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Terry E. Branstad · Governor
Kim Reynolds · Lt. Governor
Terry Rich · Chief Executive Officer

AGENDA

IOWA LOTTERY BOARD

March 28, 2017
10:00 am

Dial In: 1-866-685-1580
Code: 000 999 0332

- I. Call to Order
 - a. Approval of Agenda
 - b. Approval of Minutes – December 15, 2016
- II. Quarterly Reports
 - a. Financial
 - b. Marketing
 - c. Security
 - d. IT Systems
 - e. External Relations
 - f. Legal
- III. Contract Extensions
 - a. Pull Tab Printing
 - b. Advertising Services
 - c. Media Services
- IV. Game Auditing Services RFP
- V. Approval of Membership Dues
- VI. Sales Force Automation
- VII. Board Member Resignation
- VIII. CEO Update
- IX. Adjournment

If you require the assistance of auxiliary aids or services to participate in or attend the meeting because of a disability, please call our ADA coordinator at 515-725-7864, or if you are hearing impaired, call Relay TTY at 1-800-735-2942.

MINUTES

IOWA LOTTERY BOARD

December 15, 2016

10:00 a.m.

The Iowa Lottery Board convened at 10:00 a.m. at Lottery Headquarters in Clive; Board Chairperson Mike Klappholz presiding.

Board Members Present:

Connor Flynn; Ying Sa; Mike Klappholz (via teleconference); Mary Rathje (via teleconference); Mary Junge (via teleconference); Mike Fitzgerald (via teleconference).

Board Members Absent:

None.

Lottery Staff Participating:

Terry Rich, CEO; Larry Loss, EVP; Teri Wood, VP, Marketing; Brenda Nye, VP, Finance; Cam Coppess, VP, Security; Hale Strasser, VP, Systems Operations; Rob Porter, VP, Legal Counsel; Mary Neubauer, VP, External Relations; David Ranscht, Assistant AG; Deb Bassett, Board Secretary.

Others Present:

Doug Orr, ILOT; Jerry Ayres, ILOT; Mark Ryan, ILOT; Roger Pauly, ILOT; Mike Loss, ILOT; Bill Kehoe, ILOT; Tom Warner, ILOT; Christin Mechler, Legislative Services Agency; David Berger, Scientific Games.

CALL TO ORDER

Chairperson Klappholz called the meeting to order at 10:00 a.m. and roll was taken. There was a quorum. Klappholz announced the meeting would be held via teleconference in accordance with Iowa Code section 21.8.

Flynn moved to conduct the meeting via teleconference. Sa seconded. Motion carried unanimously.

APPROVAL OF AGENDA

Flynn moved to approve the agenda for the meeting. Junge seconded. Motion carried unanimously.

APPROVAL OF MINUTES

Flynn moved to approve the September 27, 2016, board meeting minutes. Junge seconded. Motion carried unanimously.

QUARTERLY REPORTS

Financial:

Nye reported performance measures through October reflect that sales are ahead of budget by over 15% and that proceeds are ahead of budget by nearly 26%. Nye also told the board that the FY2016 audit report will be released soon. The report will show a clean opinion with no audit comments.

There was a discussion on the growth of scratch ticket sales as it relates to the budget and the importance of the audit process as part of the Lottery's checks and balances.

Marketing:

Wood provided an update on this year's holiday promotion, Jingle Bills. The promotion has had 470,000 entries to date and approximately 3,200 new VIP Club members. When compared to last year's holiday promotion, Jingle Bills is up approximately 8% on the entries and 7% in new VIP Club members.

Wood also gave an update on the recent launch of the Lottery's new "scratchless scratch ticket" initiative – InstaPlay. There are 3 InstaPlay games currently available; Lucky Gems, Cherry Twist Progressive and Cash Spectacular. InstaPlay has received positive feedback – retailers have become familiar with how to sell the product and core players have embraced the game. In January, the Lottery will introduce InstaPlay to more Iowans by giving away free plays each week during a 3-week promotion.

Wood also shared that ILOT is currently running TV ads with a theme of "Helping Iowans Grow". The ads feature a message about lottery proceeds and how the money is used to make the state a better place to live, work and raise a family.

Wood announced the Powerball PowerCruise promotion will launch on February 5, 2017 in Iowa and 23 other states. The goal of the promotion is to strengthen the Powerball brand nationally and encourage existing VIP Club members who are partial to scratch games to participate in a lotto promotion.

Wood also informed the board that on March 6, 2017, ILOT will launch its first \$30 scratch ticket.

Wood ended her Marketing update with a brief hint about this year's summer promotion which will involve the iconic Frogger arcade game made famous in an episode of Seinfeld.

Security:

Coppess gave a security report. He highlighted that the Security group is focused on ensuring that the integrity of games remains high and players have a fair and level playing field. Over the last few months, investigators have been in the field conducting retailer compliance checks to ascertain whether the retailer is meeting ILOT expectations based on 8 points. After each compliance check, a letter is sent to the store manager to let them know how their staff has done in meeting ILOT expectations. The letter is also given to the district sales representative so the sales rep. can work with the retailer to get employees trained in any areas where they are deficient.

IT:

Strasser reported that the transition of the state's email system from Microsoft Outlook to Google Mail has gone smoothly. Strasser also reported that the IT department is working with ICN to run fiber optics to Waukee High School where ICN has a point of presence in order to have redundancy in ILOT's physical network.

External Relations:

Neubauer discussed why Lottery sales can and do fluctuate over time and the impact to total proceeds. The world-record setting Powerball® jackpot in January 2016 produced an enormous one-time influx of proceeds to the state, but ILOT anticipates a noticeable difference/much less in lottery results this year.

Neubauer also discussed the Responsible Gifting campaign. During the holidays, ILOT shares appropriate gifting messages via social media and other avenues to remind consumers that lottery tickets are for an adult audience.

Neubauer also gave an update on legislative issues. She reported that internet gaming and fantasy sports will likely be topics of discussion in the upcoming legislative session and in Congress. ILOT will monitor the topics at the state and federal level.

Neubauer stated that Terry Rich's current term as lottery CEO ends on April 30, 2017, meaning that he would need to be re-appointed to his current position during the 2017 legislative session. She stated that Rich has notified the Governor's Office that he would welcome the opportunity to continue to serve.

There was a brief discussion on a recent series of articles in the Chicago Tribune about the Illinois Lottery and how/when it decides to end its scratch games.

Legal:

Porter gave an update on the trial in Eddie Tipton's Hot Lotto fraud case. He also provided an update on the lawsuit brought against ILOT and MUSL by Larry Dawson.

Ying moved to approve the Quarterly Reports. Rathje seconded. Motion carried unanimously.

CONTRACT EXTENSION – LOTTERY GAMING SYSTEM

Loss provided information related to ILOT's gaming system contract with Scientific Games International, Inc. There was discussion on the benefits of exercising the remaining two optional 1-year extensions available on the contract. The benefits include a negotiated rate reduction and the ability to lock in discounts for the remainder of the contract.

Loss requested board approval to exercise the remainder of the contract extensions through July 3, 2021.

Sa moved to approve the contract extension. Flynn seconded. Motion carried unanimously.

CEO REPORT

Rich recapped items discussed during the meeting as they pertain to how ILOT is looking toward the future.

ADJOURNMENT

Junge moved to adjourn. Sa seconded. Motion carried unanimously.

Meeting adjourned at 11:22 a.m.

IOWA LOTTERY
PERFORMANCE MEASURES
FY 2017

February 28, 2017

MONTH		JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Gross Sales	Budget FY 2017	23,477,855	24,903,072	23,632,301	25,244,816	26,997,242	27,197,660	31,905,507	29,700,139	30,596,726	27,338,762	28,973,109	24,952,811
	5-year av.	24,456,151	25,940,756	24,617,034	25,486,553	27,312,000	27,520,770	32,424,788	30,127,524	31,061,472	27,667,752	29,370,200	25,182,384
	Actual '17	32,964,786	26,681,566	25,881,328	26,389,149	29,727,840	28,420,548	28,990,640	29,845,160				
Prize Expense	Budget FY 2017	13,956,616	14,803,847	14,048,427	15,007,000	16,048,745	16,167,885	18,966,506	17,655,505	18,188,489	16,251,764	17,223,316	14,833,415
	5-year av.	14,753,208	15,376,630	14,538,122	15,161,469	15,731,423	17,216,882	19,364,442	17,764,470	19,086,348	16,212,399	17,385,913	15,177,272
	Actual '17	19,638,247	16,797,147	15,829,952	16,510,060	17,666,394	18,431,976	17,504,363	17,694,238				
Operating Expenses	Budget FY 2017	1,159,018	1,295,375	1,204,727	1,229,243	1,121,127	1,206,747	1,164,432	1,156,962	1,288,279	1,158,402	1,260,984	1,375,394
	2-year av.	1,076,139	977,545	1,002,983	1,023,962	983,978	1,200,509	1,024,982	995,750	1,063,325	990,392	1,064,393	1,100,706
	Actual '17	1,031,110	1,078,325	997,684	1,035,019	1,103,455	1,089,916	1,080,883	1,014,004				
Total Proceeds	Budget FY 2017	4,936,993	5,170,692	4,931,385	5,325,558	5,888,690	5,855,108	7,119,813	6,554,660	6,656,142	5,940,090	6,261,866	5,103,588
	5-year av.	5,834,699	5,970,453	6,453,205	6,275,145	7,241,802	5,686,223	8,334,905	7,835,507	7,106,183	7,030,221	7,298,430	4,960,522
	Actual '17	8,482,628	5,304,496	6,168,146	5,667,010	7,230,014	5,012,849	6,503,570	7,602,318				

YEAR TO DATE

Gross Sales	Budget FY 2017	23,477,855	48,380,927	72,013,228	97,258,044	124,255,286	151,452,946	183,358,453	213,058,592	243,655,318	270,994,080	299,967,189	324,920,000
	5-year av.	24,456,151	50,396,907	75,013,941	100,500,494	127,812,494	155,333,264	187,758,052	217,885,576	248,947,048	276,614,800	305,985,000	331,167,384
	Actual '17	32,964,786	59,646,352	85,527,680	111,916,829	141,644,669	170,065,217	199,055,857	228,901,017				
Prize Expense	Budget FY 2017	13,956,616	28,760,463	42,808,890	57,815,890	73,864,635	90,032,520	108,999,026	126,654,531	144,843,020	161,094,784	178,318,100	193,151,515
	5-year av.	14,753,208	30,129,838	44,667,960	59,829,429	75,560,852	92,777,734	112,142,176	129,906,646	148,992,995	165,205,393	182,591,306	197,768,579
	Actual '17	19,638,247	36,435,394	52,265,346	68,775,406	86,441,800	104,873,776	122,378,139	140,072,377				
Operating Expenses	Budget FY 2017	1,159,018	2,454,393	3,659,120	4,888,363	6,009,490	7,216,237	8,380,669	9,537,631	10,825,910	11,984,312	13,245,296	14,620,690
	2-year av.	1,076,139	2,053,684	3,056,667	4,080,629	5,064,607	6,265,116	7,290,098	8,285,848	9,349,173	10,339,565	11,403,958	12,504,664
	Actual '17	1,031,110	2,109,435	3,107,119	4,142,138	5,245,593	6,335,509	7,416,392	8,430,396				
Total Proceeds	Budget FY 2017	4,936,993	10,107,685	15,039,070	20,364,628	26,253,318	32,108,426	39,228,239	45,782,899	52,439,041	58,379,131	64,640,997	69,744,585
	5-year av.	5,834,699	11,805,152	18,258,357	24,533,502	31,775,304	37,461,527	45,796,432	53,631,939	60,738,122	67,768,343	75,066,773	80,027,295
	Actual '17	8,482,628	13,787,124	19,955,270	25,622,280	32,852,294	37,865,143	44,368,713	51,971,031				

	Current Month	Year to Date
Prize Payout - Budget	59.45%	59.45%
Prize Payout - 5-Year Average	58.96%	59.62%
Prize Payout - Actual	59.29%	61.19%
Sales - Actual increase (decrease) vs. 5-Year Average		5.06%
Proceeds - Actual increase (decrease) vs. 5-Year Average		(3.10%)
Sales - Actual increase (decrease) vs. Budget		7.44%
Proceeds - Actual increase (decrease) vs. Budget		13.52%

IOWA LOTTERY AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Five Months Ending Wednesday, November 30, 2016

	Month ended 11/30/2016	Month ended 11/30/2015	Year-to-date 11/30/2016	Year-to-date 11/30/2015
Operating revenues:				
Instant-scratch ticket sales	\$ 19,307,338.00	\$ 17,959,969.00	\$ 91,700,612.00	\$ 88,153,766.00
InstaPlay Sales	490,815.00	-	490,815.00	-
Pick 3 sales	600,815.00	592,646.00	2,949,782.50	3,040,028.50
Powerball sales	5,715,781.00	2,980,528.00	25,022,185.50	18,871,652.50
Mega Millions Sales	929,556.00	1,387,369.00	7,332,989.00	6,217,711.00
Hot Lotto sales	637,406.00	758,725.00	3,249,532.00	3,900,185.00
Pick 4 sales	338,773.50	275,918.50	1,595,651.00	1,453,614.00
All or Nothing sales	258,048.00	340,021.00	1,391,533.00	1,768,068.00
Lucky for Life sales	441,382.00	-	2,474,658.00	-
Pull-tab sales	1,007,925.96	1,118,453.04	5,436,910.75	6,173,907.56
Application fees	250.00	100.00	1,450.00	1,575.00
Other	9,623.71	378.64	10,680.95	3,335.55
Total operating revenues	<u>29,737,714.17</u>	<u>25,414,108.18</u>	<u>141,656,799.70</u>	<u>129,583,843.11</u>
Operating expenses:				
Scratch ticket	12,166,507.00	11,018,118.67	60,042,216.62	56,646,321.14
InstaPlay	305,747.40	-	305,747.40	-
Pick 3	344,750.00	348,617.60	1,708,212.20	1,796,287.10
Powerball	2,823,857.50	1,451,730.00	12,294,957.50	9,246,701.00
Mega Millions	452,637.00	671,039.50	3,615,985.85	3,016,942.50
Hot Lotto	309,959.00	370,910.50	1,579,728.00	1,867,803.15
Pick 4	201,739.10	161,301.10	944,220.60	860,878.40
All or Nothing	152,262.33	200,942.39	821,792.35	1,046,507.49
Monopoly Millionaires' Club	-	(8,201.00)	-	(10,433.00)
Lucky for Life	262,326.44	-	1,630,742.22	-
Pull-tab	629,253.93	700,726.34	3,398,366.69	3,862,164.48
VIP Club prize expense	7,000.00	24,041.97	36,491.70	104,510.30
Promotional	10,354.06	5,367.81	63,339.13	58,209.42
Advertising/publicity	442,162.57	588,964.46	2,669,993.36	2,791,461.99
Retailer compensation expense	1,921,519.53	1,661,894.75	9,149,739.88	8,381,565.61
Ticket expense	295,466.77	305,973.19	1,228,825.32	1,236,563.45
Vendor compensation expense	611,010.23	524,959.66	2,861,751.90	2,626,574.04
Salary and benefits	886,104.58	809,237.35	4,252,253.83	4,133,412.87
Travel	20,303.01	24,916.44	122,172.07	125,994.86
Supplies	3,515.16	5,910.89	59,760.95	49,805.43
Printing	-	170.00	2,582.06	263.80
Postage	266.32	280.94	1,470.03	1,786.51
Communications	13,221.44	14,153.97	62,881.11	64,673.38
Rentals	25,105.47	25,548.15	127,056.39	128,229.64
Utilities	5,077.74	5,606.50	36,942.00	31,864.82
Professional fees	14,834.16	10,892.63	56,095.61	43,112.90
Vending machine maintenance	41,763.97	52,327.48	233,534.21	246,226.21
Outside services and repairs	48,918.91	52,161.68	312,641.89	330,755.05
Data processing	10,151.13	11,173.16	48,888.85	51,383.10
Equipment	239,565.69	28,945.90	308,707.12	168,833.23
Reimbursement to other state agencies	67,764.72	33,997.07	191,533.82	188,466.50
Depreciation	34,774.46	27,655.92	146,624.94	135,781.14
Other	5,009.71	3,891.98	28,863.53	24,876.32
MUSL/Lotto administrative expense	13,016.58	9,337.20	65,082.95	46,686.00
Total operating expenses	<u>22,365,945.91</u>	<u>19,142,594.20</u>	<u>108,409,202.08</u>	<u>99,304,208.83</u>
Operating income	<u>7,371,768.26</u>	<u>6,271,513.98</u>	<u>33,247,597.62</u>	<u>30,279,634.28</u>
Non-operating revenue (expenses):				
Proceeds provided to State General Fund	(7,230,014.28)	(6,099,550.39)	(30,352,293.61)	(27,361,097.61)
Proceeds provided to Veteran's Trust Fund	-	-	(2,500,000.00)	(2,500,000.00)
Interest income	5,189.86	1,303.81	48,010.28	99,886.76
Interest expense	-	-	-	-
Gain (Loss) on disposal of capital assets	(73,165.00)	14,650.00	(157,006.00)	24,250.00
Net non-operating revenues (expenses)	<u>7,297,989.42</u>	<u>(6,083,596.58)</u>	<u>(32,961,289.33)</u>	<u>(29,736,960.85)</u>
Change in net position	<u>73,778.84</u>	<u>187,917.40</u>	<u>286,308.29</u>	<u>542,673.43</u>
Net position beginning of year	<u>6,766,606.93</u>	<u>6,153,093.81</u>	<u>6,554,077.48</u>	<u>5,798,337.78</u>
Net position end of year	<u>6,840,385.77</u>	<u>6,341,011.21</u>	<u>6,840,385.77</u>	<u>6,341,011.21</u>

IOWA LOTTERY AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Six Months Ending Saturday, December 31, 2016

	Month ended 12/31/2016	Month ended 12/31/2015	Year-to-date 12/31/2016	Year-to-date 12/31/2015
Operating revenues:				
Instant-scratch ticket sales	\$19,895,774.00	\$19,687,205.00	\$111,596,386.00	\$107,840,971.00
InstaPlay Sales	902,164.00	-	1,392,979.00	-
Pick 3 sales	600,873.50	637,641.50	3,550,656.00	3,677,670.00
Powerball sales	3,318,546.50	5,669,881.00	28,340,732.00	24,541,533.50
Mega Millions Sales	993,662.00	1,224,343.00	8,326,651.00	7,442,054.00
Hot Lotto sales	656,005.00	759,895.00	3,905,537.00	4,660,080.00
Pick 4 sales	337,780.50	289,692.00	1,933,431.50	1,743,306.00
All or Nothing sales	262,660.00	349,767.00	1,654,193.00	2,117,835.00
Lucky for Life sales	467,154.00	-	2,941,812.00	-
Pull-tab sales	985,928.41	1,466,117.47	6,422,839.16	7,640,025.03
Application fees	400.00	425.00	1,850.00	2,000.00
Other	616.89	255.13	11,297.84	3,590.68
Total operating revenues	<u>28,421,564.80</u>	<u>30,085,222.10</u>	<u>170,078,364.50</u>	<u>159,669,065.21</u>
Operating expenses:				
Scratch ticket	13,850,625.85	13,843,791.56	73,892,842.47	70,490,112.70
InstaPlay	584,796.61	-	890,544.01	-
Pick 3	313,170.00	377,984.90	2,021,382.20	2,174,272.00
Powerball	1,593,018.00	2,791,725.00	13,887,975.50	12,038,426.00
Mega Millions	493,378.70	592,043.50	4,109,364.55	3,608,986.00
Hot Lotto	318,775.50	371,233.50	1,898,503.50	2,239,036.65
Pick 4	200,608.30	165,565.20	1,144,828.90	1,026,443.60
All or Nothing	154,151.09	208,237.68	975,943.44	1,254,745.17
Monopoly Millionaires' Club	-	(4,512.00)	-	(14,945.00)
Lucky for Life	277,644.05	-	1,908,386.27	-
Pull-tab	614,366.56	916,350.87	4,012,733.25	4,778,515.35
VIP Club prize expense	19,000.00	36,672.80	55,491.70	141,183.10
Promotional	12,440.94	6,583.78	75,780.07	64,793.20
Advertising/publicity	572,192.86	626,510.76	3,242,186.22	3,417,972.75
Retailer compensation expense	1,859,664.30	1,980,194.76	11,009,404.18	10,361,760.37
Ticket expense	239,617.13	266,306.71	1,468,442.45	1,502,870.16
Vendor compensation expense	563,029.67	623,759.28	3,424,781.57	3,250,333.32
Salary and benefits	886,744.26	897,310.56	5,138,998.09	5,030,723.43
Travel	18,364.28	13,556.17	140,536.35	139,551.03
Supplies	3,078.82	29,770.51	62,839.77	79,575.94
Printing	192.23	-	2,774.29	263.80
Postage	220.88	367.28	1,690.91	2,153.79
Communications	11,766.43	13,868.28	74,647.54	78,541.66
Rentals	25,360.98	25,358.22	152,417.37	153,587.86
Utilities	8,692.56	7,947.86	45,634.56	39,812.68
Professional fees	14,437.97	5,638.65	70,533.58	48,751.55
Vending machine maintenance	41,763.97	50,390.76	275,298.18	296,616.97
Outside services and repairs	67,195.70	86,578.16	379,837.59	417,333.21
Data processing	10,789.30	10,344.21	59,678.15	61,727.31
Equipment	327,467.10	58,306.60	636,174.22	227,139.83
Reimbursement to other state agencies	33,443.20	31,633.52	224,977.02	220,100.02
Depreciation	42,399.79	28,003.62	189,024.73	163,784.76
Other	4,447.30	4,741.29	33,310.83	29,617.61
MUSL/Lotto administrative expense	12,385.79	9,337.20	77,468.74	56,023.20
Total operating expenses	<u>23,175,230.12</u>	<u>24,075,601.19</u>	<u>131,584,432.20</u>	<u>123,379,810.02</u>
Operating income	<u>5,246,334.68</u>	<u>6,009,620.91</u>	<u>38,493,932.30</u>	<u>36,289,255.19</u>
Non-operating revenue (expenses):				
Proceeds provided to State General Fund	(5,012,848.55)	(6,211,364.67)	(35,365,142.16)	(33,572,462.28)
Proceeds provided to Veteran's Trust Fund	-	-	(2,500,000.00)	(2,500,000.00)
Interest income	14,941.26	10,909.51	62,951.54	110,796.27
Interest expense				
Gain (Loss) on disposal of capital assets	(118,153.00)	-	(275,159.00)	24,250.00
Net non-operating revenues (expenses)	<u>(5,116,060.29)</u>	<u>(6,200,455.16)</u>	<u>(38,077,349.62)</u>	<u>(35,937,416.01)</u>
Change in net position	<u>130,274.39</u>	<u>(190,834.25)</u>	<u>416,582.68</u>	<u>351,839.18</u>
Net position beginning of year	<u>6,840,385.77</u>	<u>6,341,011.21</u>	<u>6,554,077.48</u>	<u>5,798,337.78</u>
Net position end of year	<u>6,970,660.16</u>	<u>6,150,176.96</u>	<u>6,970,660.16</u>	<u>6,150,176.96</u>

IOWA LOTTERY AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Seven Months Ending Tuesday, January 31, 2017

	Month ended 1/31/2017	Month ended 1/31/2016	Year-to-date 1/31/2017	Year-to-date 1/31/2016
Operating revenues:				
Instant-scratch ticket sales	\$20,580,841.00	\$20,835,831.00	\$132,177,227.00	\$128,676,802.00
InstaPlay Sales	653,634.00	-	2,046,613.00	-
Pick 3 sales	602,425.00	620,937.50	4,153,081.00	4,298,607.50
Powerball sales	3,190,680.50	28,419,183.50	31,531,412.50	52,960,717.00
Mega Millions Sales	1,359,734.00	1,432,911.00	9,686,385.00	8,874,965.00
Hot Lotto sales	591,199.00	839,210.00	4,496,736.00	5,499,290.00
Pick 4 sales	329,273.00	284,927.00	2,262,704.50	2,028,233.00
All or Nothing sales	254,807.00	351,918.00	1,909,000.00	2,469,753.00
Lucky for Life sales	468,482.00	77,474.00	3,410,294.00	77,474.00
Pull-tab sales	959,564.49	1,216,679.97	7,382,403.65	8,856,705.00
Application fees	250.00	275.00	2,100.00	2,275.00
Other	268.44	373.05	11,566.28	3,963.73
Total operating revenues	<u>28,991,158.43</u>	<u>54,079,720.02</u>	<u>199,069,522.93</u>	<u>213,748,785.23</u>
Operating expenses:				
Scratch ticket	13,430,184.00	13,365,036.90	87,323,026.47	83,855,149.60
InstaPlay	469,411.20	-	1,359,955.21	-
Pick 3	358,475.00	368,582.50	2,379,857.20	2,542,854.50
Powerball	940,145.00	14,154,045.50	14,828,120.50	26,192,471.50
Mega Millions	671,876.09	689,211.50	4,781,240.64	4,298,197.50
Hot Lotto	280,805.50	409,167.00	2,179,309.00	2,648,203.65
Pick 4	183,813.80	169,906.20	1,328,642.70	1,196,349.80
All or Nothing	150,848.25	207,484.28	1,126,791.69	1,462,229.45
Monopoly Millionaires' Club	-	-	-	(14,945.00)
Lucky for Life	278,436.68	50,314.35	2,186,822.95	50,314.35
Pull-tab	600,762.35	761,745.31	4,613,495.60	5,540,260.66
VIP Club prize expense	56,000.00	14,508.03	111,491.70	155,691.13
Promotional	83,605.02	21,994.45	159,385.09	86,787.65
Advertising/publicity	539,055.95	695,648.14	3,781,242.17	4,113,620.89
Retailer compensation expense	1,906,709.84	3,409,991.15	12,916,114.02	13,771,751.52
Ticket expense	253,293.48	275,551.16	1,721,735.93	1,778,421.32
Vendor compensation expense	605,618.38	1,157,354.39	4,030,399.95	4,407,687.71
Salary and benefits	890,780.65	801,980.26	6,029,778.74	5,832,703.69
Travel	23,206.09	19,127.71	163,742.44	158,678.74
Supplies	8,889.31	6,235.07	71,729.08	85,811.01
Printing	307.01	-	3,081.30	263.80
Postage	2,707.88	2,812.72	4,398.79	4,966.51
Communications	13,872.78	13,108.38	88,520.32	91,650.04
Rentals	25,423.14	25,361.33	177,840.51	178,949.19
Utilities	9,448.31	9,456.81	55,082.87	49,269.49
Professional fees	11,235.92	8,117.13	81,769.50	56,868.68
Vending machine maintenance	49,028.75	50,390.76	324,326.93	347,007.73
Outside services and repairs	78,356.39	63,689.46	458,193.98	481,022.67
Data processing	9,968.65	10,398.66	69,646.80	72,125.97
Equipment	203,948.00	39,964.32	840,122.22	267,104.15
Reimbursement to other state agencies	28,711.22	27,934.47	253,688.24	248,034.49
Depreciation	45,072.66	27,829.77	234,097.39	191,614.53
Other	4,652.54	4,483.97	37,963.37	34,101.58
MUSL/Lotto administrative expense	12,911.45	9,337.20	90,380.19	65,360.40
Total operating expenses	<u>22,227,561.29</u>	<u>36,870,768.88</u>	<u>153,811,993.49</u>	<u>160,250,578.90</u>
Operating income	<u>6,763,597.14</u>	<u>17,208,951.14</u>	<u>45,257,529.44</u>	<u>53,498,206.33</u>
Non-operating revenue (expenses):				
Proceeds provided to State General Fund	(6,503,570.11)	(17,267,602.32)	(41,868,712.27)	(50,840,064.60)
Proceeds provided to Veteran's Trust Fund	-	-	(2,500,000.00)	(2,500,000.00)
Interest income	6,660.37	6,428.55	69,611.91	117,224.82
Gain (Loss) on disposal of capital assets	(55,631.00)	-	(330,790.00)	24,250.00
Net non-operating revenues (expenses)	<u>(6,552,540.74)</u>	<u>(17,261,173.77)</u>	<u>(44,629,890.36)</u>	<u>(53,198,589.78)</u>
Change in net position	<u>211,056.40</u>	<u>(52,222.63)</u>	<u>627,639.08</u>	<u>299,616.55</u>
Net position beginning of year	<u>6,970,660.16</u>	<u>6,150,176.96</u>	<u>6,554,077.48</u>	<u>5,798,337.78</u>
Net position end of year	<u>7,181,716.56</u>	<u>6,097,954.33</u>	<u>7,181,716.56</u>	<u>6,097,954.33</u>

IOWA LOTTERY AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Eight Months Ending Tuesday, February 28, 2017

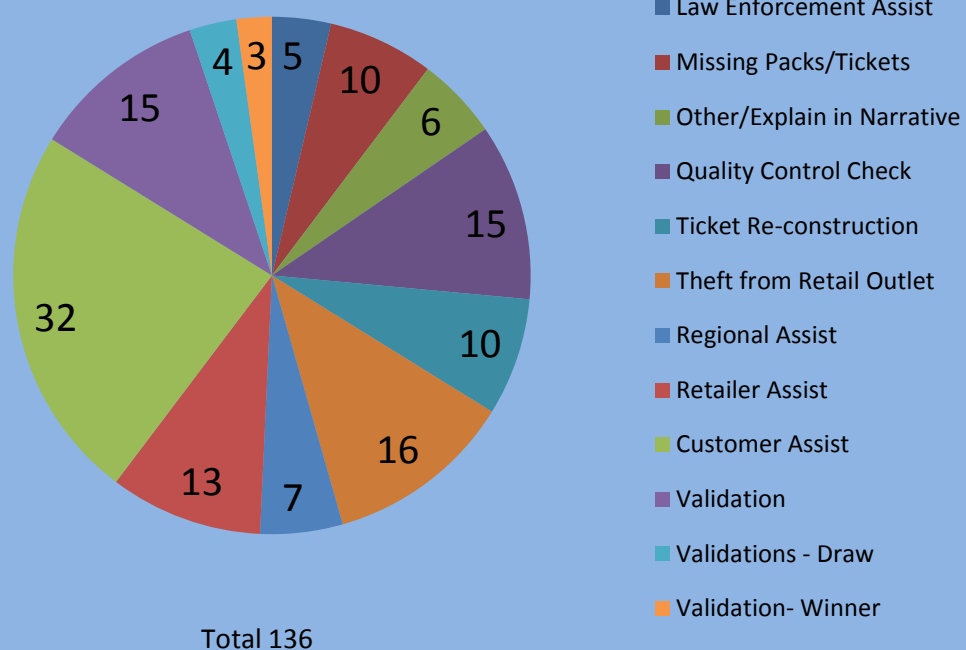
	Month ended 2/28/2017	Month ended 2/29/2016	Year-to-date 2/28/2017	Year-to-date 2/29/2016
Operating revenues:				
Instant-scratch ticket sales	\$19,449,529.00	\$20,445,722.00	\$151,626,756.00	\$149,122,524.00
InstaPlay sales	787,062.00	-	2,833,675.00	-
Pick 3 sales	578,915.00	592,757.50	4,731,996.00	4,891,365.00
Powerball sales	5,966,548.00	4,244,453.00	37,497,960.50	57,205,170.00
Mega Millions Sales	860,553.00	1,011,856.00	10,546,938.00	9,886,821.00
Hot Lotto sales	639,521.00	602,128.00	5,136,257.00	6,101,418.00
Pick 4 sales	308,401.00	281,310.00	2,571,105.50	2,309,543.00
All or Nothing sales	237,883.00	311,395.00	2,146,883.00	2,781,148.00
Lucky for Life sales	414,176.00	667,724.00	3,824,470.00	745,198.00
Pull-tab sales	602,572.46	1,135,654.20	7,984,976.11	9,992,359.20
Application fees	500.00	250.00	2,600.00	2,525.00
Other	643.34	96.54	12,209.62	4,060.27
Total operating revenues	<u>29,846,303.80</u>	<u>29,293,346.24</u>	<u>228,915,826.73</u>	<u>243,042,131.47</u>
Operating expenses:				
Scratch ticket prizes	12,187,758.26	12,804,638.28	99,510,784.73	96,659,787.88
InstaPlay prizes	504,853.22	-	1,864,808.43	-
Pick 3 prizes	344,599.00	351,184.50	2,724,456.20	2,894,039.00
Powerball prizes	2,933,326.00	1,946,439.50	17,761,446.50	28,138,911.00
Mega Millions prizes	428,580.39	491,020.00	5,209,821.03	4,789,217.50
Hot Lotto prizes	312,545.50	289,159.00	2,491,854.50	2,937,362.65
Pick 4 prizes	182,635.60	157,976.00	1,511,278.30	1,354,325.80
All or Nothing prizes	140,250.51	183,854.79	1,267,042.20	1,646,084.24
Monopoly Millionaires' Club prizes	-	-	-	(14,945.00)
Lucky for Life prizes	246,159.00	415,009.31	2,432,981.95	465,323.66
Pull-tab prizes	375,833.97	711,054.78	4,989,329.57	6,251,315.44
VIP Club prize expense	20,532.64	-	132,024.34	155,691.13
Promotional prize expense	17,163.52	31,173.68	176,548.61	117,961.33
Advertising/publicity	671,460.78	717,926.02	4,452,702.95	4,831,546.91
Retailer compensation expense	1,941,210.55	1,915,826.50	14,857,324.57	15,687,578.02
Ticket expense	498,728.30	482,621.88	2,220,464.23	2,261,043.20
Vendor compensation expense	615,341.22	614,304.03	4,645,741.17	5,021,991.74
Salary and benefits	823,012.71	802,153.66	6,852,791.45	6,634,857.35
Travel	23,355.03	23,858.60	187,097.47	182,537.34
Supplies	4,199.05	3,399.60	75,928.13	89,210.61
Printing	-	392.30	3,081.30	656.10
Postage	323.73	368.29	4,722.52	5,334.80
Communications	12,027.46	13,076.06	100,547.78	104,726.10
Rentals	25,368.36	25,373.75	203,208.87	204,322.94
Utilities	6,882.66	6,964.24	61,965.53	56,233.73
Professional fees	12,286.65	6,901.01	94,056.15	63,769.69
Vending machine maintenance	49,601.13	50,390.76	373,928.06	397,398.49
Outside services and repairs	49,817.52	69,459.85	508,011.50	550,482.52
Data processing	10,240.01	9,857.97	79,886.81	81,983.94
Equipment	38,622.83	39,567.77	878,745.05	306,671.92
Reimbursement to other state agencies	29,363.48	40,248.23	283,051.72	288,282.72
Depreciation	44,167.42	27,829.77	278,264.81	219,444.30
Other	4,547.02	4,854.86	42,510.39	38,956.44
MUSL/Lotto administrative expense	12,911.46	25,458.78	103,291.65	90,819.18
Total operating expenses	<u>22,567,704.98</u>	<u>22,262,343.77</u>	<u>176,379,698.47</u>	<u>182,512,922.67</u>
Operating income	<u>7,278,598.82</u>	<u>7,031,002.47</u>	<u>52,536,128.26</u>	<u>60,529,208.80</u>
Non-operating revenue (expenses):				
Proceeds provided to State General Fund	(7,602,318.29)	(7,421,984.95)	(49,471,030.56)	(58,262,049.55)
Proceeds provided to Veteran's Trust Fund	-	-	(2,500,000.00)	(2,500,000.00)
Interest income	13,264.16	1,609.75	82,876.07	118,834.57
Gain (Loss) on disposal of capital assets	(88,372.06)	-	(419,162.06)	24,250.00
Net non-operating revenues (expenses)	<u>(7,677,426.19)</u>	<u>(7,420,375.20)</u>	<u>(52,307,316.55)</u>	<u>(60,618,964.98)</u>
Change in net position	<u>(398,827.37)</u>	<u>(389,372.73)</u>	<u>228,811.71</u>	<u>(89,756.18)</u>
Net position beginning of period	7,181,716.56	6,097,954.33	6,554,077.48	5,798,337.78
Net position end of period	<u>6,782,889.19</u>	<u>5,708,581.60</u>	<u>6,782,889.19</u>	<u>5,708,581.60</u>



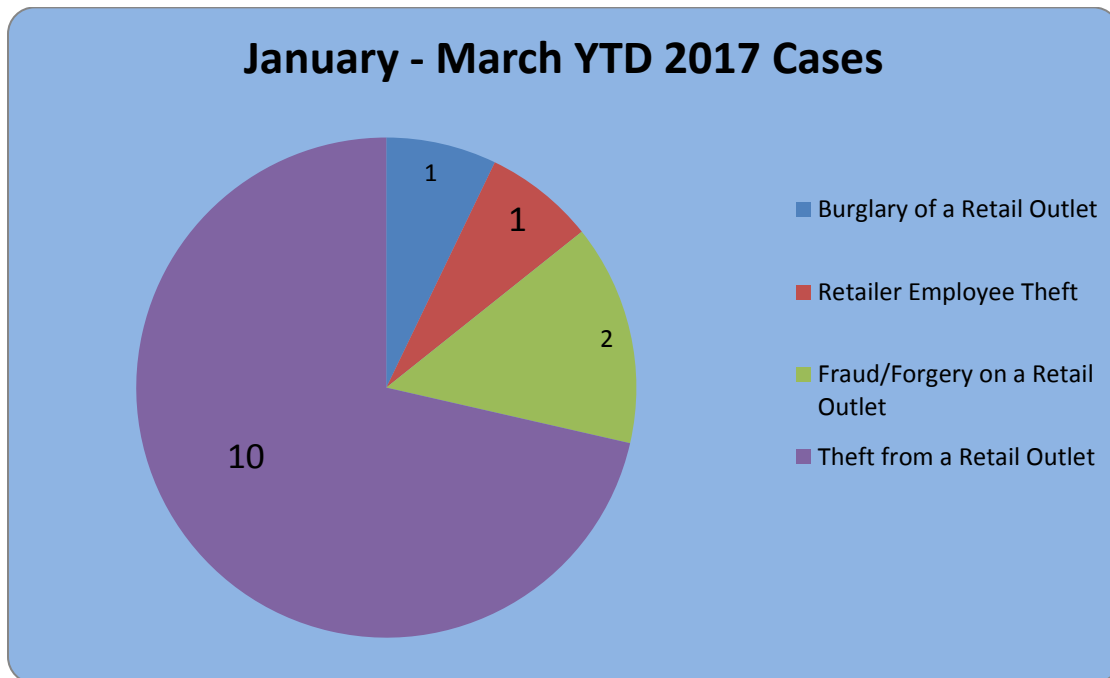
January - March 2017 Security Report



January - March YTD 2017 Record of Contacts



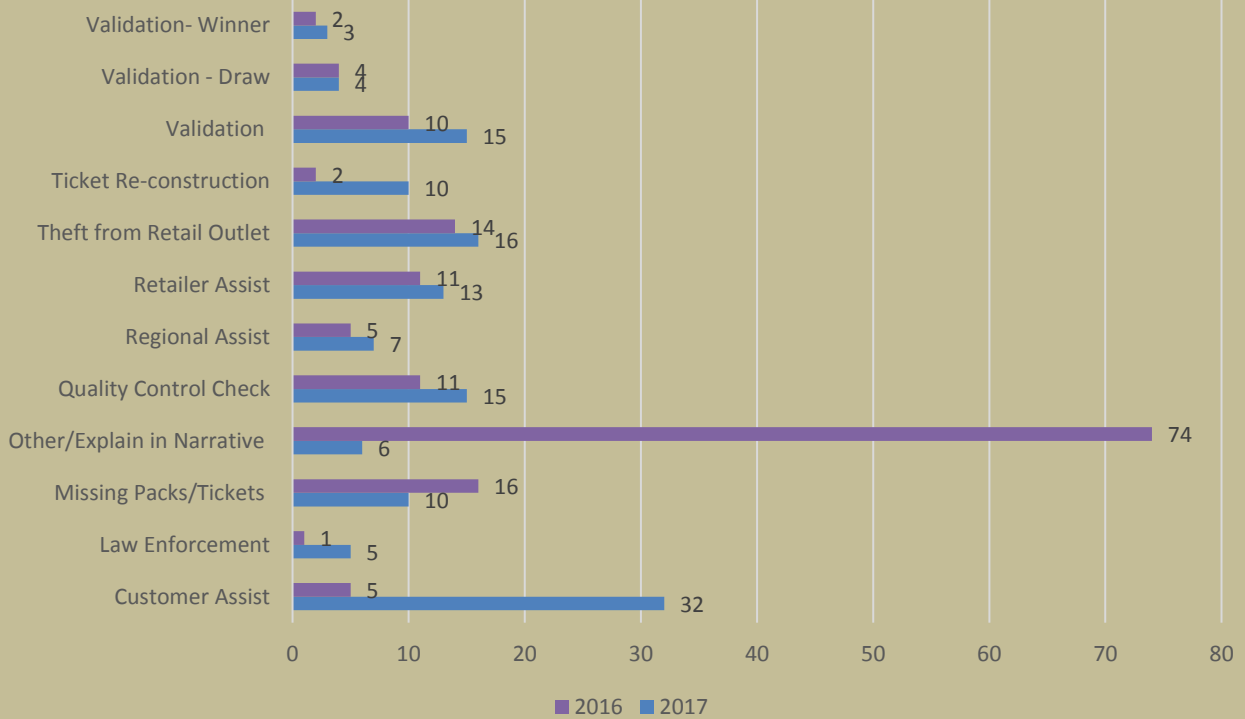
Other: (1) Document destruction of Lottery coupons, (2) Audit of Security Process, (1) Security Audit of ICS System (1) Multiple Winner Verification (1) Document Finance Correction Process



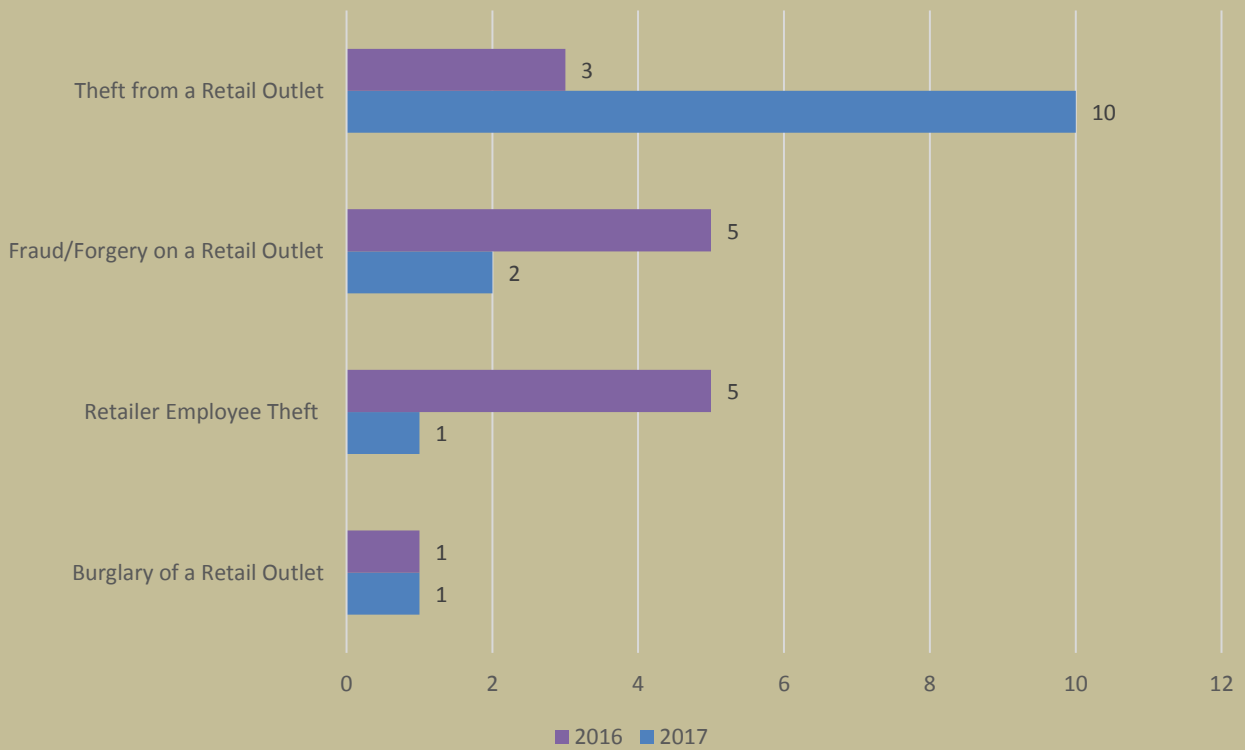
Other Duties and Activities;

- Winner Validation for (4) Power Cruise promotional drawings
- Conducted **227** compliance checks on retail outlets, sent follow up letters to all retailers to provide results of the compliance check at their store. **Of special note;** no retail clerk has attempted to cheat the covert investigator or “player” of their winnings during these transactions.
- **85** Retail Employee Claim Verifications

Comparison of Record of Contacts January - March 16,2016 to January - March 16, 2017



Comparison of Cases January - March 16,2016 to January - March 16, 2017





13001 University Avenue
Clive Iowa 50325-8225
www.ialottery.com
515.725.7900

Terry E. Branstad · Governor
Kim Reynolds · Lt. Governor
Terry Rich · Chief Executive Officer

Date: March 28, 2017

To: Iowa Lottery Board
From: Larry L. Loss
Re: Pull-tab ticket printing contract extensions

The Iowa Lottery issued RFP IL 14-02, Request for Proposal, Purchase of Pull-tab Tickets on December 13, 2013.

The purpose of this Request for Proposal (RFP) was to solicit proposals from qualified firms or vendors interested in printing pull-tab tickets and providing related services for the Iowa Lottery Authority (Lottery), pursuant to the authority of Iowa Code, Chapter 99G. The Lottery intended to award one vendor a single contract but reserved the right at its sole discretion to award additional contracts to print Lottery pull-tab tickets. The award of the contract did not guarantee the Lottery would print any tickets with that vendor.

American Games, Inc., a Pollard Banknote Company located in Council Bluffs, Iowa, was the sole bidder.

On January 29, 2014, the Iowa Lottery Board approved the Iowa Lottery to issue a Notice of Intent to Award to American Games, Inc., a Pollard Banknote Company located in Council Bluffs, Iowa.

Subsequently, the contract terms were negotiated. As part of that negotiation, the contract was issued to Pollard Games, Inc. doing business as American Games. The initial term of the contract was for one year. The contract further provided for three one-year extensions beyond the initial term.

The initial contract term was April 1, 2014 through March 31, 2015. On March 16, 2015, the Lottery Board approved the Iowa Lottery to exercise the first extension available, extending the term of the contract to March 31, 2016. On December 9, 2015, the Lottery Board approved the Iowa Lottery to exercise the second extension available extending the term of the contract to March 31, 2017.

There is one additional one-year extension still available under this contract.

Background Information

The Lottery operates on a multiple game strategy and multiple price point strategy and plans to have at least 18 games available for sale at all times. New tickets at the \$.25, \$.50 and \$1 price points will be introduced every 1-2 months and at the \$2 price point 2-4 times per year. The ticket size and unit size are all the same regardless of price point. The Lottery has a base of approximately 335 retailers selling pull-tab tickets within Iowa. The Lottery's current gaming system is operated by Scientific Games which

includes on-site verification that each pull-tab ticket being cashed was purchased at that location. Each prize-winning pull-tab ticket winning up to \$100 currently must be cashed at the location where it was purchased meaning cross-validation of pull-tab tickets between retailers is not allowed. Jackpot tickets worth over \$100 currently can only be validated and paid at the Lottery office locations across the state.

The value of the contract will vary from year to year based on the number of games that are printed. Based on current ticket sales, the value of this contract is approximately \$300,000 per year.

Recommendation

Iowa Lottery staff is asking for Board approval to exercise the third extension of the Pull-tab Printing and Related Services contracts with Pollard Games Inc. doing business as American Games thus extending the contract through March 31, 2018.

**EXTENSION TO THE
AGREEMENT FOR THE PURCHASE OF
PULL-TAB TICKETS AND RELATED SERVICES**

This Extension and Amendment of Agreement For the Purchase of Pull-Tab Tickets and Related Services (Extension) is effective on the last date set forth below and is made by and between the **Iowa Lottery Authority** (Lottery) and **Pollard Games, Inc.** doing business as **American Games** (Contractor).

In consideration of the mutual covenants contained in this Extension, the sufficiency of which is acknowledged, it is agreed as follows:

SECTION 1. IDENTITY OF THE PARTIES.

1.1 The Lottery is an instrumentality of the State of Iowa and is authorized by Iowa Code Chapter 99G to conduct a lottery in the State of Iowa. The Lottery's address is 13001 University Avenue, Clive, Iowa 50325.

1.2 The Contractor is a corporation established under the laws of the state of Delaware. American Games is engaged in the business, among other things, of printing pull-tab tickets. The address for Contractor is 504 34th Avenue, Council Bluffs, IA 51501.

SECTION 2. EXTENSION OF TERM.

On or about April 1, 2014, the Lottery and Contractor entered into an Agreement for the Purchase of Pull-Tab Tickets and Related Services ("Agreement"). The term of the Agreement was for one year, plus three one-year extension periods exercisable at the option of the Lottery. Pursuant to Section 5 of the Agreement, the third option period is hereby exercised extending the term through March 31, 2018.

SECTION 3. AGREEMENT OTHERWISE UNCHANGED.

Except as specifically modified hereby, the terms of this Agreement shall remain in full force and effect.

SECTION 4. EXECUTION.

IN WITNESS WHEREOF, in consideration of the mutual covenants set forth above and for other goods and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, the parties have entered into the above Extension and have caused their duly authorized representatives to execute this Extension.

Iowa Lottery Authority

By: _____
Name: Larry Loss
Title: Executive Vice President

Date: _____

Pollard Games, Inc dba American Games

By: _____
Name: Douglas E. Pollard
Title: President

Date: _____



13001 University Avenue
Clive Iowa 50325-8225
www.ialottery.com
515.725.7900

Terry E. Branstad · Governor
Kim Reynolds · Lt. Governor
Terry Rich · Chief Executive Officer

Date: March 28, 2017

To: Iowa Lottery Board
From: Teri TeBockhorst and Rob Porter
Re: Advertising and Media Services Contract Extensions

The Iowa Lottery issued IL IL-12-01, Request for Proposal, Advertising and Related Services, on January 13, 2012.

The purpose of this Request for Proposal (RFP) was to solicit proposals from qualified vendors to assist the Iowa Lottery in its brand building and strategic marketing efforts. The RFP sought solicitations for both advertising/creative services and for media services, and allowed prospective vendors to bid on one or both portions of the business.

At the time, three vendors (Strategic America, Trilix Marketing, and ZLR Ignition) submitted bids for both contracts, and one vendor (Gazette Communications, Inc. DBA Fusionfarm) bid solely on the creative/advertising contract. At its May 31, 2012 meeting, the Iowa Lottery Board ultimately approved an award of both the advertising/creative contract and the media services contract to Strategic America.

Both these agreements commenced on July 1, 2012, and the original terms ran through 2014, with four (4) additional one-year option periods beyond the original terms. The Lottery has previously exercised the first two options under both the advertising/creative and the media services agreements.

In FY 2016, the estimated cost of the advertising/creative agreement was \$ 586,589.51 and the estimated cost of the media services agreement was \$ 4,809,298.67.

Background

The Iowa Lottery has been pleased with the services provided by Strategic America pursuant to this agreement. SA has proven to be a capable business partner, and its assistance has been a factor in the Iowa Lottery's success. The Iowa Lottery seeks to exercise the third extension period available under each of these agreements, so that the parties can continue to work together to achieve great results for Iowans.

Recommendation

The Iowa Lottery requests that the Board approve the exercise of the final available extension of the advertising/creative agreement and the media services agreement with Strategic America, making the term run through June 30, 2018.

**EXTENSION TO THE AGREEMENT
FOR CREATIVE ADVERTISING SERVICES**

THIS EXTENSION, is effective on July 1, 2017 and is made by and between the **IOWA LOTTERY AUTHORITY** (Lottery) and **STRATEGIC AMERICA** (Agency). In consideration of the premises and the mutual promises and covenants contained herein, the parties hereto agree as follows:

SECTION 1. IDENTITY OF THE PARTIES.

1.1 The Iowa Lottery Authority is an instrumentality of the State of Iowa and is authorized by Iowa Code Chapter 99G to conduct a lottery in the State of Iowa. The Lottery's address is 13001 University Avenue, Clive, IA 50325.

1.2 Strategic America is an Iowa corporation, whose business, is among other things, of providing creative advertising services for clients. The address for Agency is 6600 Westown Parkway, Suite 100, West Des Moines, IA 50266.

SECTION 2. STATEMENT OF AGREEMENT AND PURPOSE. The Lottery and Agency entered into a two-year Agreement providing that the Agency would provide advertising and marketing support for planning and preparation of materials intended to advertise the Lottery, its services and products during the term of the Agreement.

SECTION 3. EXTENSION. On July 1, 2012, the Lottery and Agency entered into an Agreement for Creative Advertising Services (reference RFP 12-01). The term of the Agreement was for a two-year period with four one-year option periods. The Agreement was amended in August 2012 to reflect a change to Section 6.2 Monthly, Billings. Pursuant to Section 4 of the Agreement, the fourth and final option period of the Agreement is hereby exercised through June 30, 2018. Agency shall submit an updated Schedule B to reflect contractually agreed rates, which when approved by the Lottery will be incorporated into this Agreement as if fully set forth herein.

SECTION 4. RATIFICATION. Except as expressly amended hereby, the Agreement or any other amendments to the Agreement shall remain in full force and effect, and the parties hereby ratify and confirm the terms and conditions thereof.

SECTION 5. AUTHORIZATION. Each party to this Agreement represents and warrants to the other that:

5.1 It has the right, power and authority to enter into and perform its obligations under this Agreement.

5.2 It has taken all requisite action (corporate statutory or otherwise) to approve execution, delivery and performance of this Agreement, and this Agreement constitutes a legal, valid and binding obligation upon itself in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency and similar laws.

SECTION 6. EXECUTION. IN WITNESS WHEREOF, in consideration of the mutual covenants set forth above and for other good and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, the parties have entered into the above Agreement and have caused their duly authorized representatives to execute this Agreement.

Iowa Lottery Authority

Strategic America

Larry Loss
Executive Vice President
Date _____

Name John C. Schreurs
Title: President
Date _____

**EXTENSION TO THE AGREEMENT FOR
MEDIA PLANNING, BUYING SERVICES AND PRODUCTS**

THIS EXTENSION, is effective on July 1, 2017 and is made by and between the **IOWA LOTTERY AUTHORITY** (Lottery) and **STRATEGIC AMERICA** (Agency). In consideration of the premises and the mutual promises and covenants herein contained, the parties hereto agree as follows:

SECTION 1. IDENTITY OF THE PARTIES.

1.1 The Iowa Lottery Authority is an instrumentality of the State of Iowa and is authorized by Iowa Code Chapter 99G to conduct a lottery in the State of Iowa. The Lottery's address is 13001 University Avenue, Clive, IA 50325.

1.2 Strategic America is an Iowa corporation, whose business, is among other things, of providing media purchasing services for clients. The address for Agency is 6600 Westown Parkway, Suite 100, West Des Moines, IA 50266.

SECTION 2. STATEMENT OF AGREEMENT AND PURPOSE. The Lottery and Agency entered into a two-year Agreement, plus extensions, providing for media planning and buying services by the Agency to support advertising and marketing efforts to sell Lottery products.

SECTION 3. EXTENSION. Effective July 1, 2012, the Lottery and the Agency entered into an Agreement (reference RFP 12-01) for media planning and buying services. The term of the Agreement was for a two-year period with four (4) one-year option periods. Effective September 2012 the Agreement was amended to reflect a revised Section 6.3 for Ad-Grab Services. Pursuant to Section 4 of the Agreement, the term of the Agreement is hereby extended for the fourth and final option period through June 30, 2018. Agency shall submit an updated Schedule B to reflect contractually agreed rates, which when approved by the Lottery will be incorporated into this Agreement as if fully set forth herein.

SECTION 4. RATIFICATION. Except as expressly amended hereby, the Agreement or any other amendments to the Agreement shall remain in full force and effect, and the parties hereby ratify and confirm the terms and conditions thereof.

SECTION 5. AUTHORIZATION. Each party to this Agreement represents and warrants to the other that:

5.1 It has the right, power and authority to enter into and perform its obligations under this Agreement.

5.2 It has taken all requisite action (corporate statutory or otherwise) to approve execution, delivery and performance of this Agreement, and this Agreement constitutes a legal, valid and binding obligation upon itself in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency and similar laws.

SECTION 6. EXECUTION. IN WITNESS WHEREOF, in consideration of the mutual covenants set forth above and for other good and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, the parties have entered into the above Agreement and have caused their duly authorized representatives to execute this Agreement.

Iowa Lottery Authority

Strategic America

Larry Loss
Executive Vice President
Date _____

Name John C. Schreurs
Title: President
Date _____



13001 University Avenue
Clive Iowa 50325-8225
www.ialottery.com
515.725.7900

Terry E. Branstad · Governor
Kim Reynolds · Lt. Governor
Terry Rich · Chief Executive Officer

Date: March 21, 2017

To: Terry Rich, CEO
Lottery Board Members

From: Brenda Nye, CFO
Pam Bocker, Promotions Manager
Martha Scanlan, Security Investigator

Re: Auditing Services Recommendation

On January 26, 2017, the Iowa Lottery issued Request for Proposal (RFP) #IL 17-2. The purpose of the RFP was to solicit proposals from qualified independent certified public accountants to provide auditing services for the Iowa Lottery's drawing events and other special events as required by Iowa Code section 99G.9(3)(h). The current contract expires April 30, 2017. The RFP was sent to known vendors of auditing services within the Des Moines metropolitan area and was made available at www.ialottery.com.

Proposals were due February 27, 2017. The Lottery received one (1) response to the RFP from RSM US LLP, fka McGladrey & Pullen, LLP and our current vendor for these services. The evaluation committee members were Brenda Nye, CFO; Pam Bocker, Promotions Manager and Martha Scanlan, Security Investigator.

The evaluation committee has reviewed the proposal. All requirements of the RFP were sufficiently addressed in the proposal received. The hourly rate submitted with this RFP is \$150.00 per hour to be adjusted annually based on the percentage of the change in the National All Urban Consumer Price Index for the "all items" classification from February to February.

The six-year total price for the RFP follows. Based on this analysis, it is the evaluation committee's recommendation to award the contract for Auditing Services to RSM US LLP.

A copy of the contract is included. The evaluation committee also recommends approval of the contract as presented.

Iowa Lottery Authority
Auditing Services

Compilation of the Total Proposal Price

Contractor	Proposed Hourly Rate	Proposed CPI Markup/ Markdown %						Total Proposal Price
			Year 1	Year 2	Year 3	Year 4	Year 5	
RSM US LLP	\$ 150.00	100%	\$ 5,625.00	\$ 5,765.63	\$ 5,909.77	\$ 6,057.51	\$ 6,208.95	\$ 35,931.02

Minimum hours per year* 37.5

CPI increase** 2.50%

* Per 4.2.1, 15 events per year; average 2.5 hours per event

** For illustration purposes only, used Unadjusted 12-months ended January 2017.

The National All Urban Consumer Price Index for all items from February to February will be used for the actual CPI increase or decrease.

**AGREEMENT FOR GAME AUDITING SERVICES
BETWEEN**

**The Iowa Lottery
and
RSM US LLP**

Effective May 1, 2017

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AGREEMENT FOR GAME AUDITING SERVICES

This Agreement for Game Auditing Services (Agreement) is effective on May 1, 2017 and is made by and between the Iowa Lottery Authority (Lottery) and RSM US LLP (Contractor).

IN CONSIDERATION of the mutual covenants contained in this Agreement, the sufficiency of which is acknowledged, it is agreed as follows:

SECTION 1. IDENTITY OF THE PARTIES

1.1 The Lottery is an instrumentality of the State of Iowa whose address is 13001 University Avenue, Clive, IA 50325-8225. The Lottery is authorized by Iowa Code chapter 99G to conduct a lottery in the state of Iowa.

1.2 RSM US LLP is a limited liability partnership, whose business is among other things to provide game auditing services. Contractor's principal place of business is located at 400 Locust Street, Suite 640, Des Moines, IA 50309.

SECTION 2. PURPOSE.

The Lottery is entering into this Agreement for the purpose of retaining the Contractor to provide game draw auditing services for the Lottery.

SECTION 3. TERM.

The initial term of this Agreement is from May 1, 2017 through April 30, 2019. Additionally, the Lottery may exercise up to four (4) one-year extensions at the Lottery's sole option. The Lottery may, in its sole discretion, exercise any applicable extension by giving the Contractor written notice of the extension decision at least thirty (30) days prior to the expiration of the initial term or renewal term.

SECTION 4. SCOPE OF WORK.

4.1 Description of Goods and Services. The goods to be produced and the services to be performed pursuant to and as a result of this Agreement by the Contractor are described on Schedule A attached hereto and made a part hereof by this reference.

4.2 Amendments to Description of Goods and Services. The parties agree that Schedule A, Description of Goods and Services, may be revised, replaced, amended or deleted at any time during the term of this Agreement to reflect changes in service or performance standards upon the mutual written and executed consent of the parties.

4.3 Industry Standards. In the absence of a detailed specification for the performance of any portion of this Agreement, the parties agree that the applicable specification shall be the generally accepted industry standard for auditing services.

4.4 Applicability of the Agreement to Orders. The parties agree that the terms and conditions of this Agreement shall apply to all Scope of Services, purchase orders, letter orders, or other ordering documents issued by the Lottery and accepted by the Contractor.

4.5 Personnel to Perform the Services. Contractor agrees to provide the services required by this Agreement through the individuals identified in its proposal. In the event Contractor determines that it is necessary to substitute personnel, Contractor shall obtain the prior written approval of the Lottery. The Lottery reserves the right to disapprove of any employee of the Contractor directly involved in the drawing events. Contractor shall remain responsible for the performance of all services pursuant to the Agreement regardless of the personnel used to complete the terms of this Agreement.

4.6 Ticket Purchase Restrictions. As stated in Iowa Code Chapter 99G.31(2)(h), "No ticket or share issued by the authority shall be purchased by and no prize shall be paid to any officer, employee or agent, or subcontractor of any Contractor or to any spouse, child, brother, sister, or parent residing as a member of the same household in the principal place of residence or any such person if such officer, employee, agent, or subcontractor has access to confidential information which may compromise the integrity of the Lottery." The Contractor shall provide a list of individuals that should be prohibited from purchasing tickets under this Code section to the Lottery for entry into a database, including but not limited to individuals directly involved in the auditing of Lottery drawings pursuant to this Contract. Contractor shall be responsible for submitting timely updates to this list to the Lottery.

SECTION 5. COMPENSATION.

5.1 Pricing. The Contractor shall be paid on an hourly basis at the rate of \$150.00 per hour, with a minimum billing for each event of one hour, multiplied by the number of hours on the premises of a Lottery drawing event. Time will be billed after the first hour in quarter hour increments with time being rounded up to the nearest quarter hour. This amount shall be the total and complete fee payable to the Auditor for the services rendered.

5.2 Payment to Contractor. Contractor shall submit an invoice, no less than once a month, for services rendered in accordance with Schedule A. The invoices shall be submitted to the Lottery by mail, attention accounts payable or by email to AcctPay@ialottery.com. The invoice shall comply with all applicable rules concerning payment of such claims. The Lottery shall verify the Contractor's performance of the Deliverables outlined in the invoice before making payment. The Lottery shall pay all approved invoices in arrears and in conformance with Iowa Code 8A.514 and II IAC §41.1(2). The Lottery may pay in less than sixty (60) days, but an election to pay in less than sixty (60) days shall not act as an implied waiver of Iowa Code § 8A.514. Unless otherwise agreed in writing by the parties, the Contractor shall not be entitled to receive any other payment or compensation from the Lottery for any Deliverables provided by or on behalf of the Contractor under this Contract. The Contractor shall be solely responsible for paying all costs, expenses and charges it incurs in connection with its performance under this Contract.

All traveling time, mileage, and other expenses within the Des Moines metropolitan area will be the responsibility of the Contractor. Expenditures relating to events outside of the Des Moines metropolitan areas will be minimized whenever possible and will be borne by the Lottery provided the Lottery approves such expenditures. Actual travel time and actual time spent on out-of-town events may be billed to the Lottery.

5.3 Established rules for limitations on reimbursement expenses. Please reference Department of Administrative Services - State Accounting Enterprise Procedure 210-245 (accessible on the internet) for limits on travel expenses, if applicable.

5.4 Withholding Payments. In addition to pursuing any other remedy provided herein or by law, the Lottery may withhold compensation or payments to Contractor, in whole or in part, without penalty to the Lottery or work stoppage by Contractor, in the event the Lottery determines that: (i) Contractor has failed to perform any of its duties or obligations as set forth in this Contract; or (ii) any Deliverable has failed to meet or conform to any applicable Specifications or contains or is experiencing a Deficiency. No interest shall accrue or be paid to Contractor on any compensation or other amounts withheld or retained by the Lottery under this Contract.

5.5 Setoff Against Sums Owed by the Contractor. In the event that Contractor owes the State any sum under the terms of this Contract, any other contract or agreement, pursuant to a judgment, or pursuant to any law, the State may, in its sole discretion, set off any such sum against: (1) any sum invoiced by, or owed to, Contractor under this Contract, or (2) any sum or amount owed by the State to Contractor, unless otherwise required by law. The Contractor agrees that this provision constitutes proper and timely notice under any applicable laws governing setoff.

5.6 State not to be Obligated. Pursuant to Iowa Code Section 99G.38, the funds of the State of Iowa, as opposed to the funds of the Iowa Lottery Authority, are not available to meet the obligations of the Lottery that may arise from this Agreement.

5.7 CPI Cost Adjustments. The costs in this Agreement shall allow for an adjustment of the Contractor's price beginning with each of the contract extensions, if exercised by the Lottery pursuant to this Contract. Each contract extension will allow for an adjustment (markup/markdown) of the Contractor's price based on a percentage of the change in the National All Urban Consumer Price Index for the "all items" classification from February to February. The applicable percentage of the total change will be equal to 100% of the CPI change.

5.8 Suspension of Payment. The Lottery may suspend all or part of the payment to the Contractor if the Contractor fails to perform as required by this Agreement until such time as the Contractor renders satisfactory performance. The amount of the payment suspended shall be reasonably calculated by the Lottery to represent only that part of the Contractor's payment that is attributable to the work not satisfactorily performed. The determination as to whether the contractor is in compliance with this Agreement shall be within the discretion of the Lottery.

SECTION 6. TERMINATION.

6.1 Termination for Cause by the Lottery. The Lottery may terminate this Contract upon written notice for the breach by Contractor of any material term, condition or provision of this Contract, if such breach is not cured within the time period specified in the Lottery's notice of breach or any subsequent notice or correspondence delivered by the Lottery to Contractor, provided that cure is feasible. In addition, the Lottery may terminate this Contract effective immediately without penalty and without advance notice or opportunity to cure for any of the following reasons:

6.1.1 Contractor furnished any statement, representation, warranty or certification in connection with this

Contract, the RFP or the Proposal that is false, deceptive, or materially incorrect or incomplete;

6.1.2 Contractor or any of Contractor's officers, directors, employees, agents, subsidiaries, affiliates, contractors or subcontractors has committed or engaged in fraud, misappropriation, embezzlement, malfeasance, misfeasance, or bad faith;

6.1.3 Contractor or any parent or affiliate of Contractor owning a controlling interest in Contractor dissolves;

6.1.4 Contractor terminates or suspends its business;

6.1.5 Contractor's corporate existence or good standing in Iowa is suspended, terminated, revoked or forfeited, or any license or certification held by Contractor related to Contractor's performance under this Contract is suspended, terminated, revoked, or forfeited;

6.1.6 Contractor has failed to comply with any applicable international, federal, state (including, but not limited to Iowa Code chapter 8F), or local laws, rules, ordinances, regulations or orders when performing within the scope of this Contract;

6.1.7 The Lottery determines or believes the Contractor has engaged in conduct that: (a) has or may expose the Lottery to material liability, or (b) has caused or may cause a person's life, health or safety to be jeopardized;

6.1.8 Contractor infringes or allegedly infringes or violates any patent, trademark, copyright, trade dress or any other intellectual property right or proprietary right, or Contractor misappropriates or allegedly misappropriates a trade secret;

6.1.9 Contractor fails to comply with any applicable confidentiality laws, privacy laws, or any provisions of this Contract pertaining to confidentiality or privacy; or

6.1.10 Any of the following has been engaged in by or occurred with respect to Contractor or any corporation, shareholder or entity having or owning a controlling interest in Contractor: (a) Commencing or permitting a filing against it which is not discharged within ninety (90) days, of a case or other proceeding seeking liquidation, reorganization, or other relief with respect to itself or its debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect; or filing an answer admitting the material allegations of a petition filed against it in any involuntary case or other proceeding commenced against it seeking liquidation, reorganization, or other relief under any bankruptcy, insolvency, or other similar law now or hereafter in effect with respect to it or its debts; or consenting to any such relief or to the appointment of or taking possession by any such official in any voluntary case or other proceeding commenced against it seeking liquidation, reorganization, or other relief under any bankruptcy, insolvency, or other similar law now or hereafter in effect with respect to it or its debts; (b) Seeking or suffering the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its assets; (c) Making an assignment for the benefit of creditors; (d) Failing, being unable, or admitting in writing the inability generally to pay its debts or obligations as they become due or failing to maintain a positive net worth and such additional capital and liquidity as is reasonably adequate or necessary in connection with Contractor's performance of its obligations under this Contract; or (e) Taking any action to authorize any of the foregoing. The Lottery's right to terminate this Contract shall be in addition to and not exclusive of other remedies available to the Lottery, and the Lottery shall be entitled to exercise any other rights and pursue any remedies, in law, at equity, or otherwise.

6.2 Termination upon Notice. Following sixty (60) days written notice, either party may terminate this Contract in whole or in part without penalty and without incurring any further obligation to the other. Termination can be for any reason or no reason at all.

6.3 Termination Due to Lack of Funds or Change in Law. Notwithstanding anything in this Contract to the contrary, and subject to the limitations set forth below, the Lottery shall have the right to terminate this Contract without penalty and without any advance notice as a result of any of the following:

- If the Lottery's authorization to conduct its business or engage in activities or operations related to the subject matter of this Contract is withdrawn or materially altered or modified; or
- If the Lottery's duties, programs or responsibilities are modified or materially altered. The Lottery shall provide Contractor with written notice of termination pursuant to this section.

6.4 Limitation of the Lottery's Payment Obligations. In the event of termination of this Contract for any reason by either party, the Lottery shall pay only those amounts, if any, due and owing to Contractor hereunder for Deliverables actually and satisfactorily provided in accordance with the provisions of this Contract up to and including the date of termination of this Contract and for which the Lottery is obligated to pay pursuant to this Contract; provided however, that in the event the Lottery terminates this Contract pursuant to Section 6.3, the Lottery's obligation to pay Contractor such amounts and other compensation shall be limited by, and subject to, legally available funds. Payment will be made only upon submission of invoices and proper proof of Contractor's claim. Notwithstanding the foregoing, this Section 6.4 in no way limits the rights or remedies available to the Lottery and shall not be construed to require the Lottery to pay any compensation or other amounts hereunder in the event of Contractor's breach of this Contract or any amounts withheld by the Lottery in accordance with the terms of this Contract. The Lottery shall not be liable, under any circumstances, for any of the following:

6.4.1 The payment of unemployment compensation to Contractor's employees;

6.4.2 The payment of workers' compensation claims, which occur during the Contract or extend beyond the date on which the Contract terminates;

6.4.3 Any costs incurred by Contractor in its performance of the Contract, including, but not limited to, startup costs, overhead or other costs associated with the performance of the Contract;

6.4.4 Any damages or other amounts associated with the loss of prospective profits, anticipated sales, goodwill, or for expenditures, investments or commitments made in connection with this Contract;

6.4.5 Any taxes Contractor may owe in connection with the performance of this Contract, including, but not limited to, sales taxes, excise taxes, use taxes, income taxes or property taxes.

6.5 Contractor's Termination Duties. Upon receipt of notice of termination or upon request of the Lottery, Contractor shall:

6.5.1 Cease work under this Contract and take all necessary or appropriate steps to limit disbursements and minimize costs, and furnish a report within thirty (30) days of the date of notice of termination, describing the status of all work performed under the Contract and such other matters as the Lottery may require.

6.5.2 Immediately cease using and return to the Lottery any property or materials, whether tangible or intangible, provided by the Lottery to Contractor.

6.5.3 Cooperate in good faith with the Lottery and its employees, agents and independent contractors during the transition period between the notification of termination and the substitution of any replacement service provider.

6.5.4 Immediately return to the Lottery any payments made by the Lottery for Deliverables that were not rendered or provided by Contractor.

6.5.5 Immediately deliver to the Lottery any and all Deliverables for which the Lottery has made payment (in whole or in part) that are in the possession or under the control of the Contractor or its agents or subcontractors in whatever stage of development and form of recordation such property is expressed or embodied as that time.

SECTION 7. CONFIDENTIAL INFORMATION.

7.1 Access to Confidential Information. The Contractor's employees, agents and subcontractors may have access to confidential information maintained by the Lottery to the extent necessary to carry out its responsibilities under the Contract. The Contractor shall presume that all information received pursuant to this Contract is confidential unless otherwise designated by the Lottery. The Contractor shall provide to the Lottery a written description of its policies and procedures to safeguard confidential information. Policies of confidentiality shall address, as appropriate, information conveyed in verbal, written, and electronic formats. The Contractor must designate one individual who shall remain the responsible authority in charge of all data collected, used, or disseminated by the Contractor in connection with the performance of the Contract. The Contractor shall provide adequate supervision and training to its agents, employees and subcontractors to ensure compliance with the terms of this Contract. There is no additional pay to an auditor in training. The private or confidential information shall remain the property of the Lottery at all times. Confidential Information does not include information, technical data or know-how which: (i) is known by the Contractor at the time of disclosure; (ii) is or becomes known to the public through no fault or breach of this Agreement by the Contractor; (iii) is approved for release by written authorization of the Lottery; (iv) is disclosed to the Contractor by a third party not in violation of any obligation of confidentiality; or (v) is independently developed by the Contractor without reference to the Confidential Information.

7.2 No Dissemination of Confidential information. No confidential information collected, maintained, or used in the course of performance of the Contract shall be disseminated by Contractor except as authorized by law regulation or valid order by a court or other governmental body and only with the prior written consent of the Lottery, either during the period of the Contract or thereafter. Any data supplied by the Lottery to the Contractor or created by the Contractor in the course of the performance of this Contract shall be considered the property of the Lottery, including but not limited to Lottery Marketing Plans. The Contractor must return any and all data collected, maintained, created or used in the course of the performance of the Contract in whatever form it is maintained promptly at the request of the Lottery. If the Contractor cannot return the Confidential Information due to federal or state regulations or professional or industry standards that require the retention of such Confidential Information, the Contractor will continue to keep such information confidential in accordance with the terms of this Agreement. It is also understood that it is not possible to return or delete information, data and other records of the Lottery which has been transmitted by email or otherwise stored electronically. In that regard it is agreed that the Contractor is under no obligation to return or delete such information and shall continue to keep such information confidential in accordance with the terms of this Agreement. The Contractor may be held civilly or criminally liable for improper disclosure of confidential information.

Contractor subscribes to a program of peer review for maintenance of quality control as required by its profession. As part of this program, this engagement may be selected for review by other CPAs under strict rules of confidentiality. The Lottery's acceptance below constitutes its agreement for disclosure under the program.

7.3 Subpoena. In the event that a subpoena or other legal process is served upon the Contractor for records containing confidential information, the Contractor shall promptly notify the Lottery and cooperate with the Lottery in any lawful effort to protect the confidential information.

7.4 Reporting of Unauthorized Disclosure. The Contractor shall immediately report to the Lottery any unauthorized disclosure of confidential information.

7.5 Survives Termination. The Contractor's obligations under this section shall survive termination or expiration of this Contract.

SECTION 8. INDEMNIFICATION.

8.1 By the Contractor. The Contractor agrees to indemnify and hold harmless the State of Iowa and the Lottery, and its officers, appointed and elected officials, board members, employees, volunteers and agents (collectively the "Indemnified Parties"), from any and all costs, expenses, losses, claims, damages, liabilities, settlements and judgments (including, without limitation, the reasonable value of the time spent by the Attorney General's Office, and the costs, expenses and attorneys' fees of other counsel retained by the Indemnified Parties directly or indirectly related to, resulting from, or arising out of:

8.1.1 Any breach of this Contract;

8.1.2 Any negligent, intentional or wrongful act or omission of the Contractor or any agent or subcontractor utilized or employed by the Contractor;

8.1.3 Any failure by the Contractor to make all reports, payments and withholdings required by federal and state law with respect to social security, employee income and other taxes, fees or costs required by the Contractor to conduct business in the State of Iowa;

8.1.4 Any claim of misappropriation of a trade secret or infringement or violation of any intellectual property rights, proprietary rights or personal rights of any third party, including any claim that any Deliverable or any use thereof (or the exercise of any rights with respect thereto) infringes, violates or misappropriates any patent, copyright, trade secret, trademark, trade dress, mask work, utility design, or other intellectual property right or proprietary right of any third party.

8.2 Survives Termination. Contractor's duties and obligations under this section shall survive the termination of this Contract and shall apply to all acts or omissions taken or made in connection with the performance of this Contract regardless of the date any potential claim is made or discovered by the Lottery or any other Indemnified Party.

SECTION 9. INSURANCE.

9.1 Coverage Requirements. The Contractor shall maintain in effect, with insurance companies of recognized responsibility, at its own expense, insurance covering its work during the entire term of this Agreement and any extensions or renewals. The Contractor's insurance shall, among other things, be occurrence based and shall insure against any loss or damage resulting from or related to the Contractor's performance of this Agreement regardless of the date the claim is filed or expiration of the policy. Only companies authorized to transact business in the state of Iowa shall issue insurance policies and certificates. All such insurance policies shall remain in full force and effect for the entire life of this Agreement. Contractor shall provide proof of compliance with this section to the Lottery immediately upon execution of this Agreement.

9.2 Types of Coverage. Unless otherwise requested by the Lottery in writing, Contractor shall, at its sole cost, cause to be issued insurance coverage insuring the Contractor and/or subcontractors against all general liability in the amounts set forth below, each naming the Lottery as an additional insured or loss payee, as applicable.

TYPE OF INSURANCE	LIMIT	AMOUNT
General Liability (including contractual liability) written on an occurrence basis	General Aggregate	\$2,000,000.
Malpractice Insurance or Errors and Omissions Insurance	Each Occurrence	\$2,000,000
Workers Compensation and Employer Liability	As Required by Iowa law	

9.3 Coverage for Lottery on Contractor Premises. The policies must provide coverage for damages to the Lottery's property or personnel, which occurs on the Contractor's premises or premises under the control of the Contractor or Contractor's subcontractors.

9.4 Claims Provision. All insurance policies required by this Agreement, with the exception of the Professional Liability Policy, shall provide coverage for all claims arising from activities occurring during the term of the policy regardless of the date the claim is filed or expiration of the policy.

9.5 Certificates of Coverage. Contractor shall maintain all insurance policies required by this Contract in full force and effect during the entire term of this Contract and any extensions or renewals thereof. The Contractor shall submit certificates of the insurance, which indicate coverage, to the Lottery upon execution of this Contract. The certificates shall be subject to approval by the Lottery. Acceptance of the insurance certificates by the Lottery shall not act to relieve the Contractor of any obligation under this Agreement. Approval of the insurance certificates by the Lottery shall not relieve the Contractor of any obligation under this Contract. The policies obtained by Contractor must provide coverage for damages to the Lottery's property or personnel, which occurs on the Contractor's premises or premises under the control of the Contractor or subcontractor(s).

9.6 Liability of Vendor. Acceptance of the insurance certificates by the Lottery shall not act to relieve the Contractor of any obligation under this Agreement. It shall be the responsibility of the Contractor to keep the respective insurance policies and coverages current and in force during the life of this Agreement. Vendor shall be responsible for all premiums, deductibles and for any inadequacy, absence or limitation of coverage, and the Vendor shall have no claim or other recourse against the Lottery for any costs or loss attributable to any of the foregoing, all of which shall be borne solely by the Vendor. Notwithstanding any other provision of this Agreement, Vendor shall be fully responsible and liable for meeting and fulfilling all of its obligations under this Section of the Agreement.

9.7 Waiver of Subrogation Rights. The Contractor shall obtain a waiver of any subrogation rights that any of its insurance carriers might have against the Iowa Lottery or the State of Iowa. The waiver of subrogation rights shall be indicated on the certificates of insurance coverage supplied to the Lottery.

9.8 Scope of Professional Liability Insurance. The Contractor shall procure errors and omissions insurance in the amount set out above that indemnifies the Lottery and the Contractor for losses that may be incurred due to errors. This policy shall remain in effect for one year past the expiration of this Agreement and any extensions thereof.

10. LEGISLATIVE CHANGES

The Contractor expressly acknowledges that the contracted Deliverables are subject to legislative change by either the federal or state government. Should either legislative body enact measures which alter the project, the Contractor shall not hold the Lottery liable in any manner for the resulting changes. The Lottery shall use best efforts to provide thirty (30) days' written notice to the Contractor of any legislative change. During the thirty (30)-day period, the parties shall meet and make a good faith effort to agree upon changes to the Contract to address the legislative change. Nothing in this Subsection shall affect or impair the Lottery's right to terminate the Contract pursuant to the termination provisions.

11. INTELLECTUAL PROPERTY

11.1 Ownership and Assignment of Other Deliverables. Contractor agrees that the Lottery shall become the sole and exclusive owner of all Deliverables. Contractor hereby irrevocably assigns, transfers and conveys to the Lottery all right, title and interest in and to all Deliverables and all intellectual property rights and proprietary rights arising out of, embodied in, or related to such Deliverables, including copyrights, patents, trademarks, trade secrets, trade dress, mask work, utility design, derivative works, and all other rights and interests therein or related thereto. Contractor represents and warrants that the Lottery shall acquire good and clear title to all Deliverables, free from any claims, liens, security interests, encumbrances, intellectual property rights, proprietary rights, or other rights or interests of Contractor or of any third party, including any employee, agent, contractor, subcontractor, subsidiary or affiliate of Contractor. The Contractor (and Contractor's employees, agents, contractors, subcontractors, subsidiaries and affiliates) shall not retain any property interests or other rights in and to the Deliverables and shall not use any Deliverables, in whole or in part, for any purpose, without the prior written consent of the Lottery and the payment of such royalties or other compensation as the Lottery deems appropriate. Unless otherwise requested by Lottery, upon completion or termination of this Contract, Contractor will immediately turn over to Lottery all Deliverables not previously delivered to Lottery, and no copies thereof shall be retained by Contractor or its employees, agents, subcontractors or affiliates, without the prior written consent of Lottery.

11.2 Waiver. To the extent any of Contractor's rights in any Deliverables are not subject to assignment or transfer hereunder, including any moral rights and any rights of attribution and of integrity, Contractor hereby irrevocably and unconditionally waives all such rights and enforcement thereof and agrees not to challenge the Lottery's rights in and to the Deliverables.

11.3 Further Assurances. At the Lottery's request, Contractor will execute and deliver such instruments and take such other action as may be requested by the Lottery to establish, perfect or protect the Lottery's rights in and to the Deliverables and to carry out the assignments, transfers and conveyances set forth in Section 11.1.

11.4 Exceptions - The Contractor's workpapers shall remain the sole exclusive property of the Contractor and shall not be subject to the terms of this section.

SECTION 12. CONTRACTOR REPRESENTATIONS AND WARRANTIES.

12.1 Construction of Warranties Expressed in this Contract with Warranties Implied by Law. Warranties made by the Contractor in this Contract, whether: (a) this Contract specifically denominates the Contractor's promise as a warranty; or (b) the warranty is created by the Contractor's affirmation or promise, by a description of the Deliverables to be provided, or by provision of samples to the Lottery, shall not be construed as limiting or negating any warranty provided by law, including without limitation, warranties that arise through course of dealing or usage of trade. The warranties expressed in this Contract are intended to modify the warranties implied by law only to the extent that they expand the warranties applicable to the Deliverables provided by the Contractor. The provisions of this section apply during the term of this Contract and any extensions or renewals thereof.

12.2 Contractor represents and warrants that: (a) all Deliverables shall be wholly original with and prepared solely by Contractor; or it owns, possesses, holds, and has received or secured all rights, permits, permissions, licenses and authority necessary to provide the Deliverables to the Lottery hereunder and to assign, grant and convey the rights, benefits, licenses and other rights assigned, granted or conveyed to the Lottery hereunder or under any license agreement related hereto without violating any rights of any third party; (b) Contractor has not previously and will not grant any rights in any Deliverables to any third party that are inconsistent with the rights granted to the Lottery herein; and (c) the Lottery shall peacefully and quietly have, hold, possess, use and enjoy the Deliverables without suit, disruption or interruption.

12.3 Contractor represents, warrants and covenants that all services to be performed under this Contract shall be performed in a professional, competent, diligent and workmanlike manner by knowledgeable, trained and qualified personnel, all in accordance with the terms and Specifications of this Contract and the standards of performance considered generally acceptable in the industry for similar tasks and projects. In the absence of a Specification for the performance of any portion of this Contract, the parties agree that the applicable specification shall be the generally accepted industry standard. So long as the Lottery notifies Contractor of any services performed in violation of this standard, Contractor shall re-perform the services at no cost to the Lottery, such that the services are rendered in the above-specified manner, or if the Contractor is unable to perform the services as warranted, Contractor shall reimburse the Lottery any fees or compensation paid to Contractor for the unsatisfactory services.

12.4 Contractor represents and warrants that the Deliverables will comply with any applicable federal, state, and local laws, rules, regulations, codes, and ordinances in effect during the term of this Contract.

12.5 Obligations Owed to Third Parties. The Contractor represents and warrants that all obligations owed to third parties with respect to the activities contemplated to be undertaken by the Contractor pursuant to this Contract are or will be fully satisfied by the Contractor so that the Lottery will not have any obligations with respect thereto.

12.6 The Contractor represents and warrants that it has not made any misrepresentations to the Lottery related to this Agreement or the products and services to be provided pursuant to this Agreement. "Misrepresentations" include material omissions.

12.7 The Contractor represents and warrants that all employees or partners assigned to the Lottery's account will be qualified by experience and education to provide independent auditing services. As stated in the RFP, the accountants eligible to participate in the services governed by this contract are auditors that have passed the Certified Public Accountant Exam or are qualified to sit for the Exam, except as otherwise required by the Lottery in accordance with the terms of the RFP. The Contractor shall provide the Lottery with a list of these accountants and will update the list as it changes. The Contractor must provide the name, birth date, social security number, address, telephone number and function of all assigned individuals. The Lottery reserves the right to disapprove any employee or partner involved with the performance of the agreement.

SECTION 13. CONTRACT ADMINISTRATION.

13.1 Independent Contractor. The status of the Contractor shall be that of an independent contractor. The Contractor, its employees, agents and any subcontractors performing under this Contract are not employees or agents of the State or any Lottery, division or department of the State simply by virtue of work performed pursuant to this Contract. Neither the Contractor nor its employees shall be considered employees of the Lottery or the State for federal or state tax purposes simply by virtue of work performed pursuant to this Contract. The Lottery will not withhold taxes on behalf of the Contractor (unless required by law).

13.2 Incorporation of Documents. The parties acknowledge that the Contract consists of these contract terms and conditions as well as the RFP and the Bid Proposal. The RFP and the Bid Proposal are incorporated into the Contract by reference, except that no objection or amendment by the Contractor to the provisions of the RFP shall be incorporated by reference into the Contract unless the Lottery has explicitly accepted the Contractor's objection or amendment in writing. If there is a conflict between the Contract, the RFP and the Bid Proposal, the conflict shall be resolved according to the following priority, ranked in descending order: (1) the Contract; (2) the RFP; (3) the Bid Proposal. The parties agree that if an Addendum, Rider or Exhibit is attached hereto by the parties, and referenced to herein, then the same shall be deemed incorporated herein by reference.

13.3 Intent of References to Bid Documents. The references to the party's obligations, which are contained in this document, are intended to change, supplement or clarify the obligations as stated in the RFP and the Proposal. The failure of the parties to make reference to the terms of the RFP or Proposal in this document shall not be construed as creating a conflict and will not relieve the Contractor of the contractual obligations imposed by the terms of the RFP and the Proposal. Terms offered in the Proposal that exceed the requirements of the RFP shall not be construed as creating an inconsistency or conflict with the RFP or this document. The contractual obligations of the Lottery cannot be implied from the Proposal.

13.4 Compliance with the Law. The Contractor, its employees, agents, and subcontractors shall comply with all applicable federal, state, and local laws, rules, ordinances, regulations and orders when providing Deliverables under this Contract, including without limitation, all laws that pertain to the prevention of discrimination in employment and in the provision of services. For employment, this would include equal employment opportunity and affirmative action, and the use of targeted small businesses as subcontractors or suppliers. The Contractor may be required to provide a copy of its affirmative action plan, containing goals and time specifications, and non-discrimination and accessibility plans and policies regarding services to clients. Failure to comply with this provision may cause this contract to be cancelled, terminated or suspended in whole or in part and the Contractor may be declared ineligible for future state contracts or be subject to other sanctions as provided by law or rule. The Contractor, its employees, agents and subcontractors shall also comply with all federal, state and local laws regarding business permits and licenses that may be required to carry out the work performed under this Contract. The Contractor may be required to submit its affirmative action plan to the Department of Management to comply with the requirements of 541 IAC chapter 4. If all or a portion of the funding used to pay for the Deliverables is being provided through a grant from the Federal Government, Contractor acknowledges and agrees that pursuant to applicable federal laws, regulations, circulars and bulletins, the awarding agency of the Federal Government reserves certain rights including, without limitation a royalty-free, non-exclusive and irrevocable license to reproduce, publish or otherwise use, and to authorize others to use, for Federal Government purposes, the Deliverables developed under this Contract and the copyright in and to such Deliverables.

13.5 Procurement. Contractor shall use procurement procedures that comply with all applicable federal, state, and local laws and regulations.

13.6 Non-Exclusive Rights. This Contract is not exclusive. The Lottery reserves the right to select other contractors to provide Deliverables similar or identical to those described in the Scope of Work during the term of this Contract.

13.7 RESERVED.

13.8 Amendments. This Contract may be amended in writing from time to time by mutual consent of the parties. Amendments to the General Terms for Services Contracts may appear in the Special Terms. All amendments to the Contract must be fully executed by both parties.

13.9 Third Party Beneficiaries. There are no third party beneficiaries to this Contract. This Contract is intended only to benefit the Lottery and the Contractor.

13.10 Use of Third Parties. The Lottery acknowledges that the Contractor may contract with third parties for the performance of any of the Contractor's obligations under this Contract. The Contractor shall notify the Lottery in writing of all subcontracts relating to Deliverables to be provided under this Contract prior to the time the subcontract(s) become effective. The Lottery reserves the right to review and approve all subcontracts in advance of the performance of services under the subcontract. The Contractor may enter into these contracts to complete the project provided that the Contractor remains responsible for all Deliverables provided under this Contract. All restrictions, obligations and responsibilities of the Contractor under this Contract shall also apply to the subcontractors and the Contractor shall include in all of its subcontracts a clause that so states. The Lottery shall have the right to request the removal of a subcontractor from the Contract for good cause. The Contractor shall assume all responsibility for the performance of all required services, whether or not subcontractors are involved. The Lottery shall consider the Contractor to be the sole point of contact with regard to all matters related to this Agreement and is not required to initiate or maintain contact with any subcontractor.

13.11 Choice of Law and Forum. The laws of the State of Iowa shall govern and determine all matters arising out of or in connection with this Contract without regard to the conflict of law provisions of Iowa law. Any and all litigation commenced in connection with this Contract shall be brought and maintained solely in Polk County District Court for the State of Iowa, Des Moines, Iowa, or in the United States District Court for the Southern District of Iowa, Central Division, Des Moines, Iowa, wherever jurisdiction is appropriate. This provision shall not be construed as waiving any immunity to suit or liability including without limitation sovereign immunity in State or Federal court, which may be available to the Lottery or the State of Iowa.

13.12 Assignment and Delegation. Contractor may not assign, transfer or convey in whole or in part this Contract without the prior written consent of the Lottery. For the purpose of construing this clause, a transfer of a controlling interest in the Contractor shall be considered an assignment. The Contractor may not delegate any of its obligations or duties under this Contract without the prior written consent of the Lottery. The Contractor may not assign, pledge as collateral, grant a security interest in, create a lien against, or otherwise encumber, any payments that may or will be made to the Contractor under this Contract.

13.13 Integration. This Contract represents the entire Contract between the parties. The parties shall not rely on any representation that may have been made which is not included in this Contract.

13.14 Headings or Captions. The paragraph headings or captions used in this Contract are for identification purposes only and do not limit or construe the contents of the paragraphs.

13.15 Not a Joint Venture. Nothing in this Contract shall be construed as creating or constituting the relationship of a partnership, joint venture, (or other association of any kind or agent and principal relationship) between the parties hereto. Each party shall be deemed to be an independent contractor contracting for services and acting toward the mutual benefits expected to be derived herefrom. No party, unless otherwise specifically provided for herein, has the authority to enter into any contract or create an obligation or liability on behalf of, in the name of, or binding upon another party to this Contract.

13.16 Supersedes Former Contracts or Agreements. This Contract supersedes all prior contracts or agreements between the Lottery and the Contractor for the Deliverables to be provided in connection with this Contract.

13.17 Waiver. Except as specifically provided for in a waiver signed by duly authorized representatives of the Lottery and the Contractor, failure by either party at any time to require performance by the other party or to claim a breach of any provision of the Contract shall not be construed as affecting any subsequent right to require performance or to claim a breach.

13.18 Notice. Any and all notices, designations, consents, offers, acceptances or any other communication provided for herein shall be given in writing by a reliable carrier which shall be addressed to the person who signed the Contract on behalf of the party at the address identified in the Contract at the address specified. Each such notice shall be deemed to have been provided:

- a. At the time it is actually received; or,
- b. Within one day in the case of overnight hand delivery, courier or services such as Federal Express with guaranteed next day delivery; or,
- c. Within five (5) days after it is deposited in the U.S. Mail in the case of registered U.S. Mail.

From time to time, the parties may change the name and address of a party designated to receive notice. Such change of the designated person shall be in writing to the other party and as provided herein.

13.19 Cumulative Rights. The various rights, powers, options, elections and remedies of any party provided in this Contract, shall be construed as cumulative and not one of them is exclusive of the others or exclusive of any rights, remedies or priorities allowed either party by law, and shall in no way affect or impair the right of any party to pursue any other equitable or legal remedy to which any party may be entitled.

13.20 Severability. If any provision of this Contract is determined by a court of competent jurisdiction to be invalid or unenforceable, such determination shall not affect the validity or enforceability of any other part or provision of this Contract.

13.21 Time is of the Essence. Time is of the essence with respect to the Contractor's performance of the terms of this Contract. Contractor shall ensure that all personnel providing Deliverables to the Lottery are responsive to the Lottery's requirements and requests in all respects.

13.22 Authorization. Each party to this Agreement represents and warrants that:

- a. It has the right, power and authority to enter into and perform its obligations under this Contract.
- b. It has taken all requisite action (corporate, statutory or otherwise) to approve execution, delivery and performance of this Contract, and this Contract constitutes a legal, valid and binding obligation upon itself in accordance with its terms.
- c. This Agreement may be contingent upon ratification of the Lottery Board pursuant to Iowa Code Chapter 99G. The Lottery does not warrant that the Agreement will be ratified by the Lottery Board.

13.23 Successors in Interest. All the terms, provisions, and conditions of the Contract shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and legal representatives.

13.24 Records Retention and Access. The Contractor shall maintain accurate, current, and complete records of the financial activity of this Contract which sufficiently and properly document and calculate all charges billed to the Lottery throughout the term of this Contract and for a period of at least three (3) years following the date of final payment or completion of any required audit (whichever is later). If any litigation, claim, negotiation, audit or other action involving the records has been started before the expiration of the three (3) year period, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular three (3) year period, whichever is later. The Contractor shall permit the Lottery, the Auditor of the State or any other authorized representative of the State to access and examine, audit, excerpt and transcribe any directly pertinent books, documents, papers, electronic or optically stored and created records or other records of the Contractor relating to orders, invoices or payments or any other documentation or materials pertaining to this Contract, wherever such records may be located. The Contractor shall not impose a charge for audit or examination of the Contractor's books and records. Based on the audit findings, the Lottery reserves the right to address the Contractor's board or other managing entity regarding performance and expenditures. The Contractor's workpapers shall not be subject to the access provisions of this Section.

13.25 Solicitation. The Contractor represents and warrants that no person or selling Lottery has been employed or retained to solicit and secure this Contract upon an agreement or understanding for commission, percentage, brokerage or contingency excepting bona fide employees or selling agents maintained for the purpose of securing business.

13.26 Obligations Beyond Contract Term. This Contract shall remain in full force and effect to the end of the specified term or until terminated pursuant to this Contract. All obligations of the Lottery and the Contractor incurred or existing under this Contract as of the date of expiration or termination will survive the termination or expiration of this Contract.

13.27 Counterparts. The parties agree that this Contract has been or may be executed in several counterparts, each of which shall be deemed an original and all such counterparts shall together constitute one and the same instrument.

13.28 Delays or Impossibility of Performance. Neither party shall be in default under the Contract if performance is prevented, delayed or made impossible to the extent that such prevention, delay, or impossibility is caused by a "force majeure." The term "force majeure" as used in this Contract includes an event that no human foresight could anticipate or which if anticipated, is incapable of being avoided. Circumstances must be abnormal and unforeseeable, so that the consequences could not have been avoided through the exercise of all due care, such as acts of God, war, civil disturbance and other similar causes. The delay or impossibility of performance must be beyond the control and without the fault or negligence of the parties. "Force majeure" does not include: financial difficulties of the Contractor or any parent, subsidiary, affiliated or associated company of Contractor; claims or court orders that restrict Contractor's ability to deliver the Deliverables contemplated by this Contract; strikes; labor unrest; or supply chain disruptions. If delay results from a subcontractor's conduct, negligence or failure to perform, the Contractor shall not be excused from compliance with the terms and obligations of the Contract unless the subcontractor or supplier is prevented from timely performance by a "force majeure" as defined in this Contract. If a "force majeure" delays or prevents the Contractor's performance, the Contractor shall immediately use its best efforts to directly provide alternate, and to the extent possible, comparable performance. Comparability of performance and the possibility of comparable performance shall be determined solely by the Lottery. The party seeking to exercise this provision and not perform or delay performance pursuant to a "force majeure" shall immediately notify the other party of the occurrence and reason for the delay. The parties shall make every effort to minimize the time of nonperformance and the scope of work not being performed due to the unforeseen events. Dates by which performance obligations are scheduled to be met will be extended only for a period of time equal to the time lost due to any delay so caused.

13.29 Suspensions and Debarment. The Contractor certifies pursuant to 48 CFR Part 9 that neither it nor its principles are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this Contract by any federal agency or Lottery. The Contractor certifies that it is not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in any contracts with the State of Iowa.

13.30 Conflict of Interest. Contractor represents, warrants, and covenants that no relationship exists or will exist during the Contract period between the Contractor and the Lottery that is a conflict of interest. No employee, officer or agent of the Contractor or subcontractor shall participate in the selection or in the award or administration of a subcontract if a conflict of interest, real or apparent, exists. The provisions of Iowa Code chapter 68B shall apply to this Contract. If a conflict of interest is proven to the Lottery, the Lottery may terminate this Contract, and the Contractor shall be liable for any excess costs to the Lottery as a result of the conflict of interest. The Contractor shall establish safeguards to prevent employees, consultants, or members of governing bodies from using their positions for purposes that are, or give the appearance of being, motivated by the desire for private gain for themselves or others with whom they have family, business, or other ties. The Contractor shall report any potential, real, or apparent conflict of interest to the Lottery.

13.31 Certification regarding sales and use tax. By executing this Contract, the Contractor certifies it is either (a) registered with the Iowa Department of Revenue, collects, and remits Iowa sales and use taxes as required by Iowa Code chapter 423; or (b) not a “retailer” or a “retailer maintaining a place of business in this state” as those terms are defined in Iowa Code subsections 423.1(42) & (43). The Contractor also acknowledges that the Lottery may declare the Contract void if the above certification is false. The Contractor also understands that fraudulent certification may result in the Lottery or its representative filing for damages for breach of contract.

13.32 Right to Address the Board of Directors or Other Managing Entity. The Lottery reserves the right to address the Contractor’s board of directors or other managing entity of the Contractor regarding performance, expenditures and any other issue as appropriate. The Lottery determines appropriateness.

13.33 Repayment Obligation. In the event that any Lottery and/or State funds are deferred and/or disallowed as a result of any audits or expended in violation of the laws applicable to the expenditure of such funds, the Contractor shall be liable to the Lottery for the full amount of any claim disallowed and for all related penalties incurred. The requirements of this paragraph shall apply to the Contractor as well as any subcontractors.

13.34 Further Assurances and Corrective Instruments. The parties agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such amendments hereto and such further instruments as may reasonably be required for carrying out the expressed intention of this Contract.

13.35 Immunity from Liability. Every person who is a party to the Contract is hereby notified and agrees that the State, the Lottery, and all of their employees, agents, successors, and assigns are immune from liability and suit for or from Contractor’s and/or subcontractors’ activities involving third parties and arising from the Contract.

13.36 Public Records. The laws of the State require procurement records to be made public unless otherwise provided by law.

13.37 Use of Name or Intellectual Property. Contractor agrees it will not use the Lottery and/or State’s name or any of their intellectual property, including but not limited to, any State, Lottery, board or commission trademarks or logos in any manner, including commercial advertising or as a business reference, without the expressed prior written consent of the Lottery and/or the State.

13.38 Taxes. The Lottery and/or the State is exempt from Federal excise taxes, and no payment will be made for any taxes levied on Contractor’s employee’s wages. The Lottery is exempt from State and local sales and use taxes on the Deliverables. The Contractor is subject to withholding and other taxes pursuant to Federal and State laws.

13.39 No Minimums Guaranteed. The contract does not guarantee any minimum level of purchases or any minimum amount of compensation.

13.40 Endorsements. The Contractor will not use any oral or written communication made by any Lottery employee in a manner which could be characterized as an endorsement of or advertisement for the contractor or the Contractor’s product without the Lottery’s prior written consent.

13.41 Material Breaches. The references in this Agreement to specific material breaches of this Agreement shall not be construed as implying that other breaches of this Agreement are not material.

13.42 Right of Inspection. The Contractor shall allow the Lottery, or anyone designated by the Lottery, to inspect its facilities at all reasonable times in order to monitor and evaluate performance of this Agreement.

13.43 Title to Lottery Property. Title to all property furnished by the Lottery to the Contractor to facilitate the performance of this Agreement shall remain the sole property of the Lottery.

13.44 Non-exclusive Rights. The Lottery does not grant the Contractor the exclusive right to provide game auditing services for the Lottery during the term of this Agreement. The Lottery may contract with other auditing Contractors during the term of this Agreement.

13.45 Covenant Against Contingent Fees. The Contractor warrants that it has not employed or retained any company or person, other than a bona fide employee working solely for the Contractor, to solicit or secure this Agreement, and that it has not paid or agreed to pay any person or entity, other than a bona fide employee working solely for the Contractor, any fee, commission, percentage, brokerage fee, gift, or other consideration on a basis that is contingent upon the award of this contract.

13.46 Background Investigation. Prior to entering into this Agreement, the Contractor shall provide a current list of all Contractor staff to be assigned to the Lottery drawings. The Lottery reserves the right to disapprove of any officer, director or employee of the Contractor who is involved with the Lottery account. If the Lottery disapproves of any such person, the Contractor shall ensure that such person is not involved in the fulfillment of this Agreement. The list shall be updated as the staff, officers, directors, etc. change.

SECTION 14. EXECUTION.

IN WITNESS WHEREOF, in consideration of the mutual covenants set forth above and for other good and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, the parties have entered into the above Agreement and have caused their duly authorized representatives to execute this Agreement.

Iowa Lottery Authority

By: _____
Larry Loss
Executive Vice President

Date: _____

RSM US LLP

By: _____
Doug Roozeboom
Assurance Partner
Federal Employer ID #: _____

Date: _____

SCHEDULE A SCOPE OF SERVICES

1.0 Drawing Schedule. The independent certified public accountant must be present before, during, and after the drawing events to inspect the drawing equipment and certify the entries or numbers drawn for Lottery promotional drawings and games as follows:

An independent certified public accountant shall be present at the Lottery office for promotional drawings as may be requested. The Lottery shall provide a minimum of fourteen (14) business days' notice for any promotional drawing that may be scheduled. The total time involvement for the promotional drawings is generally 2 to 3 hours per drawing with the majority of these drawings taking place at the Lottery headquarters location. The promotional drawings generally take place before noon in the middle of the week. The Lottery averages fifteen (15) promotional drawing events per year, but the Lottery may change the time of these events, the location of these events, the nature of these events or the number of these events at any time during the duration of the resulting agreement.

In addition, the Lottery may begin to perform game drawings in-house within the term of the resulting agreement that would require an independent certified public accountant or auditor on staff that is qualified to sit for the CPA exam to be present at the Lottery office location from 12:15 p.m. to 1:15 p.m. and from 8:15 p.m. to 9:15 p.m. for all daily draws scheduled Sunday through Saturday. Draw times are subject to change. If that were to occur, a minimum of 30 days' notice would be given to the Contractor. If the Lottery were to begin to perform game drawings in-house, it is anticipated that the drawings would occur primarily at the Lottery headquarters office located at 13001 University Ave, Clive IA 50325. However, some drawings would occur at a back-up facility currently expected to be located at 4424 NW Urbandale Dr., Urbandale, IA. The auditor assigned to the game drawing will be required to report to the back-up facility as requested.

2.0 Draw Procedures. The Lottery shall provide the Contractor with copies of the drawing procedures that are to be followed by the Lottery.

3.0 Inspection and Testing. The Contractor shall inspect and observe the testing of all equipment used to determine participants, finalists or winners in all Lottery games in which the drawing of winning numbers or tickets or related processes are used to determine major prize winners or finalist for major prizes. The Contractor shall make such inspections before and after each drawing.

4.0 Witnessing Procedures. The Contractor shall witness all drawings and proceedings to verify compliance with Lottery rules, guidelines, and procedures to ensure the integrity, security, honesty, and fairness of each drawing or process. The Contractor shall report to the Lottery CEO, Lottery Board members, and the Assistant Attorney General representing the Lottery if a questionable procedure, equipment malfunction or other occurrence is suspected which could impact the results of the drawing.

5.0 Attesting and Documenting Procedures. The Contractor shall attest to and document each major prizewinner or winners and the value of each such prize at special drawings or events. The auditor for a game shall also attest to and document the names of finalist participating in events.

6.0 Auditor Qualifications. Only auditors familiar with Lottery procedures and acquainted with the tasks to which they are assigned will perform duties under the agreement resulting from this RFP. More than one auditor may be present at an event for purposes of training or observation, however, the Lottery will only reimburse the Contractor for the services of one auditor per event, unless both the Lottery and the Contractor agree in advance that additional auditors are required.

7.0 Standby Auditor. If the Lottery begins to conduct game drawings in-house, to ensure the game drawings are conducted on a timely basis, a standby auditor must be available with appropriate forms and keys until such time as the primary auditor has reached the drawing site. The Lottery will not pay an hourly wage for the standby auditor. If the scheduled auditor fails to arrive at the drawing site by 12:15 p.m. or 8:15 p.m. the standby auditor will be contacted and must arrive no later than 12:45 p.m. or 8:45 p.m.

8.0 Multiple Drawings. There may be additional drawing sessions each week during the term of this agreement. The Lottery requires the presence of an auditor for these additional drawings. The total time involvement for the additional drawings should be no more than 1 to 2 hours per day. There may also be additional drawing events for other prizes

associated with other Lottery products with the majority of these drawings taking place at the Lottery warehouse in Ankeny or at a public site such as a mall event. The Lottery may change the time of these events, the location of these events, the nature of these events or the number of these events at any time during the duration of the resulting agreement.

9.0 Reports. The Contractor shall be required to generate a report for each event listing the tasks the auditor has performed and the results of the event. The Contractor shall provide a monthly report, 1-2 pages in length, detailing all agreed-upon procedures for each drawing and special event held during the month.

10.0 Availability. Any auditor assigned to the Lottery drawings must work and reside within a 30-mile radius of the Lottery Headquarters office location in Clive, Iowa.

11.0 Expenses. Expenses for events located outside of the Des Moines metropolitan area will be minimized whenever possible and will be borne by the Lottery provided the Lottery approves such expenditures. Actual travel time and actual time spent on out-of-town events may be billed to the Lottery. The hourly rate charged by the Contractor multiplied by the number of hours on the premises of a Lottery drawing event shall be the total amount payable to the Contractor for the services delivered. All traveling time mileage and other expenses within the Des Moines metropolitan area, including Ankeny, will be the responsibility of the Contractor.



2540 106th St., Suite 102
Urbandale, IA 50322
(515) 270-2628

RECEIVED

17 FEB 20 AM 9:36
ACCOUNTING DEPT.

Invoice

29374
2/15/2017

Attn: Tom Warner
Iowa Lottery
13001 University Avenue
Clive, IA 50325

Qty	Item	Price	Extended
1	Membership Dues - Supplier 3/1/2017-2/28/2018 - Tom Warner Comment: Supplier Dues, 3/1/17 - 2/28/18, Tom Warner - Iowa Lottery	\$500.00	\$500.00
		Total: \$500.00	

Contributions or gifts to the Iowa Grocery Industry Association are not tax deductible as a charitable contribution for income tax purposes. However, they may be tax deductible as ordinary and necessary business expenses subject to restrictions imposed as a result of association lobbying activities. The Iowa Grocery Industry Association estimates that the deductible portion of your 2016 Dues - the portion not allocable to Lobbying - is 62%. The non-deductible portion of your dues is 38%.



Invoice

Date	Invoice #
2/15/2017	300001093

Remit To: PMCI
10430 New York Ave, Suite F
Urbandale, IA 50322-3773

Bill To
Tom Warner Iowa Lottery 13001 University Ave Clive, IA 50325-8225 United States

Ship To
Tom Warner Iowa Lottery 13001 University Ave Clive, IA 50325-8225 United States

PO Number	Terms	Due Date
	Due on receipt	2/15/2017

Description	Amount
Associate	\$688.00
Total	\$688.00
Balance Due	\$688.00

Non-Deductible Statement: Dues payments to PMCI may be deductible as an ordinary business expense, but are not deductible as charitable contributions for federal income tax purposes. The portion of your dues expended on lobbying (29%) is not deductible. Therefore, 71% of your PMCI dues are tax deductible.

Remittance: My check is enclosed ____ Charge My Credit Card ____ Invoice # ____

Credit Card # ____ Expiration ____

Signature ____

Thank You for being a valued member of PMCI



**NORTH AMERICAN ASSOCIATION
OF STATE & PROVINCIAL LOTTERIES**
7470 AUBURN ROAD, LL1
CONCORD, OH 44077

INVOICE

DATE
2/14/2017

INVOICE #
7895

BILL TO:

IOWA LOTTERY
TERRY RICH, PRESIDENT & CEO
13001 UNIVERSITY AVE
CLIVE, IOWA 50325-8225

P.O. NUMBER	TERMS	PROJECT
	Net 30	

QUANTITY	DESCRIPTION	RATE	AMOUNT
1	NASPL DUES INVOICE, JULY 1, 2017 - JUNE 30, 2018	20,000.00	20,000.00
NASPL thanks you for your support - FEIN #58-1846580		TOTAL	\$20,000.00



HEADQUARTERS

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 Fax +41 61 284 1350
info@world-lotteries.org
 CHE-100.972.547 MWST

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 Bureau 2000
 Montréal, Québec H3A 3G6
 Canada
 Telephone +1 514 282 0273
 Fax +1 514 873 8999
lynne.roiter@loto-quebec.com

Invoice – Regular Member- Membership Fee 2017

Iowa Lottery

Terry Rich
 CEO
 13001 University Avenue
 50325 Clive, IA
 USA

Invoice-Nr **RM 2017 133**
 Category **US\$ 100 to 500 million**
 Invoice Date **January 31, 2017**
 Due Date **May 31, 2017**
 Concerning **Regular member/ Membership fee 2017**

Fee **VAT exempt 0%** **5600 CHF**

Please compare your annual sales for 2016 (calculated in US\$) with the fee structure below. Should they place you in a different category than indicated above, please contact Francine Waldvogel (fw@world-lotteries.org) at the WLA office. Upon clarification you will be sent a revised invoice.

Fee Structure Annual sales / Membership fee

up to US\$ 100 million	CHF 4,900	US\$ 1 to 4 billion	CHF 14,000
US\$ 100 to 500 million	CHF 5,600	over US\$ 4 billion	CHF 21,000
US\$ 500 million to 1 billion	CHF 8,400		

We kindly ask you to remit the fee in question by May 31, 2017.
 Through settlement of this invoice, Iowa Lottery formally reconfirms its WLA membership.

Payment details	Bank Details	Others
Company	World Lottery Association CH-4002 Basel, Switzerland	Please send your check to: World Lottery Association Lange Gasse 20 PO Box 4002 Basel Switzerland
VAT N°	CHE -100.972.547.	
Account N°	241502-81	
Bank	Crédit Suisse , 4051 Basel, Switzerland	
Swift Address	CRES_CH_ZZ_40A	
IBAN	CH18 0483 5024 1502 8100 0	

Please note your invoice number on the payment
 Bank fees: Please make sure that local bank fees are paid by sender



13001 University Avenue
Clive Iowa 50325-8225
www.ialottery.com
515.725.7900

Terry E. Branstad · Governor
Kim Reynolds · Lt. Governor
Terry Rich · Chief Executive Officer

Date: March 28, 2017

To: Iowa Lottery Board
From: Larry Loss and Rob Porter
Re: Sales Force Automation Board Summary

As a part of its 2010 Request for Proposal for an Online Gaming System and Related Products (IL 10-04), the Lottery sought for its online gaming system vendor to provide the Lottery with sales force automation solutions for Lottery field staff.

Subsequently, Scientific Games, the selected online gaming system vendor, entered into an agreement with Hudson Alley for the Lottery's use of Hudson Alley's OrderPad software and sales force automation solution. The Lottery's use of the OrderPad software started on October 1, 2012, and the agreement for such use was renewed again on October 1, 2015. The Board last approved this agreement in its June 18, 2015 meeting.

The current contract for sales force automation solutions expires on September 30, 2017. Due to that fact, in the course of exercising its last available extensions of the online gaming system contract, the Lottery directed Scientific Games to arrange for the demonstration and documentation of options and pricing of sales force automation and lottery retailer engagement applications. Scientific Games was also to make a written recommendation to the Lottery relating to the most effective sales force automation and retailer engagement solution for the Lottery, in light of the Lottery's structure, retailer base, and capabilities. Scientific Games was specifically instructed to review solutions provided by both Hudson Alley (now IGT) and Lapis Software Associates.

That review has now been completed. Scientific Games recommended that the Lottery grant permission for Scientific Games to enter into an agreement with Lapis Software Associates for the procurement of the Lapis gemIntelligence and gemRetailer solutions for sales force automation.

The Lottery agrees with the recommendation from Scientific Games. The Lapis Software solutions appears to provide the Lottery with a more robust and adaptable solution. In particular, the retailer portal solution would provide more functionality for the Lottery's licensed retailers than can presently be provided.

The Lottery completed due diligence visits to lottery states utilizing the Lapis Software solution, and found those lotteries to be satisfied customers. The system appeared both accessible and adaptable to the Lottery's needs.

There will be an implementation fee of \$25,000 for the Lapis system. The annual user fee will be \$120,000.

Recommendation

The Iowa Lottery requests that the Board approve authorizing Scientific Games to move forward with a contract to obtain the gemIntelligence and gemRetailer solutions from Lapis Software Associates, and to provide the Lottery with those sales force automation solutions to the Lottery through contract consistent with the terms set forth herein.