

MARYLAND STATE LOTTERY & GAMING CONTROL AGENCY

TO: John Martin, Director, Maryland Lottery and Gaming Control Agency

FROM: Carole Gentry, Evaluation Committee Chairperson
Robert Howells, Procurement Officer

RE: Random Number Generator (RNG) System for MLGCA (#2022-15)

DATE: September 15, 2022

Based on the attached report, the Evaluation Committee and Procurement Officer recommend that the four-year contract (with one 4-year Renewal Options) for Random Number Generator (RNG) System for MLGCA be awarded to:

Smartplay International, Inc.

Your concurrence is requested to proceed with this recommendation to the Department of General Services and the Board of Public Works.

FINAL RANKING

OFFEROR	TECHNICAL RANK	FINANCIAL OFFER (8-year potential total term)* (RANK)	OVERALL RANK**
Smartplay International, Inc. ("Smartplay")	1	\$ 532,170.00 (1)	1
Szrek2Solutions, LLC ("Szrek")	2	\$1,145,000.00 (2)	2

* Specified in RFP Attachment B-2: Financial Proposal as "Basis Of Award"

** Technical factors were given greater weight than financial factors in determining the overall ranking.

RANDOM NUMBER GENERATOR (RNG) SYSTEM FOR MLGCA - RFP #2022-15

EVALUATION REPORT

I. PROCUREMENT OVERVIEW

The Maryland State Lottery and Gaming Control Agency (“MLGCA”) issued a Request for Proposals (“RFP”) for Random Number Generator (RNG) for MLGCA (#2022-15) on May 18, 2022.

There is no current Contract for these services. Lottery Drawings currently fall under the Televised Drawings of Lottery Draw Games Contract #2017-02 which expires on December 10, 2022, using Ball-style Drawing Machines.

The RFP was sent directly by e-mail to 11 vendors and/or other potentially interested parties and was posted on eMaryland Marketplace Advantage and the MLGCA's website where it could be viewed by other interested parties. A copy of the RFP was also sent to the Governor’s Office of Minority Affairs. Note that this RFP has no MBE or VSBE participation goals.

It was determined that an RFP, as opposed to an Invitation for Bids, was the appropriate solicitation method for this procurement. The technical specifications are highly complex and could not be prepared in a manner that would permit an award based solely on the most favorable bid price without discussion, clarification and a Q&A process. An RFP allows for a complete evaluation of the offeror’s understanding of the problem, the technical specifications of its proposed RNG System and a thorough evaluation of its experience with similar projects. Each proposal should be considered and evaluated first on its technical merits and response to the specifications -- and then on price.

A Pre-Proposal Conference was held on May 26, 2022 by Video Teleconference and was attended by eight (8) individuals representing three (3) companies. Other parties who did not confirm their participation in advance, may have been in attendance.

Three sets of Questions & Answers: Q&A #1 (5/26/2022), #2 (6/2/2022), and #3 (6/15/2022) -- and one Amendment: Amendment #1 (6/12/2022) were issued during the solicitation process prior to the Proposal Due Date.

The Proposal Due Date stated in the RFP was June 22, 2022, but it was subsequently extended by Amendment #1 to June 28, 2022. In response to the RFP, two (2) Offerors timely submitted proposals as indicated below:

Smartplay International, Inc. (“Smartplay”)
Szrek2Solutions, LLC (“Szrek”)

Smartplay and Szrek are established competitors in the field with several RNG systems currently being provided and serviced by each.

The MLGCA is familiar with the RNG system providers through its daily activities involving gaming and lottery operations as well as participation in various industry trade

organizations. There are presently only two known companies supplying RNG systems to lotteries in North America and both proposals received are from companies with significant business throughout North America. In consideration of the foregoing market conditions, it is felt that the maximum competition possible was achieved with the two proposals that were received.

II. PROCUREMENT OFFICER’S REVIEW

The Procurement Officer conducted a preliminary review of the Proposals submitted by both Smartplay and Szrek in order to verify compliance with all proposal submission requirements, including proper packaging, format, and items required by Section 7 – RFP Attachments and Appendices.

Both Smartplay and Szrek were determined to be in compliance with the submission requirements. Smartplay stated no Exceptions to the RFP; Szrek stated an Exception to the RFP’s requirement for Cyber Insurance. This was a somewhat expected issue due to current conditions in the insurance marketplace and its resolution was deferred until after further evaluation of the Proposal to determine whether it was likely to be otherwise eligible for award.

III. EVALUATION COMMITTEE

The Commission appointed an Evaluation Committee to conduct an evaluation of the proposals and make a recommendation for contract award. The Committee is comprised of the following MLGCA individuals:

[REDACTED]

IV. TECHNICAL EVALUATION

A. Minimum Qualifications (RFP Section 1.1)

Both Technical Proposals were first reviewed by the Procurement Officer and Evaluation Committee to determine if the Offeror Minimum Qualifications specified in Section 1.1 of the RFP had been met (experience, RNG systems in operation in North America, certification, and proposed software/hardware in operation). Both proposals were determined to be in compliance with this Section.

B. Oral Presentation and Demonstration (RFP Section 4.10)

As part of the Evaluation process, on August 16 & 23, 2022 the Evaluation Committee conducted Oral Presentations, system Demonstrations and Discussions (in accordance with Section 4.10 of the RFP) with Smartplay and Szrek, respectively. The Offerors were provided, in advance, a list of questions on July 28, 2022 covering some specific topic areas of the proposals that the Committee would address during the Discussions.

The Offerors were advised that the Discussions would not be limited to only the advance questions and they should be prepared to address these and other questions regarding all areas of their proposals that the Committee may have.

Subsequent to these meetings, the Committee sent the Offerors additional written questions, giving them an opportunity to confirm or clarify, in writing, any oral representations made during the subject meeting, as necessary.

Site visits were not conducted because the Committee felt that for these particular services, all necessary information could be otherwise obtained and site visits would not provide any substantial benefit.

The Evaluation Committee's findings regarding the evaluation of the Offerors' Technical Proposals are summarized below.

C. Evaluation Criteria

The RFP identified the Criteria to be used to evaluate each Technical Proposal. The Criteria are listed below in descending order of importance. Unless stated otherwise, any sub-criteria within each criterion have equal weight.

The MLGCA prefers the Offeror's Technical Proposal to illustrate a comprehensive understanding of work requirements and mastery of the subject matter, including an explanation of how the work will be performed. Proposals which include limited responses to work requirements such as "concur" or "will comply" will receive a lower ranking than those Proposals that demonstrate an understanding of the work requirements and include plans to meet or exceed them. The proposed solution should address all of the MLGCA's requirements as provided in Section 2.3 and throughout this RFP. They are as follows:

- 6.4.1** Background Experience and Qualifications (Section 5.3.5 TAB G and 5.3.6 TAB H)
- 6.4.2** Overall Response to Requirements and Work Plan (Section 5.3.3 TAB E)
- 6.4.3** Staff (Section 5.3.4 TAB F and 5.3.10 TAB L)
- 6.4.4** Capability/Capacity (Section 5.3.7 TAB I, 5.3.8 TAB J, and Section 5.3.11 TAB M)

The Evaluation Committee utilized a consensus method to arrive at a technical ranking for each of the Evaluation Criteria.

E. Committee's Ranking as to Technical Evaluation Criteria

TECHNICAL RANKING

OFFEROR	TECHNICAL RANK
Smartplay	1
Szrek	2

F. Summary of the Evaluation Committee's findings for each Evaluation Criterion for each of the Offeror's proposals.

Both Offerors submitted proposals that met the required specifications and were considered to be overall acceptable. For Criterion #4, both Offerors were ranked equally. For Criterion #1, 2 and 3 Smartplay was ranked higher for the reasons detailed below.

In general, the Committee felt that Smartplay outperformed Szrek in the presentations/discussions. The discussion with Szrek left some question regarding their ability to quickly disseminate winning daily numbers across multiple media platforms. Its graphic component capabilities were questionable and they downplayed their lack of experience in the US market for providing their service to high-volume lotteries that handle multiple daily games (like MLGCA). Much of their focus was, instead, on their "Trusted Draw" (TD) system, which they indicated was more secure than any other competitive RNG system on the market. The Committee found no clear advantage to the TD system over their competitor's system.

A summary of the Committee's rationale for the ranking is provided below.

Criteria	Smartplay	Szrek
FIRST CRITERION 6.4.1 Background Experience and Qualifications (most important)	Overall Rank for Criterion #1 = 1	Overall Rank for Criterion #1 = 2
Offeror Qualifications & Capabilities (Section 5.3.5 – TAB G)	<p>Rank = 1</p> <p>Comments: Smartplay is clearly the leading RNG provider. It currently provides a variety of RNG drawing services to approximately 30 North American lotteries, many with game portfolios that are similar in scope and size to MLGCA's expansive gaming portfolio. Its grasp of the lottery industry appears to come from years of experience with RNG as well as ball-style drawing machines, both past and present. In other words, they seem to "get it" when it comes to what lotteries want and need. They will provide a complete "start to finish" solution meeting the MLGCA's needs as stated in the RFP.</p>	<p>Rank = 2</p> <p>Comments: While Szrek works with clients in other countries, their experience in the US market is limited and they do not appear to work with any lotteries that have comparable gaming portfolios as demanding as that of MLGCAs portfolio of daily games. Their emphasis was on their Trusted Draw and security measures, which did not appear to exceed Smartplay's. There appeared to be a disconnect in terms of their understanding of what demanding lotteries need for their drawings/portfolios. Szreks' strength appears to be on the front end of the RNG process.</p>

<p>References (Section 5.3.6 – TAB H)</p>	<p>Rank = 1 Comments: Smartplay provided reference contacts for 15 lotteries, all of which appear to be current clients and many of which are among the larger lotteries. MLGCA contacted the Tennessee lottery, which was deemed to be most similar to the MLGCA's requirements, for additional information and they indicated their satisfaction with Smartplay.</p> <p>No negative Reference information.</p>	<p>Rank = 2 Comments: Szrek's references are largely based on clients who use them for second-chance drawings, Keno games and small promo games like Florida's CashPop. Most clients are international and Szrek only provides complete RNG solutions for one small US lottery.</p> <p>No negative Reference information.</p>
<p>SECOND CRITERION 6.4.2 Overall Response to Requirements and Work Plan</p> <p>Technical Response to RFP Requirements & Proposed Work Plan (Section 5.3.3 – TAB E)</p>	<p>Overall Rank for Criterion #2 = 1</p> <p>Presented an adequate work plan and demonstrated capability to provide a satisfactory RNG System.</p>	<p>Overall Rank for Criterion #2 = 2</p> <p>Presented an adequate work plan and demonstrated capability to provide a satisfactory RNG System.</p>

<p>General Solution (Section 5.3.3.1)</p>	<p>Rank = 1 Comments: Smartplay’s proposal met all of the requirements in this Section, including providing four identical independent/stand-alone systems, accommodating all current/future games, training and animation.</p> <p>Smartplay’s proposal offers a one-stop-shop, multi-dimensional approach to fulfilling the MLGCA’s drawings needs -- from pre-testing to RNG drawings to dissemination of the winning numbers post-drawings. It demonstrated a global understanding of the MLGCA’s needs to get the job done.</p> <p>Smartplay’s solution for animating the drawing results and disseminating winning numbers to various outlets is excellent. The animation options included both off the shelf and custom designs, offering MLGCA the flexibility to better meet player expectations as it transitions away from in-person drawings to the RNG. Its system is better positioned to provide the desired post-draw media distribution from day-one of operation</p>	<p>Rank = 2 Comments: While Szrek’s proposal indicates that it will provide four identical independent/stand-alone systems, during presentations/discussions it indicated that it considered the stand-alone requirement to be unnecessary. In addition, it was less capable in the areas of custom animation and distribution/publishing of files.</p> <p>Szrek’s proposal/presentation appeared to be more narrowly focused on their Trusted Draw feature. It didn’t seem to fully grasp the demanding nature of the MLGCA’s broad-scope needs and showed a lack of understanding/ inflexibility to address our needs.</p> <p>While Szrek demonstrated that it has the capability to animate and distribute winning numbers, the Committee considered its process to be weak. It was unable to guarantee that the desired post-draw media distribution would be immediately available – but could be developed</p>
<p>Hardware (Section 5.3.3.2)</p>	<p>Rank = 1 Comments: SmartPlay’s proposal met the hardware requirements. It brought to the demonstrations/discussions its chassis with a full complement of hardware, equipment to demonstrate to the Committee how things work, how the case locks, opens, etc.</p>	<p>Rank = 1 Comments: Szrek’s proposal met the hardware requirement. It did not bring any hardware to the demonstrations/discussions except a single laptop that was used to demonstrate the software components of its solution, so the Committee was not able to see a demonstration of the actual RNG machine in its casing.</p>

Software (Section 5.3.3.3)	Rank = 1 Comments: Smartplay's proposal met all of the software requirements.	Rank = 2 Comments: Szrek's proposal met most of the software requirements, except the software did not include the ability to create customized drawing animations.
Operational Performance Requirements (Section 5.3.3.4)	Rank = Equal Comments: Smartplay's proposal met requirements of this Section.	Rank = Equal Comments: Szrek's proposal met the requirements of this Section.
Security (Section 5.3.3.5)	Rank = Equal Comments: Smartplay's proposal met the requirements of this Section. Security and integrity protocols are excellent.	Rank = Equal Comments: Szrek's proposal met the requirements of this Section. It emphasized during presentations/discussions that the security and integrity of its system was more advanced than competitors' systems, but no significant differences were observed.
Testing (Section 5.3.3.6)	Rank = Equal Comments: Smartplay's proposal met the requirements of this Section.	Rank = Equal Comments: Szrek's proposal met the requirements of this Section.
Certification (Section 5.3.3.7)	Rank = N/A Comments: N/A	Rank = N/A Comments: N/A
Training (Section 5.3.3.8)	Rank = Equal Comments: Smartplay's proposal met the requirements of this Section It stated that it would continue to assist with training beyond the initial start-up, as needed and requested by MLGCA.	Rank = Equal Comments: Szrek's proposal met the requirements of this Section, but it did not appear to be as willing to continue to assist with training after the initial start-up.

Warranty (Section 5.3.3.9)	Rank = Equal Comments: Smartplay's proposal indicated a 1-year warranty, but it provided a written clarification when questioned which indicated that the Warranty period will be 5-years as required.	Rank = Equal Comments: Szrek's proposal met the requirements of this Section.
Maintenance (Section 5.3.3.10)	Rank = Equal Comments: Smartplay's proposal met the requirements of this Section. No planned hardware replacement schedule but will replace under warranty as necessary.	Rank = Equal Comments: Szrek's proposal met the requirements of this Section. No planned hardware replacement schedule but will replace under warranty as necessary.
Deliverable Schedule (Section 5.3.3.11)	Rank = 1 Comments: With consideration that the contract award date by MLGCA will effect the System schedule, Smartplay was confident that it would be fully operational on the MLGCA timeline.	Rank = 2 Comments: With consideration that the contract award date by MLGCA will effect the System schedule, Szrek was hesitant that it would be fully operational on the MLGCA timeline. BAFO stated "confident can build a suitable schedule" for mid-December deployment
THIRD CRITERION 6.4.3 Staff	Overall Rank for Criterion #3 = 1	Overall Rank for Criterion #3 = 2
Experience & Qualifications of Proposed Staff (Section 5.3.4 – TAB F)	Rank = 1 Comments: Proposed staff very knowledgeable and experienced working on projects similar to MLGCA. Smartplay demonstrated a broad knowledge of lottery operations and how RNG fits into that overall process.	Rank = 2 Comments: Proposed staff very knowledgeable in the highly technical aspects but seemed more hesitant when explaining how it fits into daily, practical operations. Szrek's US lottery client base is limited and the services that it provides to US lotteries is not as extensive as MLGCA needs.

Subcontractors (Section 5.3.10 – TAB L)	Rank = Equal Comments: None of significance, possibly for some animation work.	Rank = Equal Comments: None of significance, possibly for some animation work.
FORTH CRITERION 6.4.4 Capability/Capacity	Overall Rank for Criterion #4 = 1	Overall Rank for Criterion #4 = 1
List of Current/Prior MD State Contracts (Section 5.3.7 – TAB I)	Rank = Equal Comments: Smartplay has no Current/Prior Maryland State Contracts	Rank = Equal Comments: Szrek has no Current/Prior Maryland State Contracts
Financial Capacity (section 5.3.8 – TAB J)	Rank = Equal Comments: Smartplay appears to have adequate financial capacity to satisfactorily perform the contract.	Rank = Equal Comments: Szrek appears to have adequate financial capacity to satisfactorily perform the contract.
Legal Action Summary (Section 5.3.11 – TAB M)	Rank = Equal Comments: Smartplay has no pending legal actions that would impact its capability to perform the contract.	Rank = Equal Comments: Szrek has no pending legal actions that would impact its capability to perform the contract

V. FINANCIAL EVALUATION

Following the completion of the evaluation of Technical Proposals, the Financial Proposals were opened. Financial proposals were ranked from the lowest (best) price to the highest price, based on the Offeror's "Total Proposal Price" as specified in the Financial Proposal Form – Attachment B-2 (Revised 6/23/2022). A financial model was included in the RFP as a basis for calculation and comparison of financial offers.

INITIAL FINANCIAL RANKING

OFFEROR	FINANCIAL OFFER "Total Proposal Price" (Basis of Award)	RANK
Smartplay	\$553,170.00	1
Szrek	\$1,145,000.00	2

VI. BEST AND FINAL OFFERS

After review of the Technical Proposals, oral Presentations, system Demonstrations, Discussions, written confirmation of oral representations made during the Discussions, the answers to additional questions from the Evaluation Committee, and review of the Financial Proposals, the Procurement Officer determined that it was in the best interest of the State to permit all qualified Offerors to revise their initial Proposals by submitting Best and Final Offers.

On September 8, 2022 Best and Final Offers ("BAFO") were requested from both Offerors. The scope of the BAFO was Technical and Financial - Offerors could submit a Technical BAFO, a Financial BAFO, or both.

By the Due Date of September 14, 2022, each Offeror responded to the BAFO request: Smartplay provided both a Technical and Financial BAFO; Szrek provided a Technical BAFO. Both Technical BAFOs provided various clarifications and enhancements which were considered favorable to the MLGCA and Smartplay's Financial BAFO provided a more favorable price:

- 1) Smartplay – Revised to increase number of Origin Portals from 2 to 4; Contain Portals within same cabinets as Origin Digital Drawing Systems; Customize Draw Controls to better differentiate between Live versus Test Drawings.
- 2) Szrek - In addition to manual draws, provide automation of draws for multiple simultaneous draws; Include an operational tool, Trusted Monitor (TM), to enable oversight of draw operations and monitoring of statuses of all draws and audits; Allow a network connection for MMS integrated with Trusted Draw or provide two separate connected MMS systems, to ensure flexibility in animation rendering and automated distribution; Also offer the opportunity to choose a connected solution for the draw system, providing further opportunities for automation and

growth; Stated that they have “included additional value without increasing price”.

After consideration of the Technical and Financial BAFO, the BAFOs did not result in any change of the comparative rankings. Based upon the Financial BAFO, the Financial Rankings were determined to be:

BAFO - FINANCIAL RANKING

OFFEROR	FINANCIAL OFFER “Total Proposal Price” (Basis of Award)	RANK
Smartplay	\$532,170.00	1
Szrek	\$1,145,000.00	2

VII. OVERALL RANKING

Considering price and the evaluation factors set forth in the RFP, the Evaluation Committee has determined the overall ranking of the proposals as listed below and believes that the #1 overall ranked proposal offers the best value—the most advantageous offer to the State:

OFFEROR	TECHNICAL RANK	FINANCIAL OFFER “Total Proposal Price” (Basis of Award) (RANK)	OVERALL RANK*
Smartplay	1	\$532,170.00 (1)	1
Szrek	2	\$1,145,000.00 (2)	2

* Technical factors were given greater weight than financial factors in determining the overall ranking.

VIII. RECOMMENDATION FOR CONTRACT AWARD

Based on the above result, the Evaluation Committee and Procurement Officer recommend award of the Contract resulting from the RFP for Random Number Generator (RNG) System for MLGCA (#2022-15) to the Offeror specified below, a responsible Offeror whose proposal has been determined to be the most advantageous to the State considering price and the evaluation factors set forth in the Request for Proposals, in accordance with COMAR 21.05.03.03F:

Smartplay International, Inc.

IX. BOARD OF PUBLIC WORKS

It is anticipated that this Contract will be submitted to the Department of General Services for inclusion on the BPW Agenda for its meeting in late October/ November, 2022.

The final financial amounts including the potential one 4-year renewal option for a total term of 8 years as will appear on the BPW Agenda as follows:

OFFEROR	TECHNICAL RANK	FINANCIAL OFFER (RANK)	OVERALL RANK
Smartplay International, Inc., Edgewater Park, NJ	1	\$382,170 (4-year base term) <u>\$150,000 (4-year renewal)</u> \$532,170 – Total (Rank = 1)	1
Szrek2Solutions, LLC East Greenwich, RI	2	\$565,000 (4-year base term) <u>\$580,000 (4-year renewal)</u> \$1,145,000 – Total (Rank = 2)	2