and all proposals submitted, and to negotiate with any or all vendor(s) in any manner necessary to serve the TEL's best interests. The TEL further reserves the right not to award this RFP. The TEL reserves the right to make changes to this RFP at any time and from time to time by issuance of written addendum/addenda, amendment(s) or clarification(s) for housekeeping matters or any other issues determined as necessary and appropriate by the TEL's legal counsel. Any such change to this RFP will be posted to the TEL's website, under the "Procurement" tab.

4. Incurred Expenses

The TEL shall not, under any circumstance, be responsible for any costs or expenses incurred by a vendor in preparing and/or submitting a proposal.

5. Proposal Tenure

All proposals shall remain valid for 180 calendar days from the proposal due date (the "Proposal Offer Period"). A proposal constitutes an offer by the vendor to contract with the TEL in accordance with the terms of its proposal, which offer is irrevocable for the duration of the Proposal Offer Period and may not be withdrawn or amended during the Proposal Offer Period without the written consent of the TEL.

6. Non-Disclosure

A vendor submitting a Proposal acknowledges that in connection with the process of submitting a proposal to the TEL pursuant to this RFP, and if applicable, in negotiating a contract with the TEL, it may receive or have access to trade secrets (as defined by applicable law) and/or confidential information (as defined by applicable law) of the TEL. By submitting a proposal, a vendor covenants and agrees to maintain the strict confidentiality of, and not to copy, transfer, use or disclose any such trade secrets and confidential information: (a) with regard to each item constituting a trade secret, at all times during which such item constitutes a trade secret under applicable law; and (b) with regard to any confidential information, at all times during the selection process for the contract for which the vendor has submitted an RFP, during the term of any contract awarded to the vendor by the TEL and for three (3) years after any termination of such process or contract, whichever occurs later.

7. Non-Exclusive Rights

By this RFP, the TEL does not intend to grant any vendor the exclusive rights to provide all materials and services required by the TEL during the period covered by any contract resulting from this RFP. If the TEL determines that creation and production of materials

and services by various vendors is in the TEL's best interest, the TEL shall have the right to purchase, contract for and use these materials and services without infringing upon or terminating any contract resulting from this RFP.

8. Prohibition Against Unauthorized Contacts

The TEL is committed to a competitive procurement process that maintains the highest level of integrity. Therefore, except as expressly contemplated in this RFP, or in connection with normal business activities not associated with this procurement, no contact or other solicitation initiated by vendors or any person employed by vendors, including, but not limited to, their attorneys, representatives or others promoting their position, will be allowed with any member of the Board of Directors (the "Board") of the TEL or with any officer, employee of or consultant or adviser to the TEL, individually or otherwise, during the application and selection process associated with this RFP. All contact and other solicitations made by a vendor submitting a proposal or any person employed by such a vendor shall be directed towards the contact person identified in Section B of this RFP, above. Any violation of this prohibition shall result in disqualification. Any attempt to influence any TEL employees, officers, consultants, advisors or Board members with respect to this procurement, whether such attempt is oral or written, formal or informal, is strictly prohibited and shall result in disqualification.

9. Dispute Procedures

All claims and disputes, including, but not limited to, protests related to this RFP, will be handled under the Tennessee Education Lottery Corporation Dispute Resolution Procedures (the "Dispute Resolution Procedures"), as adopted and/or amended from time to time by the Board in accordance with the Act. All vendors should read and be familiar with the Dispute Resolution Procedures, which is available through a link on the TEL's website, under the "Procurement" tab. The Dispute Resolution Procedures include provisions governing the deadline for the filing of a dispute resolution request. Any claim or dispute relating to this RFP or the contract by an aggrieved person, as that term is defined in the Dispute Resolution Procedures, must be timely filed by delivery, by hand, or courier to the CEO of the TEL with a copy to the General Counsel of the TEL, along with a dispute bond in the amount of \$100,000.00, for binding resolution under the Dispute Resolution Procedures. Any vendor that submits a proposal hereby expressly acknowledges and agrees that the Dispute Resolution Procedures represent the exclusive procedure and the exclusive forum for binding resolution of all claims, disputes, complaints and dispute resolution requests of any kind relating in any way to any RFP, bid, offer, quote, proposal or agreement entered into by the TEL and agrees to be bound thereby.

10. Advertising; News Releases

In submitting a proposal, the vendor agrees not to use the results thereof as a part of any commercial advertising without the prior written consent of the TEL.

The TEL is the only entity authorized to issue news releases relating to this RFP, its evaluation, and the award of any contract and performance there under. Under no circumstances shall any vendor issue any such news releases without the express prior written consent of the TEL in each instance.

11. Non-Assignability

Any award resulting from this RFP cannot be assigned in whole or in part without the prior written approval of the TEL, which consent may be unreasonably withheld, delayed or conditioned in the sole discretion of the TEL.

12. Equal Opportunity

The TEL prohibits discrimination on the basis of race, color, gender, religion, national origin, or disability in connection with employment of any person, or the award of any contract with the TEL.

The TEL will provide equal opportunities without regard to race, color, gender, religion, national origin, or disability, by requiring that any firm doing business with the TEL provide equal opportunity to persons and businesses employed by, or contracting with the supplier of products and services to the TEL.

D. MINORITY PARTICIPATION

It is an overall objective of the TEL to encourage involvement by minority-owned businesses in any commerce generated by the TEL, while assuring that such activities will be conducted in accordance with all applicable laws.

Furthermore, in accordance with the Act, it is the declared policy and intent of the TEL to strive to maximize participation of minority owned businesses to achieve a minimum participation of fifteen percent (15%) through all business contracting opportunities. All vendors should read and be familiar with the TEL's Equal Business Opportunity Program which is posted on the TEL's website, under the "Procurement" tab.

Vendors interested in doing business with the TEL are required to complete the Equal Business Opportunity Form C, attached hereto as Exhibit B, and include within its proposal a short narrative describing its commitment to assist the Corporation in striving to maximize participation of minority-owned businesses. In order for Form C to be considered complete by the evaluation committee, the vendor must provide the information required in each field, provide the information requested in the table, and must have the form signed by vendor's authorized representative. If minority-owned businesses are unavailable to subcontract or otherwise participate in the proposal, or if the proposer is a minority-owned business, the vendor should so note in Form C.

E. EVALUATION OF PROPOSALS

The TEL has established an Evaluation Committee that will be responsible for evaluating the proposals received from interested vendors. With the release of this RFP, the Evaluation Committee has established uniform criteria by which all proposals will be “scored.” The criteria to be used by the Evaluation Committee will be: (1) total cost of the services to be provided to the TEL; (2) ability to provide the desired services; (3) experience and expertise; and (4) the references. These criteria are presented for informational purposes and do not necessarily represent the order of importance or weight that each factor will have in the final scoring of proposals.

F. EVALUATION PROCEDURE

The Committee will review the proposals submitted and may request clarification of information or representations in the proposal, address technical questions or seek additional information regarding any proposal before completing the initial evaluation. Requests for clarification from vendors and any information received in response thereto will become part of the evaluation record. The Committee may seek assistance from TEL staff and/or outside consultants in analyzing the financial viability of the vendors.

G. SCOPE OF REQUIRED SERVICES

Please see Exhibit C for background on the project and the description of the scope of services required to be provided by the successful proposer.

H. COMPENSATION

Each proposal must include the vendor’s proposed compensation for undertaking the services requested and outlined in this RFP. Vendors are reminded that the cost quotation should cover all of the services covered by this RFP and to be provided by the successful vendor during the term of the contract.

I. FORM OF PROPOSAL

Each proposal must be prepared simply and economically, providing a clear description of the vendor’s capabilities to meet the requirements of this RFP. In order to expedite the evaluation process, respondents are required to submit their proposals in the following format:

- Section 1* Submit a completed Exhibit A, confirming the ability to meet all of the requirements of this RFP.

- Section 2* Submit a completed EBO Form C (Exhibit B) along with the narrative noted in Section D, above.

- Section 3* Provide a brief profile of the proposer, including, but not limited to, history, current business issues, and description of services available to address the required and desired services noted in Exhibit C.

Section 4 Five (5) references of current customers with similar products and services to those specified in this RFP. Include customer business name, contact name, phone numbers and length of time services provided.

J. PROPOSAL SIGNATURES AND PACKAGING

A representative who is authorized to contractually bind the vendor must manually sign all copies of the proposal. The vendor also must provide the TEL with the name, business address, business telephone number, and email address of a person who will act as the contact person for all inquiries that the TEL may have during the proposal evaluation process. Such person must be authorized to make representations for and bind the vendor contractually.

K. ACCEPTANCE OF PROPOSAL BY THE TEL

The TEL reserves the right to accept or reject any and all proposals submitted in response to this RFP, in whole or in part, and to award a contract pursuant to this RFP or cancel this RFP if it is considered to be in the best interests of the TEL and the State of Tennessee.

L. CONTRACTUAL TERMS AND CONDITIONS

Travel expenses will be reimbursed for pre-approved costs in accordance with the TEL's policies.

EXHIBIT A

TENNESSEE EDUCATION LOTTERY CORPORATION

Proposal Authorization

We propose to furnish and deliver any and all of the deliverables and services named in the Random Number Generator Certification Services Request for Proposal (“RFP”). The terms offered herein shall apply for the period of time stated in the RFP.

We further agree to strictly abide by all of the terms and conditions contained in the RFP and the Tennessee Education Lottery Implementation Law, as amended from time to time. Any exceptions are noted in writing and included with our bid response.

It is understood and agreed that we have read the Tennessee Education Lottery Corporation’s (“TEL’s”) specifications contained in the RFP and that this bid is made in accordance with the provisions of such specifications. By our written signature on this proposal, we guarantee and certify that all items included in this proposal meet or exceed any and all of the TEL specifications, including a completed (EBO Form C). We further agree, if awarded a contract, to deliver goods and services that meet or exceed the specifications.

BID SIGNATURE AND CERTIFICATION

(Authorized representative must sign and return with bid)

I certify that this proposal is made without prior understanding, agreement, or connection with any corporation, firm, or person submitting a proposal for the same materials, supplies, equipment, or services and is in all respects fair and without collusion or fraud. I understand collusive bidding is a violation of State and Federal Law and can result in fines, prison sentences and civil damage awards. I understand and agree to abide by all conditions of the RFP and certify that I am authorized to sign this bid for the responding contractor or vendor.

Date: _____

Authorized Signature: _____

Print Name: _____

Title: _____

Company Name: _____

NOTE: PLEASE ENSURE THAT ALL REQUIRED SIGNATURE BLOCKS ARE COMPLETED. FAILURE TO SIGN THIS FORM AND INCLUDE IT WITH YOUR PROPOSAL WILL RESULT IN REJECTION OF YOUR PROPOSAL.

EXHIBIT B

**TENNESSEE EDUCATION LOTTERY CORPORATION
 EQUAL BUSINESS OPPORTUNITY PROGRAM**

EBO FORM C

**MINORITY-OWNED BUSINESS UTILIZATION PLAN
 (TO BE SUBMITTED WITH THE PROPOSAL)**

RFP/ITB: **Random Number Generator Certification Services**

Company: _____ (“Firm”) does certify that on the above noted procurement opportunity, the following minority-owned businesses may be utilized as subcontractors, joint-venturers, suppliers, or provide professional services:

| Name | Description of Work | % of Contract Value | Joint Venture (Yes/No) | % of Minority Ownership | Certified (Yes/No) | Certification Agency |
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(If additional space is needed this form may be duplicated)

TOTAL % OF MINORITY BUSINESS PARTICIPATION: _____

Submitted by:

 Authorized Representative Signature

 Title

 Date

EXHIBIT C

BACKGROUND AND SCOPE OF SERVICES

In 2007, the Tennessee Education Lottery Corporation (“TEL”) began using a random number generator system to draw winning numbers for its CASH3 and CASH4 drawings. In 2010, the TEL added Tennessee Cash to its drawing-style games that utilize the random number generator to draw its winning numbers. In addition to the above-referenced drawing-style games, the random number generator is available to draw numbers for raffle-style games. Lastly, the automated draw machines calculate the sum of the numbers drawn in CASH3 and CASH4, respectively.

The TEL conducts drawings for its CASH3, CASH4 and Tennessee Cash drawing-style games. CASH3 and CASH4 have morning, afternoon and evening draws Monday through Saturday, and an evening drawing only on Sunday. CASH3 involves the selection of three (3) numbers from 0 to 9. CASH4 involves the selection of four (4) numbers from 0 to 9. The selected numbers in CASH3 and CASH4 may repeat and the selected numbers must be presented in the order drawn. Tennessee Cash is a 5/35 plus 1/5 matrix game with drawings on Monday, Wednesday and Friday nights. In Tennessee Cash, the numbers in the first matrix of 5/35 may not repeat; however, the single number selected in the 1/5 matrix may be the same as one of the numbers selected from the 5/35 matrix.

Drawings for these games are conducted at the TEL headquarters using the RNG-based Drawing System and the winning numbers currently are transmitted to the six (6) television stations. The TEL also uses the RNG-based Drawing System for raffle style drawings and for occasional promotional offerings.

The TEL possesses three (3) RNG-based Drawing System servers. Two of the servers are located at its headquarters building and are used interchangeably at random to conduct the drawings. A third RNG server is located remotely to be used in the event the two (2) primary RNG servers are unavailable. All three RNG servers are stand-alone machines that operate independently of each other and the gaming system, and are not connected to the TEL’s computer network or to the Internet.

The TEL has contracted with Smartplay International, Inc., to provide its automated draw system, of which the random number generator is a part. The automated draw system consists of the operating system, application software, random number software and hardware, the random number servers and remote video servers in each of the six (6) television stations that broadcast the TEL’s drawings. The three (3) draw machines were purchased in 2015, and implemented in 2016. These three (3) draw machines were an upgrade from the RNG’s purchased in 2007.

With each new version of the software for the random number generator and with each new server, the TEL engages the services of an independent third party to certify the automated draw system and random number generator.

Certification

The TEL is seeking to qualify an independent third party to certify (or audit) the automated drawing system (including the operating system, the application software, the random number generator and the hardware) used to perform its CASH3, CASH4, and Tennessee Cash drawings. The distribution system used to transmit the winning numbers to the television stations is not part of the certification or audit.

As part of the certification process, the successful vendor will be required to evaluate the following: the application software code (including the source code and data files) for the primary application software and the RNG application software; the operating system on which the RNG software resides; the hardware used for the automated draw machine; statistical randomness; unpredictability; non-repeatability; and the replacement and cycling.

In particular, the evaluation must include the following:

- The automated draw machines select the winning numbers in the manner and in the order required by the game rules;
- The numbers available to be selected by the automated draw machines in each drawing-style game have an equal opportunity for being drawn;
- The winning numbers generated by the automated draw machines are unable to be predicted in advance of their generation.

The above list is not intended to be all inclusive. Additional specific requirements of a certification or audit may be included at the sole discretion of the TEL at or prior to the execution of an engagement letter or agreement.

The proposers should provide a robust description of their certification and testing procedures. This description should include how the proposer will examine the digital draw machines, including, but not limited to, the application software code (including the source code and data files) for the primary application software and the RNG application software; the servers (hardware) on which the RNG is stored; the randomness of the numbers generated; and the unpredictability of the numbers selected. This description also should include any limitations that the proposer can foresee in providing this service.

The successful bidder will be required to issue a certification or audit letter stating it has analyzed and tested the TEL's automated draw machines, and in their opinion the combined hardware/software system operates as anticipated, that no anomalies were discovered, and that the digital draw system design appears to be sound and performs in a way consistent with expected statistical results and unpredictability. A sample of the proposer's certification or audit letter should be included as part of the proposer's response to this RFP.

References:

Please list five existing customer references. These customers must be able to be contacted by a representative of the TEL. If your firm has provided a similar Random Number Generator Certification Services to other lotteries, please include those lotteries as references.

| Company Name and Address | Contact Name & Title | Contact Phone and Email Address | Project Type | Date Project Completed |
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