

REQUEST FOR PROPOSAL

MUSL FINANCIAL / COMPLIANCE AUDIT

The Multi-State Lottery Association (MUSL) is seeking a qualified contractor to perform an audit of its financial records and offer an opinion as to the fair presentation of the annual financial statements. The selected firm will also audit the internal controls over financial reporting of MUSL and prepare a separate report. Additionally, the selected firm will perform an annual review of Mega Millions and Powerball games as required under a contractual agreement.

Proposals will be received until May 10, 2023, 2:00 p.m. Central Time.

SECTION 1 GENERAL INFORMATION

1.1 PURPOSE

The Multi-State Lottery Association (MUSL) is a non-profit government-benefit association of jurisdictional lotteries formed to assist those Member Lotteries (Members) in conducting multi-jurisdictional lottery games.

The purpose of this request for proposal (RFP) is to allow MUSL to choose a vendor to 1) perform an audit of its financial records and offer an opinion as to the fair presentation of the annual financial statements; 2) audit and prepare a report on the internal controls over financial reporting of MUSL; and 3) perform an annual review of Mega Millions and Powerball lottery games.

This RFP pertains to the fiscal years ending June 30, 2023, June 30, 2024, June 30, 2025, June 30, 2026, and June 30, 2027. The successful vendor will enter into a contract for a five-year term. Pricing should include costs for each of the audits during the contract term.

1.2 CONTENT OF THE RFP

The RFP is designed to provide vendors with the information necessary for the preparation of competitive proposals. The RFP is not intended to be comprehensive, and each vendor is responsible for addressing all issues relevant to the services requested.

Proposals shall be based solely on the material contained in the RFP or in subsequent modifications to the RFP. Vendors are to disregard any draft material they may have received, any newspaper articles they may have read, and any other oral or written representations from any source.

The vendor agrees that it will not bring any claim or have any cause of action against MUSL or its Members based on any misunderstanding concerning the information provided, or MUSL's or its Members' failure, negligent or otherwise, to provide the vendor with pertinent information as intended under the terms of the RFP.

By submitting a Proposal, the vendor represents and warrants that 1) the person submitting the Proposal has the authority to bind the vendor to all requirements in the RFP and the Proposal; 2) the vendor has not consulted with others for the purpose of restricting competition; and 3) that the vendor has not made any knowingly false statements in its Proposal.

1.3 PROJECT REQUIREMENTS

Certified Public Accounting firms that respond to this RFP must submit proposals that offer services that will comply with Generally Accepted Auditing Standards (GAAS) and Generally Accepted Accounting Principles, (GAAP). It is the Certified Public Accounting firm's responsibility to be cognizant of applicable accounting rules and regulations.

All work must be completed no later than September 30, 2023. The successful vendor should plan to present the reports to the MUSL Finance Committee.

1.4 VENDOR INQUIRIES

Vendors may submit written questions by 5:00 PM CT on April 19, 2023 via email to Shannon@MUSL.com concerning this RFP. MUSL will post responses to the anonymized questions by April 26, 2023. The questions and responses will not modify the RFP, unless MUSL specifically states that a modification is made.

If a vendor attempts to contact, orally or in writing, any MUSL Board member or any MUSL Member Lottery employee, the vendor may be disqualified.

1.5 PROPOSALS

Only one proposal will be accepted from each vendor. Vendors must identify and address each requirement in the RFP by section number and in order.

Each proposal must also be accompanied by a signed copy of the bidder's certification included with the RFP (Appendix A).

Proposals and disclosure document must be sent to Shannon@MUSL by **2:00 p.m. Central Time on May 10, 2023**.

1.6 DISCLOSURE DOCUMENT

An "Initial Vendor Disclosure" document provided with this proposal must also be completed and included with the proposal (Appendix A).

1.7 RESERVED

1.8 COST TO VENDORS

Neither MUSL nor its Members shall be responsible for any cost incurred by a vendor in the preparation of or delivery of its response to this RFP or for any other costs associated with this RFP.

1.9 RESERVED

1.10 PROPOSALS VALID FOR SIXTY DAYS

All proposals submitted shall remain valid for sixty (60) calendar days following the date on which the proposals are opened. A vendor's submission of a proposal shall constitute the vendor's express agreement to this time limit.

1.11 SOURCES OF INFORMATION USED BY MUSL IN ADDITION TO THE PROPOSALS.

MUSL reserves the right to contact individual vendors after the submission of vendor proposals for the purpose of clarifying a proposal to ensure mutual understanding. Vendors will not be permitted to modify or amend their proposals if contacted by MUSL for this reason.

Information obtained from or through the disclosure documents may be used in evaluating the proposals.

MUSL reserves the right to obtain from any and all sources, information concerning a vendor or a vendor's product which MUSL deems pertinent to this RFP and to consider such information in evaluating the vendor's proposal.

1.12 STANDARD APPLICABLE TO THE AWARD

The Executive Director of MUSL and / or other individuals designated by the MUSL Board, will evaluate the proposals, select a vendor, and submit the selection to the Finance Committee for final approval.

MUSL shall consider cost, security, vendor competence, vendor experience, vendor background information, vendor criminal involvement, and all other relevant information in making the award.

1.13 WAIVER OF INFORMALITIES AND REJECTION FOR NONCOMPLIANCE

MUSL reserves the right to waive deficiencies in the proposals. The decision as to whether a deficiency shall be waived or will require the rejection of a proposal shall be solely within the discretion of MUSL. Vendors are specifically notified that failure to comply with or respond to any part of this RFP may result in rejection of a proposal as nonresponsive.

1.14 PROPOSAL REJECTION

MUSL reserves the right to reject any and all proposals in response to this RFP. Vendors whose proposals are not selected for further negotiations or contract award will be notified in writing or via email at the address given in the proposal.

1.15 CONTRACT PROVISIONS

The contract that MUSL expects to award as a result of this RFP will be based upon the proposal submitted by the successful vendor. MUSL reserves the right to either award the contract without further negotiation with the successful bidder, or to negotiate the contract terms with the bidder if the best interests of MUSL would be served. The contract will be for five (5) years. The vendor should anticipate that the following terms would be among those included in the contract:

1.15.1 The contract will provide that the contractor will provide proof of insurance coverage sufficient to provide funds, fees, and legal costs for any damage, loss of revenue, or claims incurred or arising as a result of the performance of this contract. If automotive equipment is used, automobile bodily injury liability insurance, with MUSL named as co-insured is required with a limit of not less than one million dollars (\$1,000,000.00) for each person and one million dollars (\$1,000,000.00) for each accident; property damage liability insurance with a limit of not less than one million dollars (\$1,000,000.00) for each accident; and professional liability insurance (malpractice insurance) of one million dollars (\$1,000,000.00). The contractor shall pay the expense of the required insurance coverage.

Certificate of insurance or a statement of coverage must be provided prior to the beginning of contract performance.

1.15.2 The contract will include a provision allowing MUSL to terminate the contract for convenience without notice and without the payment of any penalty.

1.15.3 The contract will contain a clause indicating that the contract is not exclusive.

1.15.4 The contract will include an indemnity clause requiring the contractor to indemnify

MUSL and its member lotteries for any damages or expenses incurred as a result of the contractor's or any subcontractor's negligent or willful acts or omissions related to performance of the contract.

- 1.15.5** The contract will require the contractor to comply with all applicable laws and rules when performing the contract.
- 1.15.6** The contract will provide that MUSL must approve all employees, subcontractors or agents involved with performance of the contract.
- 1.15.7** The contract will require that the final financial statements be issued on or before September 30, 2023, September 30, 2024, September 30, 2025, September 30, 2026 and September 30, 2027.
- 1.15.8** The contract will prohibit vendor personnel working directly on the audit and their family members residing in their homes from playing any MUSL lottery games in the fiscal year in which they perform services; vendor personnel shall be required to provide MUSL with the names and social security numbers of themselves and family members residing in their homes.
- 1.15.9** Background checks may be required for employees assigned to this project.

1.16 2023 DATES RELEVANT TO AWARD

April 5 – RFP posted to MUSL.com, NASPL.com, and PGRI.com

April 19 – Vendors email questions to Shannon@MUSL.com

April 26 – MUSL responses to anonymized questions posted to websites listed above

May 10 – Proposals (including disclosure document) due by 2:00 pm CT; email to Shannon@MUSL.com

May 11 – June 30 – Vendor evaluation/selection and contract negotiations

SECTION 2 DESCRIPTION OF WORK

Proposals will include how your company will accomplish the auditing of the following areas, and provide a timeline for field work, draft reports, management responses. Submission of the financial statements and ICFR reports must be completed by September 30 of each fiscal year.

2.1 FINANCIAL

The financial statements will be for the fiscal years ending June 30, 2023, June 30, 2024, June 30, 2025, June 30, 2026, and June 30, 2027, and will include a Statement of Financial Position, Statement of unrestricted revenues, expenses, and changes in unrestricted net assets, and a Statement of cash flows.

MUSL financial activity can be separated into three categories; (1) MUSL Operations, (2) Prizes, and Prize Reserves, and (3) internal controls over financial reporting.

2.2 MUSL OPERATIONS

Operations are largely funded with annual contributions from each Member Lottery; MUSL's operational budget is not funded by lottery game sales. The operating budget for the year ending June 30, 2023 is approximately \$8,100,000.

2.3 PRIZES AND PRIZE RESERVES

It is estimated that MUSL lottery game sales will likely exceed seven billion dollars (\$7,000,000,000) for the fiscal year ending June 30, 2023.

MUSL receives a percentage of lottery game sales designated for prizes from the lotteries participating in the lottery games and accumulates and invests those prize contributions until the prizes are won, at which time MUSL either transfers the prize amounts to the paying jurisdictional lottery if the player is being paid the cash amount of the prize, or purchases securities to fund annuity payments if the prize is being paid over a period of years.

If the prize winner will be receiving an annuitized prize, MUSL purchases zero coupon bonds to fund the awarded annuity prize and either transfers the bonds to that lottery or holds the bonds in custodial accounts. If a Mega Millions Grand Prize is won in a participating jurisdiction that is not a MUSL Member, Grand Prize funds are transferred to the Mega Millions consortium lead lottery, which then transfers funds to the participating lottery as appropriate. Zero coupon bonds for the payment of annuity prizes with an approximate market value of forty million dollars (\$40,000,000) are currently held in MUSL custodial accounts.

Contributions to each game’s prize reserve account are drawn from and accounted for based on each Member’s sales of that game. All additions to and withdrawals from the prize reserves are allocated among the Members and financial records are maintained documenting each lottery's share of the prize reserves. Interest from the prize account and the prize reserve account is credited to the Operations account and is a source of funding for the Product Group budget.

MUSL staff will prepare the financial statements, any supplemental schedules, footnotes and provide supporting schedules and working papers as required to support an opinion. MUSL staff will prepare confirmations and be available for questions throughout the audit.

2.4 INTERNAL CONTROLS OVER FINANCIAL REPORTING

The MUSL operates under MUSL Board established Policies and Procedures. The successful firm would audit the MUSL’s internal controls over financial reporting and issue a report for the required periods.

2.5 POWERBALL AND MEGA MILLIONS

Jurisdictional lotteries in the United States are Members of either the MUSL or the Mega Millions consortium of lotteries. MUSL Member Lotteries began and control the game parameters of the Powerball lottery game, and the Mega Millions consortium of lotteries began and control the game parameters of the Mega Millions lottery game. Members of MUSL that sell the Mega Millions game are required to contribute to the prize and prize reserve accounts for the Mega Millions game.

The successful vendor will review, reconcile, and confirm MUSL’s activity relating to the Powerball and Mega Millions lottery games as reported by MUSL and confirm compliance with agreed upon procedures. The selected vendor will report its findings to both the MUSL Board and the lead director of the Mega Millions Consortium. These annual reviews would be required for the periods ending March 31, 2023, through March 31, 2027.

SECTION 3 DISCLOSURE REQUIREMENTS

3.1 BACKGROUND DOCUMENT SUBMITTED AT TIME OF MAKING PROPOSAL

All vendors submitting a proposal must provide a completed response to the "Initial Vendor Disclosure" document. This document must be included with the vendor's proposal.

For purposes of completing this document, "control person" means any person who owns five percent (5%) or more of the vendor, a parent company, a subsidiary company, and all officers and directors of the vendor, parent or subsidiary company of the vendor, or any other business entity directly associated with the vendor.

3.2 USE OF INFORMATION

Any information provided to MUSL in the disclosure form or obtained by MUSL using these documents may be considered by MUSL to determine the successful vendor or to disqualify a vendor. MUSL will not award a contract to a vendor if a control person of the vendor or a person assigned by the vendor to perform services for MUSL has been convicted of a felony or any gambling related offense. Law enforcement or lottery security officials from MUSL Members may confer with vendors.

SECTION 4 MANAGEMENT REQUIREMENTS

4.1 THE VENDOR’S ORGANIZATION AND STAFF QUALIFICATIONS

4.1.1 Organizational summary

The vendor shall provide the following information:

Name and address of company making proposal.

Type of business entity (e.g., corporation, partnership).

Place of incorporation, if applicable.

Name(s) address(es), and function(s) of any and all subcontractors, companies, or consultants to be involved in any phase of this project.

Name, address, email, and telephone number of vendor's representative to contact regarding all contractual matters concerning this proposal.

Name, address, email, and telephone number of vendor's representative to contact regarding all technical matters concerning this proposal.

Name, address, email, and telephone number of vendor's representative to contact regarding scheduling and other arrangements, if necessary.

Names of all attorneys and law firms representing the vendor.

Vendor's federal employer identification number.

Date of local registration to do business in Iowa.

The vendor should submit any additional background information that may be helpful to MUSL in evaluating its background, resources, experience, and track record with other clients in work that is related to MUSL's needs. (i.e. Quality Control and Peer Review Standards)

4.1.2 Organizational Structure

Describe the organizational structure and job classifications and lines of authority as it pertains to the audit division within your firm. (Attach organizational charts to proposals labeled as **Appendix B**).

4.1.3 Personnel Qualifications

Provide the names of the personnel who will be assigned to this audit, the year they joined the firm, and the number of years experience they have in auditing financial activity that is similar to the requirements described in this RFP.. Provide a resume of those individuals who will be working directly with the MUSL audit. (Attach resumes to proposal labeled as **Appendix D**).

4.2 THE VENDOR’S RELEVANT EXPERIENCE

4.2.1 Business Experience

The vendor shall state whether any of the following have occurred:

During the last five (5) years, the vendor has had a contract terminated for any reason.

During the last two (2) years, the vendor has been assessed any penalties under any of its existing or past contracts. If so, indicate the public jurisdiction, the reason for the penalty, and the penalty amount of each incident.

During the last two (2) years, the vendor, a subsidiary or intermediary company, parent company or holding company was the subject of any order, judgement or decree of any federal or state authority barring, suspending or otherwise limiting the right of the vendor to engage in any business, practice or activity.

4.2.2 Vendor References

Identify and briefly describe at least three engagements of a comparable nature that have been conducted by the vendor over the past two years. MUSL will use the engagements identified as technical references. Indicate the name, titles, and phone numbers of the persons to be contacted for purposes of obtaining references.

SECTION 5 FEES AND COMPENSATION

5.1 COSTS

5.1.1 Estimated total hours for the Fiscal Year 2023, 2024, 2025, 2026 and 2027 **financial** audits.

5.1.2 Estimated total hours for the Fiscal Year 2023, 2024, 2025, 2026 and 2027 **Internal Controls over Financial Reporting** audits.

5.1.3 Estimated total hours for the 2023, 2024, 2025, 2026 and 2027 **Annual Review Procedures** of Powerball and Mega Millions activity.

5.1.4 Estimated out-of-pocket expenses.

5.1.5 The hourly rate by staff classification.

5.1.6 The all-inclusive maximum fee, out-of-pocket expenses, and all other costs, which will not be exceeded for each year.

5.1.7 The frequency and timing of your billing process.

SECTION VI

SCOPE OF SERVICES

- 6.1** Briefly describe your understanding of the scope of services to be provided, and include in the proposal labeled as Appendix C.

Appendix A

INITIAL VENDOR DISCLOSURE

A vendor must provide the following information:

1. The name of the vendor submitting the proposal.
2. The type of business entity (e.g., corporation, partnership, etc.) and the place of the vendor's incorporation, if incorporated.
3. The status of the vendor's local registration, if any.
4. The name, address and telephone number of a representative to contact regarding all matters relating to the proposal.
5. The name, address and telephone number of all persons, consultants, sales agents, or other entities involved in aiding the vendor's efforts to obtain this contract or otherwise assisting the vendor.
6. A vendor must provide resumes of those officers and key employees to be involved in MUSL matters, and whether or not, during the last five (5) years, any of the following events occurred:
 - a. A petition under the Bankruptcy Act or any state insolvency law was filed by or against, or a receiver, fiscal agent or similar officer appointed by a court for the business or property of such person, or any partnership in which such person was a general partner at or within two (2) years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two (2) years before the time of such filing.
 - b. Such person was indicted, accused or convicted of a crime or was a subject of a grand jury or criminal investigation (excluding traffic violations and other minor offenses).
 - c. Such person was the subject of any order, judgement or decree of any court of competent jurisdiction permanently or temporarily enjoining him from, or otherwise limiting his participating in any type of professional or business practice or activity (i.e. licenses, suspensions and/or revocation of same).
 - d. Such person was the subject of any order, judgement or decree of any federal or state authority barring, suspending or otherwise limiting the right of such person to engage in any professional or business practice or activity.
7. A vendor must provide the name, address, telephone number and functions of all individuals who will

be assigned to work on any contract awarded pursuant this RFP.

8. If any part of a vendor's work on any contract awarded pursuant to this RFP is to be performed by subcontractors, partners, or consultants, the vendor must identify such parties and describe their functions, as well as the contractual agreements with said parties. The vendor should also include resumes of the officers and key employees of such parties.
9. Vendors who employ or have on their governing boards as of the date of their proposals, employees or former employees of MUSL or its Members shall identify each such person and their position and responsibilities within the vendor's organization. If, following a review of this information, MUSL determines that a conflict of interest may exist; the vendor may be disqualified from further consideration for the award of a contract. The MUSL Members are the lotteries in the District of Columbia, the United States Virgin Islands, Puerto Rico and the states of Arkansas, Arizona, Colorado, Connecticut, Delaware, Florida, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Hampshire, New Mexico, New York, North Carolina, North Dakota, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Vermont, West Virginia, Wisconsin and Wyoming.
10. If any control person of the vendor, or subcontractor of the vendor, or any employee of either assigned to this project, is a member of the immediate family of any employee of MUSL or its Members or has a close personal relationship to any employee or MUSL or its Members, indicate each person and employee.