

SENATE BILL No. 260

AN ACT concerning state agencies; financial-compliance audits; Kansas lottery security audit; selection of auditor, contracts with; creating the Kansas lottery audit contract committee and the department of administration audit contract committee; creating the department of administration audit services fund; 911 coordinating council certain audits; technology projects certain vendor restrictions; amending K.S.A. 46-1108, 46-1112, 46-1115, 46-1116, 46-1122, 46-1123, 46-1125, 46-1126, 46-1127 and 74-2424 and K.S.A. 2017 Supp. 12-5377, as amended by section 1 of 2018 House Bill No. 2435, 39-709b, 46-1106, 46-1114, 46-1118, 46-1128, 46-1135, 74-4921, 75-5133, 75-7209 and 79-3234 and repealing the existing sections; also repealing K.S.A. 2017 Supp. 46-1121 and 46-1134.

*Be it enacted by the Legislature of the State of Kansas:*

New Section 1. (a) (1) Beginning in calendar year 2019, and at least once every three years thereafter, there shall be conducted a security audit of the Kansas lottery. Any security audit conducted pursuant to this section shall include a comprehensive study and evaluation of all aspects of security in the operation of such state agency. The firm to conduct a security audit shall be selected and shall perform such audit work as provided in sections 3 through 6, and amendments thereto. The firm selected to perform a security audit shall be experienced in security procedures, including, but not limited to, computer systems and security. A contract to conduct such a security audit required by this subsection shall not be awarded until a background investigation is conducted by the executive director of the Kansas lottery on the person or firm selected to perform the audit. Such background investigation shall include: (A) The vendor to whom the contract is to be awarded; (B) all persons who own a controlling interest in such vendor; and (C) all applicable staff having involvement with the audit.

(2) For the purpose of conducting a security audit under this subsection, a person or a firm selected to perform the security audit shall not be limited to a legal entity permitted by law to engage in practice as a certified public accountant.

(b) Beginning in calendar year 2019, a financial-compliance audit shall be conducted annually on the accounts and transactions of the Kansas lottery and the Kansas lottery commission. The first financial-compliance audit shall examine the accounts and transactions for fiscal year 2019. The firm to conduct this audit work shall be selected as provided in sections 3 and 4, and amendments thereto. The audits required pursuant to this subsection shall be conducted in accordance with generally accepted governmental auditing standards, and shall be conducted as soon after the close of the fiscal year as practicable, but shall be completed no later than the deadlines as set forth in section 6, and amendments thereto.

New Sec. 2. (a) There is hereby created the Kansas lottery audit contract committee, which shall consist of the following members: (1) The executive director of the Kansas lottery or a Kansas lottery employee designated by the executive director; (2) the chairperson of the Kansas lottery commission or a commission member designated by the chairperson of the Kansas lottery commission; and (3) the post auditor or a person designated by the post auditor. The executive director of the Kansas lottery or the person designated by the executive director to serve as a member of the Kansas lottery audit contract committee shall be the chairperson of the committee.

(b) The Kansas lottery audit contract committee shall meet on the call of the chairperson of such committee. A vote of two members of the committee shall be required for any action of the committee.

New Sec. 3. (a) In the procurement of a firm or firms to perform an audit required by section 1, and amendments thereto, the executive director of the Kansas lottery shall encourage firms engaged in the lawful practice of their professions to place their names on a list maintained by the executive director of firms to receive requests for proposals on audit contracts.

(b) The executive director of the Kansas lottery shall establish specifications for the conduct by a firm or firms of an audit required by section 1, and amendments thereto. The specifications shall be used in preparing requests for proposals and evaluating the proposals received.

(c) For all audits required by section 1, and amendments thereto, the executive director of the Kansas lottery shall issue a request for proposals to all firms who have requested to be on the firm list and others who request a copy after notice in the Kansas register. The request for proposals shall request information on the firm's qualifications, the qualifications of staff to be assigned to the job, the firm's technical approach to

the audit and the fee. The executive director shall evaluate the proposals received in response to the requests for proposals and for each audit shall prepare a list of at least three and not more than five firms that are, in the opinion of the executive director, qualified to perform such audit or audits. Such list shall be submitted to the Kansas lottery audit contract committee.

New Sec. 4. (a) The Kansas lottery audit contract committee may conduct discussions with each of the firms submitted by the executive director and then shall select a firm or firms from such listing to provide an audit as required by section 1, and amendments thereto.

(b) The Kansas lottery audit contract committee shall consider, in making their selection, qualifications of the firm and staff, the technical proposal and fee.

(c) If the Kansas lottery audit contract committee is unable to contract with any of the selected firms, the committee shall request the executive director to provide another list of firms to be reviewed by the committee. Upon receipt of such list, the committee shall proceed in accordance with the provisions of this section.

New Sec. 5. (a) Each contract for an audit required by section 1, and amendments thereto, entered into under section 3 and section 4, and amendments thereto, shall be entered into between the executive director of the Kansas lottery and the firm or firms selected to perform the audit. Each such contract shall require the firm or firms selected to submit evidence that is satisfactory to the Kansas lottery audit contract committee that the firm has general professional liability insurance or specific liability insurance that is adequate for such audit.

(b) In addition to the requirements in subsection (a), each such contract for audit services shall specify the responsibilities undertaken by the firm selected to perform such audit and such firm shall be responsible for all material errors and omissions in the performance of such contract.

(c) Such contracts shall not be subject to the provisions of K.S.A. 75-3739 or 75-37,102 or K.S.A. 2017 Supp. 75-37,130 through 75-37,135, and amendments thereto.

New Sec. 6. (a) The Kansas lottery audit contract committee shall monitor the performance of the firm or firms conducting audits pursuant to a contract entered into under section 5, and amendments thereto, to ensure that such audit is performed in accordance with the specifications developed for the conduct of such audit.

(b) (1) The firm selected to perform an audit required by section 1(a), and amendments thereto, shall submit a final written audit report by December 1 of each year to the executive director of the Kansas lottery and the legislative post audit committee.

(2) The firm selected to perform an audit required by section 1(b), and amendments thereto, shall submit a preliminary written audit report by September 15 of each year to the executive director of the Kansas lottery and the secretary of administration. A final audit report shall be submitted by October 1 of each year to the executive director of the Kansas lottery, the secretary of administration and the legislative post audit committee.

(c) In the performance of such audit, the officers and employees of the firm or firms performing the audit shall be subject to the same duty of confidentiality applicable to the post auditor and officers and employees of the division of post audit under the legislative post audit act, and shall have access to all books, accounts, records, files, documents and correspondence, confidential or otherwise, of any person or state agency subject to the audit.

New Sec. 7. Sections 1 through 7, and amendments thereto, shall be part of and supplemental to the Kansas lottery act.

New Sec. 8. (a) Beginning in calendar year 2019, a financial-compliance audit shall be conducted annually on the accounts and transactions of the Kansas public employees retirement system. The first financial-compliance audit shall examine the accounts and transactions for fiscal year 2019. The auditor to conduct this audit work shall be selected as provided in subsection (c). The audit required pursuant to this subsection shall be conducted in accordance with generally accepted governmental auditing standards, and shall be conducted as soon after the close of the

fiscal year as practicable, but shall be completed no later than the deadlines as set forth in section 9, and amendments thereto.

(b) The financial-compliance audit of the Kansas public employees retirement system shall include, but not be limited to, a review of alternative investments of the system with any estimates of permanent impairments to the value of such alternative investments reported by the system pursuant to K.S.A. 74-4907, and amendments thereto, and a review of any internal assessment or examination of alternative investments of the system performed and reported pursuant to K.S.A. 74-4921(12)(a), and amendments thereto.

(c) The Kansas public employees retirement system board of trustees shall be responsible for the procurement of an auditing firm under the provisions of K.S.A. 75-37,132, and amendments thereto.

New Sec. 9. (a) The executive director of the Kansas public employees retirement system shall monitor the performance of the firm conducting an audit to ensure that such audit is performed in accordance with the specifications developed for the conduct of such audit.

(b) The executive director of the Kansas public employees retirement system shall submit a preliminary draft of the management's discussion and analysis and the financial statements by October 1 of each year to the secretary of administration and the firm selected to perform an audit required by section 8, and amendments thereto. The executive director of the Kansas public employees retirement system shall submit the final draft of the management's discussion and analysis and the financial statements by October 15 of each year to the secretary of administration and the firm selected to perform an audit required by section 8, and amendments thereto. The final audit opinion letter shall be submitted by November 1 of each year by the firm selected to perform an audit by section 8, and amendments thereto, to the executive director of the Kansas public employees retirement system, the secretary of administration and the legislative post audit committee.

(c) In the performance of such audit, the officers and employees of the firm performing the audit shall be subject to the same duty of confidentiality applicable to the post auditor and officers and employees of the division of post audit under the legislative post audit act, and shall have access to all books, accounts, records, files, documents and correspondence, confidential or otherwise, of any person, any affiliated employer or state agency subject to the audit.

New Sec. 10. (a) At least once every three years, the legislative post audit committee shall direct the division of post audit to conduct a performance audit of the Kansas public employees retirement system. In considering performance audit subjects, the legislative post audit committee shall consider recommendations and requests for performance audits relating to the system or the management thereof by the joint committee on pensions, investments and benefits or by any other committee or individual member of the legislature.

(b) This section shall be part of and supplemental to the legislative post audit act.

New Sec. 11. (a) Beginning in calendar year 2019, a financial-compliance audit shall be conducted each year of the general purpose financial statements prepared by the division of accounts and reports of the department of administration for its annual financial report. The first financial-compliance audit shall examine the general purpose financial statements for fiscal year 2019. This audit shall be conducted in accordance with generally accepted governmental auditing standards. The resulting written audit report shall be issued as soon after the end of the fiscal year as is practicable, but shall be completed no later than the deadlines as set forth in section 17, and amendments thereto.

(b) (1) Beginning in fiscal year 2020, and once every two years thereafter, separate written audit reports on the financial management practices of the office of the state treasurer and the pooled money investment board shall be prepared addressing the adequacy of financial management practices and compliance with applicable state laws. The separate audit of the pooled money investment board also shall include a comparative investment performance review and an analysis of the investment program, including an evaluation of investment policies and practices and of specific investments in the pooled money investment portfolio. The anal-

ysis of the specific investments in the pooled money investment portfolio shall review whether such investments meet the investment priorities of safety, liquidity and performance. The performance of such investments shall be measured by comparison to an appropriate market index. The resulting written audit report shall be completed no later than the deadlines as set forth in section 17, and amendments thereto.

(2) In addition, whenever an individual is first elected or appointed and qualified to the office of the state treasurer, there shall be conducted a transition audit within two weeks after the date such individual enters upon the duties of the office of the state treasurer. The purpose of the transition audit shall be to review the assets in the custody of the office of the state treasurer for significant discrepancies at the time of the transition. A separate written report shall be prepared for each transition audit.

(3) Any additional costs associated with preparing the separate additional reports on the office of the state treasurer and the pooled money investment board shall be borne by the office of the state treasurer and the pooled money investment board in accordance with section 18, and amendments thereto.

(c) (1) Books and accounts of the state treasurer and the director of accounts and reports, including the bond register of the state treasurer, may be examined monthly if the department of administration audit contract committee so determines, and such examination may include detailed checking of every transaction or test checking.

(2) Any person receiving tax information under the provisions of subsection (a) or (b) shall be subject to the same duty of confidentiality imposed by law upon the personnel of the department of revenue and shall be subject to any civil or criminal penalties imposed by law for violations of such duty of confidentiality.

New Sec. 12. (a) Beginning in fiscal year 2019, the department of administration shall be responsible for procuring and managing audit services for any audit of the financial affairs and transactions of a state agency that is required to comply with federal government audit requirements for receiving federal awards or grants.

(b) As used in this section, “state agency” means any state office, officer, department, board, commission, institution, bureau, agency or authority or any division or unit thereof.

New Sec. 13. (a) There is hereby created the department of administration contract audit committee, which shall consist of the following members: (1) The secretary of administration or a person designated by the secretary of administration; (2) the director of accounts and reports or a person designated by the director of accounts and reports; (3) the post auditor or a person designated by the post auditor; (4) the state treasurer or a person designated by the state treasurer; and (5) the director of the budget or a person designated by the director of the budget. The secretary of administration or the person designated by the secretary to serve as a member of the department of administration contract audit committee shall be the chairperson of the committee.

(b) The department of administration contract audit committee shall meet on the call of the chairperson of such committee. A vote of two members of the committee shall be required for any such action of the committee.

New Sec. 14. (a) In the procurement of a firm or firms to perform an audit required by section 11 and section 12, and amendments thereto, the secretary of administration shall encourage firms engaged in the lawful practice of their professions to place their names on a list maintained by the secretary of firms to receive requests for proposals on audit contracts.

(b) The secretary of administration shall establish specifications for the conduct by a firm or firms of an audit required by section 11 and section 12, and amendments thereto. The specifications shall be used in preparing requests for proposals and evaluating the proposals received.

(c) For all audits required by section 11 and section 12, and amendments thereto, the secretary of administration shall issue a request for proposals to all firms who have requested to be on the firm list and others who request a copy after notice in the Kansas register. The request for proposals shall request information on the firm's qualifications, the qual-

ifications of staff to be assigned to the job, the firm's technical approach to the audit and the fee. The secretary shall evaluate the proposals received in response to the request for proposals and for each audit shall prepare a list of at least three and not more than five firms that are, in the opinion of the secretary, qualified to perform such audit. Such list shall be submitted to the department of administration audit contract committee.

New Sec. 15. (a) The department of administration audit contract committee may conduct discussions with each of the firms submitted by the secretary of administration and then shall select a firm or firms from such listing to provide an audit as required by section 11 and section 12, and amendments thereto.

(b) The department of administration audit contract committee shall consider, in making their selection, qualifications of the firm and staff, the technical proposal and fee.

(c) If the department of administration audit contract committee is unable to contract with any of the selected firms, the committee shall request the secretary of administration to provide another list of firms to be reviewed by the committee. Upon receipt of such list, the committee shall proceed in accordance with the provisions of this section.

New Sec. 16. (a) Each contract for an audit required by section 11 and section 12, and amendments thereto, entered into under section 14 and section 15, and amendments thereto, shall be entered into between the secretary of administration and the firm selected to perform the audit. Each such contract shall require the firm selected to submit evidence that is satisfactory to the department of administration audit contract committee that the firm has general professional liability insurance or specific liability insurance that is adequate for such audit.

(b) In addition to the requirements in subsection (a), each such contract for audit services shall specify the responsibilities undertaken by the firm selected to perform such audit and that such firm shall be responsible for all material errors and omissions in the performance of such contract.

(c) Such contracts shall not be subject to the provisions of K.S.A. 75-3739 or 75-37,102 or K.S.A. 2017 Supp. 75-37,130 through 75-37,135, and amendments thereto.

New Sec. 17. (a) The department of administration audit contract committee shall monitor the performance of the firm conducting an audit pursuant to a contract entered into under section 16, and amendments thereto, to ensure that such audit is performed in accordance with the specifications developed for the conduct of such audit.

(b) Written reports from audits required by section 11 and section 12, and amendments thereto, shall be issued according to the following deadlines:

(1) For an audit of the state financial statements required by section 11(a), and amendments thereto, a final written report shall be issued to the secretary of administration and to the legislative post audit committee by December 1 following the audited fiscal year;

(2) for a biennial audit of the state treasurer's office and the pooled money investment board required by section 11(b), and amendments thereto, a final written report shall be issued to the state treasurer or the pooled money investment board, as appropriate, and to the secretary of administration and the legislative post audit committee by December 1 following the audited fiscal year; and

(3) for a federal compliance audit required by section 12, and amendments thereto, a final written report shall be issued to the secretary of administration and the legislative post audit committee not less than 15 calendar days before the federal deadline for such report.

(c) In the performance of an audit pursuant to section 11 and section 12, and amendments thereto, the officers and employees of the firm performing the audit shall be subject to the same duty of confidentiality applicable to the post auditor and officers and employees of the division of post audit under the legislative post audit act, and shall have access to all books, accounts, records, files, documents and correspondence, confidential or otherwise, of any person or state agency subject to the audit.

New Sec. 18. (a) Whenever the secretary of administration contracts with a firm to perform any audit work for any state agency to satisfy financial-compliance audit requirements prescribed by section 11 and

section 12, and amendments thereto, and incurs costs in addition to those attributable to the operations of the department of administration in performance of other duties and responsibilities, the secretary shall make charges for such additional costs.

(b) All moneys received for reimbursement to the department of administration under this section shall be remitted to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the department of administration audit services fund, which fund is hereby created in the state treasury. All expenditures from the department of administration audit services fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the secretary of administration or a person or persons designated by the secretary.

New Sec. 19. (a) Each state agency awarded a federal grant or other federal financial assistance that is subject to an audit pursuant to section 12, and amendments thereto, as a condition of such grant or assistance shall notify the secretary of administration immediately of the award of such grant or assistance. Based on the amount and nature of federal moneys received by the state agency, the secretary shall compute annually the amount of federal moneys reasonably anticipated to be required to provide audit coverage in accordance with federal requirements. The amounts determined for such audits shall be reviewed and approved by the department of administration audit contract committee. Upon such approval, the state agency, in accordance with section 18, and amendments thereto, shall reimburse the secretary of administration for the amount approved by the contract audit committee.

(b) The secretary of administration shall compute the amount of money reasonably anticipated to be required to provide a financial-compliance audit as required pursuant to section 12, and amendments thereto. The amounts determined for such audits shall be reviewed and approved by the department of administration contract audit committee.

(c) The secretary of administration shall remit all money received under this section to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the audit services fund.

(d) In addition to expenditures that may be made from the department of administration audit services fund under section 18, and amendments thereto, expenditures shall be made from such fund, and from other available appropriations, to pay for the cost of financial-compliance audits performed to comply with federal government audit requirements.

Sec. 20. On and after July 1, 2019, K.S.A. 2017 Supp. 39-709b is hereby amended to read as follows: 39-709b. (a) Information concerning applicants for and recipients of assistance from the secretary shall be confidential and privileged and shall only be available to the secretary and the officers and employees of the secretary except as set forth in this section. Unless otherwise prohibited by law, such information shall be disclosed to an applicant, recipient or outside source under the following conditions:

(1) Information shall be disclosed to the post auditor in accordance with and subject to the provisions of K.S.A. 46-1106~~(e)~~, and amendments thereto;

(2) information shall be disclosed to an applicant or recipient in accordance with and subject to rules and regulations adopted by the secretary; and

(3) information may be disclosed to an outside source if such disclosure:

(A) Has been consented to in writing by the applicant or recipient and the applicant or recipient has been granted access by the secretary to the information to be disclosed, except that in an emergency information may be disclosed without a written consent if such disclosure is deemed by the secretary to be in the best interests of the applicant or recipient;

(B) is directly connected to the administration of the secretary's program;

(C) is directly connected to an investigation, prosecution, or criminal or civil proceeding conducted in connection with the administration of the secretary's program;

(D) is authorized by a state plan developed by the secretary pursuant to the federal social security act or any other federal program providing federal financial assistance and services in the field of social welfare; or

(E) concerns the intent of an applicant or recipient to commit a crime and in this case such information and the information necessary to prevent the crime shall be disclosed to the appropriate authorities.

(b) Nothing in this section shall be construed to prohibit the publication of aggregate non-identifying statistics ~~which that~~ are so classified as to prevent the identification of specific applicants or recipients.

Sec. 21. On and after July 1, 2019, K.S.A. 2017 Supp. 46-1106 is hereby amended to read as follows: 46-1106. (a)~~(1)~~ A financial compliance audit shall be conducted each year of the general purpose financial statements prepared by the division of accounts and reports for its annual financial report. This audit shall be conducted in accordance with generally accepted governmental auditing standards. The resulting written audit report shall be issued as soon after the end of the fiscal year as is practicable.

~~(2) In addition, once every two years, separate written audit reports on the financial management practices of the office of the state treasurer and the pooled money investment board shall be prepared addressing the adequacy of financial management practices and compliance with applicable state laws. The separate audit of the pooled money investment board also shall include a comparative investment performance review and an analysis of the investment program, including an evaluation of investment policies and practices and of specific investments in the pooled money investment portfolio. The analysis of the specific investments in the pooled money investment portfolio shall review whether such investments meet the investment priorities of safety, liquidity and performance. The performance of such investments shall be measured by comparison to an appropriate market index.~~

~~(3) In addition, whenever an individual is first elected or appointed and qualified to the office of the state treasurer, the legislative division of post audit shall conduct a transition audit within two weeks after the date such individual enters upon the duties of the office of the state treasurer. The purpose of the transition audit shall be to review the assets in the custody of the office of the state treasurer for significant discrepancies at the time of the transition. A separate written report shall be prepared for each transition audit.~~

~~(4) Copies of the reports of audits conducted pursuant to this subsection (a) shall be furnished to the governor, director of accounts and reports, director of the budget, each state agency, the legislative post audit committee and other persons or agencies as may be required by law or by the specifications of the audit.~~

~~(5) Any additional costs associated with preparing the separate additional reports on the office of the state treasurer and the pooled money investment board shall be borne by the office of the state treasurer and the pooled money investment board in accordance with K.S.A. 46-1121, and amendments thereto.~~

~~(b) Including financial compliance audit work conducted as part of the audit conducted pursuant to subsection (a), financial compliance Audit work shall be conducted at each state agency at least once every three years as directed by the legislative post audit committee. Written reports on the results of such auditing shall be furnished to the governor, director of accounts and reports, director of the budget, the state agency ~~which that~~ is audited, the legislative post audit committee and such other persons or agencies as may be required by law or by the specifications of the audit.~~

~~(e) (1) Books and accounts of the state treasurer and the director of accounts and reports, including the bond register of the state treasurer, may be examined monthly if the legislative post audit committee so determines, and such examination may include detailed checking of every transaction or test checking.~~

~~(2) Any person receiving tax information under the provisions of subsection (a) or (b) shall be subject to the same duty of confidentiality.~~

~~imposed by law upon the personnel of the department of revenue and shall be subject to any civil or criminal penalties imposed by law for violations of such duty of confidentiality.~~

¶(b) The post auditor shall report immediately in writing to the legislative post audit committee, governor and attorney general whenever it appears in the opinion of the post auditor that there may have occurred any violation of penal statutes or any instances of misfeasance, malfeasance or nonfeasance by a public officer or employee disclosed by any audit or audit work conducted under the legislative post audit act *or any audit conducted pursuant to section 1, section 8, section 11 or section 12, and amendments thereto*. The post auditor shall furnish the attorney general all information in the possession of the post auditor relative to any report referred to the attorney general. The attorney general shall institute and prosecute civil proceedings against any such delinquent officer or employee, or upon such officer or employee's official bond, or both, as may be needed to recover for the state any funds or other assets misappropriated. The attorney general shall also prosecute such ouster and criminal proceedings as the evidence in the case warrants. Any person receiving tax information under the provisions of this subsection shall be subject to the same duty of confidentiality imposed by law upon the personnel of the department of revenue and shall be subject to any civil or criminal penalties imposed by law for violations of such duty of confidentiality.

¶(c) The post auditor shall immediately report to the committee on surety bonds and insurance when any audit or audit work conducted under the legislative post audit act *or any audit conducted pursuant to section 1, section 8, section 11 or section 12, and amendments thereto*, discloses a shortage in the accounts of any state agency, officer or employee.

¶(d) In the discharge of the duties imposed under the legislative post audit act, the post auditor may require state agencies to preserve and make available their accounts, records, documents, vouchers, requisitions, payrolls, canceled checks or vouchers and coupons, and other evidence of financial transactions.

¶(e) In the discharge of the duties imposed under the legislative post audit act, the post auditor or firm conducting ~~a financial compliance audit or conducting any other~~ audit or audit work *under the legislative post audit act* shall have access to all books, accounts, records, files, documents and correspondence, confidential or otherwise, of any person or state agency subject to the legislative post audit act or in the custody of any such person or state agency. Except as otherwise provided in this subsection, the post auditor or firm conducting ~~a financial compliance audit or other~~ any audit or audit work under the legislative post audit act and all employees and former employees of the division of post audit or firm performing ~~a financial compliance audit or other~~ any audit or audit work shall be subject to the same duty of confidentiality imposed by law on any such person or state agency with regard to any such books, accounts, records, files, documents and correspondence, and any information contained therein, and shall be subject to any civil or criminal penalties imposed by law for violations of such duty of confidentiality. The duty of confidentiality imposed on the post auditor and on firms conducting ~~financial compliance audits or any other audits~~ audit or audit work under the legislative post audit act and all employees of the division of post audit and all employees of such firms shall be subject to the provisions of subsection ¶(b), and the post auditor may furnish all such books, accounts, records, files, documents and correspondence, and any information contained therein to the attorney general pursuant to subsection ¶(b). Upon receipt thereof, the attorney general and all assistant attorneys general and all other employees and former employees of the office of attorney general shall be subject to the same duty of confidentiality with the exceptions that any such information contained therein may be disclosed in civil proceedings, ouster proceedings and criminal proceedings which may be instituted and prosecuted by the attorney general in accordance with subsection ¶(b), and any such books, accounts, records, files, documents and correspondence furnished to the attorney general in accordance with subsection ¶(b) may be entered into evidence in any such proceedings. Nothing in this subsection shall be construed to supersede any requirement of federal law.

¶(f) Any firm or firms which develop information in the course of

conducting ~~a financial compliance audit or other any~~ audit or audit work under the legislative post audit act which the post auditor is required to report under subsection ~~(d) or (e)~~ ~~(b) or (c)~~ shall immediately report such information to the post auditor. The post auditor shall then make the report required in subsection ~~(d) or (e)~~ ~~(b) or (c)~~.

(4) (1) A financial compliance audit shall be conducted annually on the accounts and transactions of the Kansas lottery and the Kansas lottery commission, of the Kansas public employees retirement system and of any other state agency as may be required by law. The auditor to conduct this audit work shall be specified in accordance with K.S.A. 46-1122, and amendments thereto. If the legislative post audit committee specifies under such statute that a firm is to perform all or part of such audit work, such firm shall be selected and shall perform such audit work as provided in K.S.A. 46-1123, and amendments thereto, and K.S.A. 46-1125 through 46-1127, and amendments thereto. The audits required pursuant to this subsection shall be conducted in accordance with generally accepted governmental auditing standards, and shall be conducted as soon after the close of the fiscal year as practicable, but shall be completed no later than six months after the close of the fiscal year.

(2) The financial compliance audit of the Kansas public employees retirement system shall include, but not be limited to, a review of alternative investments of the system with any estimates of permanent impairments to the value of such alternative investments reported by the system pursuant to K.S.A. 74-4907, and amendments thereto. The financial compliance audit may include one or more performance audit subjects as directed by the legislative post audit committee. In considering performance audit subjects to be included in any such financial compliance audit, the legislative post audit committee shall consider recommendations and requests for performance audits, relating to the system or the management thereof, by the joint committee on pensions, investments and benefits or by any other committee or individual member of the legislature. The legislative post audit committee shall specify if one or more performance audit subjects shall be included in such financial compliance audit, in addition to such other subjects as may be directed to be included in such financial compliance audit by the legislative post audit committee. Except as otherwise determined by the legislative post audit committee, one or more performance audit subjects specified by the legislative post audit committee shall be included at least once every two fiscal years in such financial compliance audit. The legislative post audit committee may direct that one or more performance audit subjects are to be included in such financial compliance audit not more than once during a specific period of three fiscal years, in lieu of once every two fiscal years.

Sec. 22. On and after July 1, 2019, K.S.A. 46-1108 is hereby amended to read as follows: 46-1108. Audits, ~~in addition to financial compliance audits or other financial compliance audit work conducted pursuant to K.S.A. 46-1106 and amendments thereto~~, shall be performed by the post auditor only on the direction of the legislative post audit committee. The legislative post audit committee may direct the post auditor to perform additional audits or audit work described in K.S.A. 46-1106, and amendments thereto, of any state agencies, or may direct that any additional audit of a state agency shall be performed to accomplish other objectives than those specified pursuant to K.S.A. 46-1106, and amendments thereto. The legislative post audit committee may direct that any such additional audits shall be conducted to determine:

- (a) Whether any state agency is carrying out only those activities or programs authorized by the legislature; or
- (b) whether the programs and activities of a state agency, or a particular program or activity, is being efficiently and effectively operated; or
- (c) whether any new activity or program is being efficiently and effectively implemented in accordance with the intent of the legislature; or
- (d) whether there is a need for change in any authorized activity or program of a state agency; or
- (e) whether any reorganization of a state agency, or group of state agencies, is needed or justified to accomplish the results of programs or activities authorized by the legislature; or

SENATE BILL No. 260—page 10

(f) any combination of the purposes specified in this or any other section of the legislative post audit act.

Sec. 23. On and after July 1, 2019, K.S.A. 46-1112 is hereby amended to read as follows: 46-1112. As used in the legislative post audit act, unless the context otherwise requires:

(a) “Person” means an individual, proprietorship, partnership, limited partnership, association, trust, estate, business trust, group, or corporation, whether or not operated for profit, or a governmental agency, unit, or subdivision.

(b) “State agency” means any state office, officer, department, board, commission, institution, bureau, agency, or authority or any division or unit thereof.

(c) ~~“Financial compliance audit” means an audit of the financial affairs and transactions of a state agency required to comply with federal government audit requirements for receiving federal grants or an audit of the financial affairs and transactions of a state agency otherwise required by law to be performed.~~

(d) “Firm” means any individual, firm, partnership, corporation, association or other legal entity permitted by law to engage in practice as a certified public accountant.

(e) ~~“Federal grant” means moneys received by a state agency under any act or appropriation of the federal government or moneys received by a state agency under the state and local fiscal assistance act of 1972 and amendments thereto.~~

Sec. 24. On and after July 1, 2019, K.S.A. 2017 Supp. 46-1114 is hereby amended to read as follows: 46-1114. (a) The legislative post audit committee is hereby authorized to direct the post auditor and the division of post audit to make an audit of any type described in K.S.A. 46-1106 or 46-1108, and amendments ~~to these sections~~ thereto, of any records or matters of any person specified in this section, and may direct the object in detail of any such audit.

(b) Upon receiving any such direction, the post auditor with the division of post audit, shall make such audit and shall have access to all books, accounts, records, files, documents and correspondence, confidential or otherwise, to the same extent permitted under subsection (e) of K.S.A. 46-1106(e), and amendments thereto, except that such access shall be subject to the limitations established under subsection (d) ~~of this section~~.

(c) Audits authorized by this section are the following:

(1) Audit of any local subdivision of government or agency or instrumentality thereof which receives any distribution of moneys from or through the state.

(2) Audit of any person who receives any grant or gift from or through the state.

(3) Audit of the contract relationships and the fiscal records related thereto of any person who contracts with the state.

(4) Audit of any person who is regulated or licensed by any state agency or who operates or functions for the benefit of any state institution except that any audit of any person regulated by the state corporation commission shall address only compliance with laws or regulations, collection or remittance of taxes or fees, or other matters related directly to state government programs or functions. Any such audit authorized under this subsection shall not address corporate governance or financial issues except as they may relate directly to state government programs or functions. This subsection shall not apply to public utilities as described in subsection (l) of K.S.A. 66-1,187(l), and amendments thereto.

(d) (1) Access to all books, accounts, records, files, documents and correspondence, confidential or otherwise, as authorized under subsection (b) ~~of this section~~ of any nongovernmental person audited under authority of subsection (c)(2) ~~of this section~~ shall be limited to those books, accounts, records, files, documents and correspondence, confidential or otherwise, of such person to which the state governmental agency ~~which~~ that administers the grant or gift and provides for the disbursement thereof is authorized under law to have access.

(2) Access to all books, accounts, records, files, documents and correspondence, confidential or otherwise, as authorized under subsection (b) ~~of this section~~ of any nongovernmental person audited under authority

of subsection (c)(3) ~~of this section~~ shall be limited to those books, accounts, records, files, documents and correspondence, confidential or otherwise, of such person to which the state governmental agency ~~which~~ *that* contracts with such person is authorized under law to have access.

(3) Access to all books, accounts, records, files, documents and correspondence, confidential or otherwise, as authorized under subsection (b) ~~of this section~~ of any nongovernmental person audited under authority of subsection (c)(4) ~~of this section~~ shall be limited to those books, accounts, records, files, documents and correspondence, confidential or otherwise, of such person to which the state governmental agency ~~which~~ *that* regulates or licenses such person or the state institution on whose behalf such person operates or functions is authorized under law to have access.

Sec. 25. On and after July 1, 2019, K.S.A. 46-1115 is hereby amended to read as follows: 46-1115. Whenever any person fails to make any books, accounts, contracts or records, files, documents and correspondence, confidential or otherwise, related to any of the foregoing available to the post auditor or to a firm performing ~~a financial compliance audit~~ *any audit or audit work under the legislative post audit act* or to any officer or employee of the division of post audit or of such firm within 30 days after a request therefor by the post auditor or ~~by a firm performing a financial compliance audit~~ or any such officer or employee of the post auditor or of such firm, and such person is entitled under any other statute to receive any state funds, such funds shall be withheld until such person has fully complied with such request. Whenever state funds are to be withheld under this section, the post auditor shall give written notice thereof to the director of accounts and reports, and such director shall issue no warrant for payment of state funds to such person until the post auditor has given such director written notice that such person has acceded to the request of the post auditor. The provisions of this section shall not affect any contract entered into prior to the effective date of this act to the extent that any impairment of such contract occurs.

Sec. 26. On and after July 1, 2019, K.S.A. 46-1116 is hereby amended to read as follows: 46-1116. Failure to make records available for post audit is the intentional failure to make any books, accounts, contracts or records, files, documents and correspondence, confidential or otherwise, related to any of the foregoing available to the post auditor or to a firm performing ~~a financial compliance audit~~ *any audit or audit work under the legislative post audit act* or any officer or employee of the division of post audit or of such firm upon request of the post auditor or ~~such~~ firm or any such officer or employee for the purpose of post audit as directed by the legislative post audit committee under authority of this act *or as otherwise directed pursuant to law*.

Failure to make records available for post audit is a class A misdemeanor.

Sec. 27. On and after July 1, 2019, K.S.A. 2017 Supp. 46-1118 is hereby amended to read as follows: 46-1118. (a) (1) Except as otherwise provided by statute, whenever the post auditor performs any additional audit work for any state agency to satisfy federal government requirements, and incurs costs in addition to those attributable to the operations of the division of post audit in performance of other duties and responsibilities, the post auditor shall make charges for such additional costs.

(2) ~~Except as otherwise provided by statute, whenever the post auditor performs any audit work for any state agency to satisfy financial compliance audit requirements prescribed by or pursuant to subsection (a)(1) of K.S.A. 46-1106, and amendments thereto, and incurs costs in addition to those attributable to the operations of the division of post audit in performance of other duties and responsibilities, the post auditor shall make charges for such additional costs.~~

(3) The legislative post audit committee may authorize the post auditor to perform additional ~~financial related~~ audit work at the request of a state agency. Upon the authorization and in accordance with the direction of the legislative post audit committee, the post auditor may make charges for costs incurred for the performance of such ~~financial related~~ audit work.

(4) The post auditor shall compute the reasonably anticipated cost of providing audits pursuant to K.S.A. 2017 Supp. 46-1134, and amend-

~~ments thereto, subject to review and approval by the contract audit committee. Upon such approval, the state agency that is receiving the audit services shall reimburse the division of post audit for the amount approved by the contract audit committee.~~

(5)(3) The furnishing of any such audit services by the division of post audit shall be a transaction between the post auditor and the state agency receiving such services and such transaction shall be settled in accordance with the provisions of K.S.A. 75-5516, and amendments thereto.

(b) All moneys received for reimbursement ~~of~~ to the division of post audit under this section shall be remitted to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the audit services fund, which fund is hereby created in the state treasury. All expenditures from the audit services fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the post auditor or a person or persons designated by the post auditor.

Sec. 28. On and after July 1, 2019, K.S.A. 46-1122 is hereby amended to read as follows: 46-1122. ~~The legislative post audit committee shall specify whether a financial compliance audit or financial compliance audit work at a state agency is to be conducted. (a) By a firm or firms qualified to perform such audit or audit work, or (b) by the post auditor.~~ If the legislative post audit committee specifies that a firm or firms is to perform ~~such an~~ audit or audit work, such firm or firms shall be selected and shall perform such audit or audit work as provided in K.S.A. 46-1123, and amendments thereto, and K.S.A. 46-1125 ~~to~~ through 46-1127, ~~inclusive~~, and amendments thereto. If the legislative post audit committee specifies that the post auditor is to perform such audit or audit work, the post auditor shall perform such audit or audit work as directed by the legislative post audit committee pursuant to K.S.A. 46-1106, and amendments thereto, and, if the audit or audit work is performed to comply with federal government audit requirements, in accordance with specifications for the conduct of such audit or audit work established by the contract audit committee.

Sec. 29. On and after July 1, 2019, K.S.A. 46-1123 is hereby amended to read as follows: 46-1123. (a) In the procurement of a firm or firms to perform ~~a financial compliance~~ ~~an audit or audit work~~, the post auditor shall encourage firms engaged in the lawful practice of their profession to place their names on the list maintained by the post auditor of bidders to receive invitations for bid on post audit contracts.

(b) The post auditor shall establish specifications, with the advice of the head of each state agency to be audited, for the conduct by a firm or firms of the ~~financial compliance~~ audit. The specifications shall be used in preparing invitations for bid and evaluating the bids received.

(c) ~~For all financial compliance audits of state agencies~~ to be performed by a firm or firms, the post auditor shall issue an invitation for bid to all firms who have requested to be on the bidders' list and others who request a copy after notice in the Kansas register. The invitation shall request information on the firm's qualifications, the qualifications of staff to be assigned to the job, the firm's technical approach to the audit and the fee. The post auditor shall evaluate the bids received in response to the invitations and for each audit shall prepare a list of at least three and not more than five firms which are, in the opinion of the post auditor, qualified to perform such audit. Such list shall be submitted to the contract audit committee.

(d) Two or more separate ~~financial compliance~~ audits may be combined by the contract audit committee for the purpose of procuring audit services for all such audits from a single firm, and in each such case such combined audits shall be construed to be a single audit for all purposes under K.S.A. 46-1123, and amendments thereto, and K.S.A. 46-1125 ~~to~~ through 46-1127, ~~inclusive~~, and amendments thereto.

Sec. 30. On and after July 1, 2019, K.S.A. 46-1125 is hereby amended to read as follows: 46-1125. (a) The contract audit committee may conduct discussions with each of the firms submitted by the post auditor and then shall select a firm or firms from such listing to provide the ~~financial compliance~~ audit in accordance with the legislative post audit act.

(b) The contract audit committee shall consider, in making their selection, qualifications of the firm and staff, the technical proposal and fee.

(c) If the contract audit committee is unable to contract with any of the selected firms, the contract audit committee shall request the post auditor to provide another list of firms to be reviewed by the contract audit committee and, upon receipt of such list, the contract audit committee shall proceed in accordance with the provisions of this section.

Sec. 31. On and after July 1, 2019, K.S.A. 46-1126 is hereby amended to read as follows: 46-1126. (a) Each contract for ~~a financial compliance audit of a~~ *an audit* state agency entered into under K.S.A. 46-1123 and 46-1125, and amendments ~~to these sections thereto~~, shall be entered into between the post auditor and the firm selected to perform ~~the financial compliance audit~~. Each such contract shall require the firm selected to perform the ~~financial compliance audit~~ to submit evidence which is satisfactory to the contract audit committee that the firm has general professional liability insurance or specific professional liability insurance which is adequate for such audit.

(b) In addition to the requirements in subsection (a), each such contract for ~~financial compliance~~ audit services shall specify the responsibilities undertaken by the firm selected to perform such audit and that such firm shall be responsible for all material errors and omissions in the performance of such contract.

(c) Such contracts shall not be subject to the provisions of K.S.A. 75-3739, and amendments thereto.

Sec. 32. On and after July 1, 2019, K.S.A. 46-1127 is hereby amended to read as follows: 46-1127. (a) The contract audit committee shall monitor the performance of the firm or firms conducting ~~a financial compliance~~ *an audit* pursuant to a contract entered into under K.S.A. 46-1126, and amendments thereto, to insure that such audit is performed in accordance with the specifications developed for the conduct of such audit. The firm or firms selected to perform such audit shall submit a written audit report at the conclusion of the audit to the post auditor who shall distribute the complete audit report to members of the legislative post audit committee, the governor, the director of accounts and reports, the director of the budget, the secretary of administration, ~~the any~~ state agency which is audited and other persons or agencies as may be required by the specifications.

(b) In the performance of such audit, the officers and employees of the firm or firms performing the audit shall be subject to the same duty of confidentiality applicable to the post auditor and officers and employees of the division of post audit under the legislative post audit act and shall have access to all books, accounts, records, files, documents and correspondence, confidential or otherwise, of any person or state agency subject to the ~~financial compliance~~ audit.

Sec. 33. On and after July 1, 2019, K.S.A. 2017 Supp. 46-1128 is hereby amended to read as follows: 46-1128. (a) Except as provided by subsections (b), (c) and (d) of this section and by K.S.A. 46-1106~~(d), (e)~~ ~~and (g)(b), (c) and (e)~~, and amendments thereto, each audit report prepared by the division of post audit or by a firm under the legislative post audit act, and each finding, conclusion, opinion or recommendation contained in the audit report, shall be confidential and shall not be disclosed pursuant to the provisions of the open records act or under any other law until: (1) The time of the next scheduled meeting of the legislative post audit committee held after distribution of the report to members of such committee; or (2) the time of the next scheduled meeting of another legislative committee held after distribution of the report to the members of such committee as authorized by the legislative post audit committee.

(b) The legislative post audit committee may authorize a specific confidential distribution of any audit report, prior to any such presentation of the audit report, by motion adopted by the legislative post audit committee or by rule adopted by the committee, in accordance with such motion or rule. Each person who receives an audit report pursuant to any such motion or rule authorizing a specific confidential distribution of the audit report shall keep the audit report and each finding, conclusion, opinion or recommendation contained in the audit report confidential until the audit report is presented to the legislative post audit committee or another legislative committee at an open meeting of the committee.

(c) The post auditor, or the post auditor's designee may make a limited distribution of preliminary audit findings, conclusions or recommendations to any person affected by the audit as part of the process of conducting the audit. Such preliminary audit findings, conclusions, opinions or recommendations shall be confidential and shall not be subject to disclosure pursuant to the provisions of the open records act or any other law, except as provided in K.S.A. 46-1106~~(d)~~, (e) and ~~(g)~~(b), (c) and (e), and amendments thereto.

(d) The legislative post auditor may report in writing outside of a regularly scheduled meeting to the legislative post audit committee, the joint committee on information technology, and the chief information technology officers of the executive, legislative and judicial branches, when, in the opinion of the post auditor, it appears that an information technology project being audited under K.S.A. 2017 Supp. 46-1135, and amendments thereto, is at risk due to a failure to meet key milestones, or failure to receive sufficient deliverables after a contract payment, significant cost overruns, or when the post auditor finds the project is not being efficiently and effectively implemented in accordance with its original stated purpose and goals.

(e) As used in this section, "audit report" means the written report of any financial compliance audit, performance audit, or any other audit or audit work conducted under the legislative post audit act by the division of post audit or by a firm under the legislative post audit act; and any other words and phrases used in this section shall have the meanings respectively ascribed thereto by K.S.A. 46-1112, and amendments thereto.

(f) This section shall be part of and supplemental to the legislative post audit act.

Sec. 34. On and after July 1, 2019, K.S.A. 2017 Supp. 46-1135 is hereby amended to read as follows: 46-1135. (a) The legislative division of post audit shall conduct information technology audits as directed by the legislative post audit committee. Audit work performed under this section may include:

(1) Assessment of security practices of information technology systems maintained or administered by any state agency or any entity subject to audit under the provisions of K.S.A. 46-1114(c), and amendments thereto; and

(2) continuous audits of ongoing information technology projects by any state agency or any entity subject to audit under the provisions of K.S.A. 46-1114(c), and amendments thereto, including systems development and implementation.

(b) Written reports on the results of such auditing shall be furnished to:

(1) The entity which is being audited;

(2) the chief information technology officer of the branch of government that the entity being audited is part of;

(3) (A) the governor, if the entity being audited is an executive branch entity;

(B) the legislative coordinating council, if the entity being audited is a legislative entity; or

(C) the chief justice of the Kansas supreme court, if the entity being audited is a judicial entity;

(4) the legislative post audit committee;

(5) the joint committee on information technology; and

(6) such other persons or agencies as may be required by law or by the specifications of the audit or as otherwise directed by the legislative post audit committee.

(c) The provisions of K.S.A. 46-1106~~(g)~~(e), and amendments thereto, shall apply to any audit or audit work conducted pursuant to this section.

(d) This section shall be part of and supplemental to the legislative post audit act.

Sec. 35. On and after July 1, 2019, K.S.A. 74-2424 is hereby amended to read as follows: 74-2424. (a) The secretary of revenue may make available or furnish to the taxing officials of any other state or the commissioner of internal revenue of the United States or other taxing officials of the federal government, or their authorized representatives, or the director of property valuation, information contained in tax reports, renditions

or returns or any audit thereof or the report of any investigation made with respect thereto, filed pursuant to the tax laws. Such information shall not be used for any other purpose than that of the administration of the tax laws of this or another state or of the United States, except that the post auditor shall have access to all such information in accordance with and subject to the provisions of subsection (e) of K.S.A. 46-1106(e), and amendments thereto.

(b) Notwithstanding the provisions of this section, the secretary of revenue may:

(1) Communicate to the executive director of the Kansas lottery information as to whether a person, partnership or corporation is current in the filing of all applicable tax returns and in the payment of all taxes, interest and penalties to the state of Kansas, excluding items under formal appeal, for the purpose of determining whether such person, partnership or corporation is eligible to be selected as a lottery retailer; and

(2) communicate to the executive director of the Kansas racing commission information as to whether a person, partnership or corporation has failed to meet any tax obligation to the state of Kansas for the purpose of determining whether such person, partnership or corporation is eligible for a facility owner license or facility manager license pursuant to the Kansas parimutuel racing act.

Sec. 36. On and after July 1, 2019, K.S.A. 2017 Supp. 74-4921 is hereby amended to read as follows: 74-4921. (1) There is hereby created in the state treasury the Kansas public employees retirement fund. All employee and employer contributions shall be deposited in the state treasury to be credited to the Kansas public employees retirement fund. The fund is a trust fund and shall be used solely for the exclusive purpose of providing benefits to members and member beneficiaries and defraying reasonable expenses of administering the fund. Investment income of the fund shall be added or credited to the fund as provided by law. All benefits payable under the system, refund of contributions and overpayments, purchases or investments under the law and expenses in connection with the system unless otherwise provided by law shall be paid from the fund. The director of accounts and reports is authorized to draw warrants on the state treasurer and against such fund upon the filing in the director's office of proper vouchers executed by the chairperson or the executive director of the board. As an alternative, payments from the fund may be made by credits to the accounts of recipients of payments in banks, savings and loan associations and credit unions. A payment shall be so made only upon the written authorization and direction of the recipient of payment and upon receipt of such authorization such payments shall be made in accordance therewith. Orders for payment of such claims may be contained on (a) a letter, memorandum, telegram, computer printout or similar writing, or (b) any form of communication, other than voice, which is registered upon magnetic tape, disc or any other medium designed to capture and contain in durable form conventional signals used for the electronic communication of messages.

(2) The board shall have the responsibility for the management of the fund and shall discharge the board's duties with respect to the fund solely in the interests of the members and beneficiaries of the system for the exclusive purpose of providing benefits to members and such member's beneficiaries and defraying reasonable expenses of administering the fund and shall invest and reinvest moneys in the fund and acquire, retain, manage, including the exercise of any voting rights and disposal of investments of the fund within the limitations and according to the powers, duties and purposes as prescribed by this section.

(3) Moneys in the fund shall be invested and reinvested to achieve the investment objective which is preservation of the fund to provide benefits to members and member beneficiaries, as provided by law and accordingly providing that the moneys are as productive as possible, subject to the standards set forth in this act. No moneys in the fund shall be invested or reinvested if the sole or primary investment objective is for economic development or social purposes or objectives.

(4) In investing and reinvesting moneys in the fund and in acquiring, retaining, managing and disposing of investments of the fund, the board shall exercise the judgment, care, skill, prudence and diligence under the circumstances then prevailing, which persons of prudence, discretion and

intelligence acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims by diversifying the investments of the fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so, and not in regard to speculation but in regard to the permanent disposition of similar funds, considering the probable income as well as the probable safety of their capital.

(5) Notwithstanding subsection (4): (a) Total investments in common stock may be made in the amount of up to 60% of the total book value of the fund;

(b) the board may invest or reinvest moneys of the fund in alternative investments if the following conditions are satisfied:

(i) The total of the annual net commitment to alternative investments does not exceed 5% of the total market value of investment assets of the fund as measured from the end of the preceding calendar year;

(ii) if in addition to the system, there are at least two other qualified institutional buyers, as defined by section (a)(1)(i) of rule 144A, securities act of 1933;

(iii) the system's share in any individual alternative investment is limited to an investment representing not more than 20% of any such individual alternative investment;

(iv) the system has received a favorable and appropriate recommendation from a qualified, independent expert in investment management or analysis in that particular type of alternative investment;

(v) the alternative investment is consistent with the system's investment policies and objectives as provided in subsection (6);

(vi) the individual alternative investment does not exceed more than 2.5% of the total alternative investments made under this subsection. If the alternative investment is made pursuant to participation by the system in a multi-investor pool, the 2.5% limitation contained in this subsection is applied to the underlying individual assets of such pool and not to investment in the pool itself. The total of such alternative investments made pursuant to participation by the system in any one individual multi-investor pool shall not exceed more than 20% of the total of alternative investments made by the system pursuant to this subsection. Nothing in this subsection requires the board to liquidate or sell the system's holdings in any alternative investments made pursuant to participation by the system in any one individual multi-investor pool held by the system on the effective date of this act, unless such liquidation or sale would be in the best interest of the members and beneficiaries of the system and be prudent under the standards contained in this section. The 20% limitation contained in this subsection shall not have been violated if the total of such investment in any one individual multi-investor pool exceeds 20% of the total alternative investments of the fund as a result of market forces acting to increase the value of such a multi-investor pool relative to the rest of the system's alternative investments; however, the board shall not invest or reinvest any moneys of the fund in any such individual multi-investor pool until the value of such individual multi-investor pool is less than 20% of the total alternative investments of the fund;

(vii) the board has received and considered the investment manager's due diligence findings submitted to the board as required by subsection (6)(c);

(viii) prior to the time the alternative investment is made, the system has in place procedures and systems to ensure that the investment is properly monitored and investment performance is accurately measured; and

(ix) the total of alternative investments does not exceed 15% of the total investment assets of the fund. The 15% limitation contained in this subsection shall not have been violated if the total of such alternative investments exceeds 15% of the total investment assets of the fund, based on the fund total market value, as a result of market forces acting to increase the value of such alternative investments relative to the rest of the system's investments. However, the board shall not invest or reinvest any moneys of the fund in alternative investments until the total value of such alternative investments is less than 15% of the total investment assets of the fund based on the market value. If the total value of the alternative investments exceeds 15% of the total investment assets of the fund, the board shall not be required to liquidate or sell the system's holdings in

any alternative investment held by the system, unless such liquidation or sale would be in the best interest of the members and beneficiaries of the system and is prudent under the standards contained in this section.

For purposes of this act, “alternative investment” includes a broad group of investments that are not one of the traditional asset types of public equities, fixed income, cash or real estate. Alternative investments are generally made through limited partnership or similar structures, are not regularly traded on nationally recognized exchanges and thus are relatively illiquid, and exhibit lower correlations with more liquid asset types such as stocks and bonds. Alternative investments generally include, but are not limited to, private equity, private credit, hedge funds, infrastructure, commodities and other investments which have the characteristics described in this paragraph; and

(c) except as otherwise provided, the board may invest or reinvest moneys of the fund in real estate investments if the following conditions are satisfied:

(i) The system has received a favorable and appropriate recommendation from a qualified, independent expert in investment management or analysis in that particular type of real estate investment;

(ii) the real estate investment is consistent with the system’s investment policies and objectives as provided in subsection (6); and

(iii) the system has received and considered the investment manager’s due diligence findings.

(6) Subject to the objective set forth in subsection (3) and the standards set forth in subsections (4) and (5) the board shall formulate policies and objectives for the investment and reinvestment of moneys in the fund and the acquisition, retention, management and disposition of investments of the fund. Such policies and objectives shall include:

(a) Specific asset allocation standards and objectives;

(b) establishment of criteria for evaluating the risk versus the potential return on a particular investment;

(c) a requirement that all investment managers submit such manager’s due diligence findings on each investment to the board or investment advisory committee for approval or rejection prior to making any alternative investment;

(d) a requirement that all investment managers shall immediately report all instances of default on investments to the board and provide the board with recommendations and options, including, but not limited to, curing the default or withdrawal from the investment; and

(e) establishment of criteria that would be used as a guideline for determining when no additional add-on investments or reinvestments would be made and when the investment would be liquidated.

The board shall review such policies and objectives, make changes considered necessary or desirable and readopt such policies and objectives on an annual basis.

(7) The board may enter into contracts with one or more persons whom the board determines to be qualified, whereby the persons undertake to perform the functions specified in subsection (2) to the extent provided in the contract. Performance of functions under contract so entered into shall be paid pursuant to rates fixed by the board subject to provisions of appropriation acts and shall be based on specific contractual fee arrangements. The system shall not pay or reimburse any expenses of persons contracted with pursuant to this subsection, except that after approval of the board, the system may pay approved investment related expenses subject to provisions of appropriation acts. The board shall require that a person contracted with to obtain commercial insurance which provides for errors and omissions coverage for such person in an amount to be specified by the board, provided that such coverage shall be at least the greater of \$500,000 or 1% of the funds entrusted to such person up to a maximum of \$10,000,000. The board shall require a person contracted with to give a fidelity bond in a penal sum as may be fixed by law or, if not so fixed, as may be fixed by the board, with corporate surety authorized to do business in this state. Such persons contracted with the board pursuant to this subsection and any persons contracted with such persons to perform the functions specified in subsection (2) shall be deemed to be agents of the board and the system in the performance of contractual obligations.

(8) (a) In the acquisition or disposition of securities, the board may

rely on the written legal opinion of a reputable bond attorney or attorneys, the written opinion of the attorney of the investment counselor or managers, or the written opinion of the attorney general certifying the legality of the securities.

(b) The board shall employ or retain qualified investment counsel or counselors or may negotiate with a trust company to assist and advise in the judicious investment of funds as herein provided.

(9) (a) Except as provided in subsection (7) and this subsection, the custody of money and securities of the fund shall remain in the custody of the state treasurer, except that the board may arrange for the custody of such money and securities as it considers advisable with one or more member banks or trust companies of the federal reserve system or with one or more banks in the state of Kansas, or both, to be held in safe-keeping by the banks or trust companies for the collection of the principal and interest or other income or of the proceeds of sale. The services provided by the banks or trust companies shall be paid pursuant to rates fixed by the board subject to provisions of appropriation acts.

(b) The state treasurer and the board shall collect the principal and interest or other income of investments or the proceeds of sale of securities in the custody of the state treasurer and pay same when so collected into the fund.

(c) The principal and interest or other income or the proceeds of sale of securities as provided in clause (a) of this subsection (9) shall be reported to the state treasurer and the board and credited to the fund.

(10) The board shall with the advice of the director of accounts and reports establish the requirements and procedure for reporting any and all activity relating to investment functions provided for in this act in order to prepare a record monthly of the investment income and changes made during the preceding month. The record will reflect a detailed summary of investment, reinvestment, purchase, sale and exchange transactions and such other information as the board may consider advisable to reflect a true accounting of the investment activity of the fund.

(11) The board shall provide for an examination of the investment program annually. The examination shall include an evaluation of current investment policies and practices and of specific investments of the fund in relation to the objective set forth in subsection (3), the standard set forth in subsection (4) and other criteria as may be appropriate, and recommendations relating to the fund investment policies and practices and to specific investments of the fund as are considered necessary or desirable. The board shall include in its annual report to the governor as provided in K.S.A. 74-4907, and amendments thereto, a report or a summary thereof covering the investments of the fund.

(12) (a) Any internal assessment or examination of alternative investments of the system performed by any person or entity employed or retained by the board which evaluates or monitors the performance of alternative investments shall be reported to the legislative post auditor so that such report may be reviewed in accordance with the annual financial-compliance audits conducted pursuant to ~~K.S.A. 46-1106~~ section 8, and amendments thereto.

(b) The board shall prepare and submit an alternative investment report to the joint committee on pensions, investments and benefits prior to January 1, 2016. Such report shall include a review of alternative investments of the system with an emphasis on the effects of changes in law pursuant to this act and includes specific investment cost and market value information of each individual alternative investment.

Sec. 37. On and after July 1, 2019, K.S.A. 2017 Supp. 75-5133 is hereby amended to read as follows: 75-5133. (a) Except as otherwise more specifically provided by law, all information received by the secretary of revenue, the director of taxation or the director of alcoholic beverage control from returns, reports, license applications or registration documents made or filed under the provisions of any law imposing any sales, use or other excise tax administered by the secretary of revenue, the director of taxation, or the director of alcoholic beverage control, or from any investigation conducted under such provisions, shall be confidential, and it shall be unlawful for any officer or employee of the department of revenue to divulge any such information except in accordance with other provisions of law respecting the enforcement and collection of such tax,

in accordance with proper judicial order or as provided in K.S.A. 74-2424, and amendments thereto.

- (b) The secretary of revenue or the secretary's designee may:
  - (1) Publish statistics, so classified as to prevent identification of particular reports or returns and the items thereof;
  - (2) allow the inspection of returns by the attorney general or the attorney general's designee;
  - (3) provide the post auditor access to all such excise tax reports or returns in accordance with and subject to the provisions of K.S.A. 46-1106(g)(e), and amendments thereto;
  - (4) disclose taxpayer information from excise tax returns to persons or entities contracting with the secretary of revenue where the secretary has determined disclosure of such information is essential for completion of the contract and has taken appropriate steps to preserve confidentiality;
  - (5) provide information from returns and reports filed under article 42 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto, to county appraisers as is necessary to ensure proper valuations of property. Information from such returns and reports may also be exchanged with any other state agency administering and collecting conservation or other taxes and fees imposed on or measured by mineral production;
  - (6) provide, upon request by a city or county clerk or treasurer or finance officer of any city or county receiving distributions from a local excise tax, monthly reports identifying each retailer doing business in such city or county or making taxable sales sourced to such city or county, setting forth the tax liability and the amount of such tax remitted by each retailer during the preceding month, and identifying each business location maintained by the retailer and such retailer's sales or use tax registration or account number;
  - (7) provide information from returns and applications for registration filed pursuant to K.S.A. 12-187, and amendments thereto, and K.S.A. 79-3601, and amendments thereto, to a city or county treasurer or clerk or finance officer to explain the basis of statistics contained in reports provided by subsection (b)(6);
  - (8) disclose the following oil and gas production statistics received by the department of revenue in accordance with K.S.A. 79-4216 et seq., and amendments thereto: Volumes of production by well name, well number, operator's name and identification number assigned by the state corporation commission, lease name, leasehold property description, county of production or zone of production, name of purchaser and purchaser's tax identification number assigned by the department of revenue, name of transporter, field code number or lease code, tax period, exempt production volumes by well name or lease, or any combination of this information;
  - (9) release or publish liquor brand registration information provided by suppliers, farm wineries, microdistilleries and microbreweries in accordance with the liquor control act. The information to be released is limited to: Item number, universal numeric code, type status, product description, alcohol percentage, selling units, unit size, unit of measurement, supplier number, supplier name, distributor number and distributor name;
  - (10) release or publish liquor license information provided by liquor licensees, distributors, suppliers, farm wineries, microdistilleries and microbreweries in accordance with the liquor control act. The information to be released is limited to: County name, owner, business name, address, license type, license number, license expiration date and the process agent contact information;
  - (11) release or publish cigarette and tobacco license information obtained from cigarette and tobacco licensees in accordance with the Kansas cigarette and tobacco products act. The information to be released is limited to: County name, owner, business name, address, license type and license number;
  - (12) provide environmental surcharge or solvent fee, or both, information from returns and applications for registration filed pursuant to K.S.A. 65-34,150 and 65-34,151, and amendments thereto, to the secretary of health and environment or the secretary's designee for the sole purpose of ensuring that retailers collect the environmental surcharge tax or solvent fee, or both;

(13) provide water protection fee information from returns and applications for registration filed pursuant to K.S.A. 82a-954, and amendments thereto, to the secretary of the state board of agriculture or the secretary's designee and the secretary of the Kansas water office or the secretary's designee for the sole purpose of verifying revenues deposited to the state water plan fund;

(14) provide to the secretary of commerce copies of applications for project exemption certificates sought by any taxpayer under the enterprise zone sales tax exemption pursuant to K.S.A. 79-3606(cc), and amendments thereto;

(15) disclose information received pursuant to the Kansas cigarette and tobacco act and subject to the confidentiality provisions of this act to any criminal justice agency, as defined in K.S.A. 22-4701(c), and amendments thereto, or to any law enforcement officer, as defined in K.S.A. 2017 Supp. 21-5111, and amendments thereto, on behalf of a criminal justice agency, when requested in writing in conjunction with a pending investigation;

(16) provide to retailers tax exemption information for the sole purpose of verifying the authenticity of tax exemption numbers issued by the department;

(17) provide information concerning remittance by sellers, as defined in K.S.A. 2017 Supp. 12-5363, and amendments thereto, of prepaid wireless 911 fees from returns to the local collection point administrator, as defined in K.S.A. 2017 Supp. 12-5363, and amendments thereto, for purposes of verifying seller compliance with collection and remittance of such fees;

(18) release or publish charitable gaming information obtained in charitable gaming licensee and registration applications and renewals in accordance with the Kansas charitable gaming act, K.S.A. 2017 Supp. 75-5171 et seq., and amendments thereto. The information to be released is limited to: The name, address, phone number, license registration number and email address of the organization, distributor or of premises; and

(19) provide to the attorney general confidential information for purposes of determining compliance with or enforcing K.S.A. 50-6a01 et seq., and amendments thereto, the master settlement agreement referred to therein and all agreements regarding disputes under the master settlement agreement. The secretary and the attorney general may share the information specified under this subsection with any of the following:

(A) Federal, state or local agencies for the purposes of enforcement of corresponding laws of other states; and

(B) a court, arbitrator, data clearinghouse or similar entity for the purpose of assessing compliance with or making calculations required by the master settlement agreement or agreements regarding disputes under the master settlement agreement, and with counsel for the parties or expert witnesses in any such proceeding, if the information otherwise remains confidential.

(c) Any person receiving any information under the provisions of subsection (b) shall be subject to the confidentiality provisions of subsection (a) and to the penalty provisions of subsection (d).

(d) Any violation of this section shall be a class A, nonperson misdemeanor, and if the offender is an officer or employee of this state, such officer or employee shall be dismissed from office. Reports of violations of this paragraph shall be investigated by the attorney general. The district attorney or county attorney and the attorney general shall have authority to prosecute any violation of this section if the offender is a city or county clerk or treasurer or finance officer of a city or county.

Sec. 38. On and after July 1, 2019, K.S.A. 2017 Supp. 79-3234 is hereby amended to read as follows: 79-3234. (a) All reports and returns required by this act shall be preserved for three years and thereafter until the director orders them to be destroyed.

(b) Except in accordance with proper judicial order, or as provided in subsection (c) or in K.S.A. 17-7511, ~~subsection (g)~~ of K.S.A. 46-1106(e), K.S.A. 46-1114, or K.S.A. 79-32,153a, and amendments thereto, it shall be unlawful for the secretary, the director, any deputy, agent, clerk or other officer, employee or former employee of the department of revenue or any other state officer or employee or former state officer or employee to divulge, or to make known in any way, the amount of income or any

particulars set forth or disclosed in any report, return, federal return or federal return information required under this act; and it shall be unlawful for the secretary, the director, any deputy, agent, clerk or other officer or employee engaged in the administration of this act to engage in the business or profession of tax accounting or to accept employment, with or without consideration, from any person, firm or corporation for the purpose, directly or indirectly, of preparing tax returns or reports required by the laws of the state of Kansas, by any other state or by the United States government, or to accept any employment for the purpose of advising, preparing material or data, or the auditing of books or records to be used in an effort to defeat or cancel any tax or part thereof that has been assessed by the state of Kansas, any other state or by the United States government.

(c) The secretary or the secretary's designee may: (1) Publish statistics, so classified as to prevent the identification of particular reports or returns and the items thereof;

(2) allow the inspection of returns by the attorney general or other legal representatives of the state;

(3) provide the post auditor access to all income tax reports or returns in accordance with and subject to the provisions of subsection (g) of K.S.A. 46-1106(e) or K.S.A. 46-1114, and amendments thereto;

(4) disclose taxpayer information from income tax returns to persons or entities contracting with the secretary of revenue where the secretary has determined disclosure of such information is essential for completion of the contract and has taken appropriate steps to preserve confidentiality;

(5) disclose to the secretary of commerce the following: (A) Specific taxpayer information related to financial information previously submitted by the taxpayer to the secretary of commerce concerning or relevant to any income tax credits, for purposes of verification of such information or evaluating the effectiveness of any tax credit or economic incentive program administered by the secretary of commerce; (B) the amount of payroll withholding taxes an employer is retaining pursuant to K.S.A. 2017 Supp. 74-50,212, and amendments thereto; (C) information received from businesses completing the form required by K.S.A. 2017 Supp. 74-50,217, and amendments thereto; and (D) findings related to a compliance audit conducted by the department of revenue upon the request of the secretary of commerce pursuant to K.S.A. 2017 Supp. 74-50,215, and amendments thereto;

(6) disclose income tax returns to the state gaming agency to be used solely for the purpose of determining qualifications of licensees of and applicants for licensure in tribal gaming. Any information received by the state gaming agency shall be confidential and shall not be disclosed except to the executive director, employees of the state gaming agency and members and employees of the tribal gaming commission;

(7) disclose the taxpayer's name, last known address and residency status to the Kansas department of wildlife, parks and tourism to be used solely in its license fraud investigations;

(8) disclose the name, residence address, employer or Kansas adjusted gross income of a taxpayer who may have a duty of support in a title IV-D case to the secretary of the Kansas department for children and families for use solely in administrative or judicial proceedings to establish, modify or enforce such support obligation in a title IV-D case. In addition to any other limits on use, such use shall be allowed only where subject to a protective order which prohibits disclosure outside of the title IV-D proceeding. As used in this section, "title IV-D case" means a case being administered pursuant to part D of title IV of the federal social security act, 42 U.S.C. § 651 et seq., and amendments thereto. Any person receiving any information under the provisions of this subsection shall be subject to the confidentiality provisions of subsection (b) and to the penalty provisions of subsection (e);

(9) permit the commissioner of internal revenue of the United States, or the proper official of any state imposing an income tax, or the authorized representative of either, to inspect the income tax returns made under this act and the secretary of revenue may make available or furnish to the taxing officials of any other state or the commissioner of internal revenue of the United States or other taxing officials of the federal government, or their authorized representatives, information contained in income tax reports or returns or any audit thereof or the report of any

investigation made with respect thereto, filed pursuant to the income tax laws, as the secretary may consider proper, but such information shall not be used for any other purpose than that of the administration of tax laws of such state, the state of Kansas or of the United States;

(10) communicate to the executive director of the Kansas lottery information as to whether a person, partnership or corporation is current in the filing of all applicable tax returns and in the payment of all taxes, interest and penalties to the state of Kansas, excluding items under formal appeal, for the purpose of determining whether such person, partnership or corporation is eligible to be selected as a lottery retailer;

(11) communicate to the executive director of the Kansas racing commission as to whether a person, partnership or corporation has failed to meet any tax obligation to the state of Kansas for the purpose of determining whether such person, partnership or corporation is eligible for a facility owner license or facility manager license pursuant to the Kansas parimutuel racing act;

(12) provide such information to the executive director of the Kansas public employees retirement system for the purpose of determining that certain individuals' reported compensation is in compliance with the Kansas public employees retirement act, K.S.A. 74-4901 et seq., and amendments thereto;

(13) (i) provide taxpayer information of persons suspected of violating K.S.A. 2017 Supp. 44-766, and amendments thereto, to the secretary of labor or such secretary's designee for the purpose of determining compliance by any person with the provisions of ~~subsection (i)(3)(D)~~ of K.S.A. 44-703(i)(3)(D) and K.S.A. 2017 Supp. 44-766, and amendments thereto. The information to be provided shall include all relevant information in the possession of the department of revenue necessary for the secretary of labor to make a proper determination of compliance with the provisions of ~~subsection (i)(3)(D)~~ of K.S.A. 44-703(i)(3)(D) and K.S.A. 2017 Supp. 44-766, and amendments thereto, and to calculate any unemployment contribution taxes due. Such information to be provided by the department of revenue shall include, but not be limited to, withholding tax and payroll information, the identity of any person that has been or is currently being audited or investigated in connection with the administration and enforcement of the withholding and declaration of estimated tax act, K.S.A. 79-3294 et seq., and amendments thereto, and the results or status of such audit or investigation;

(ii) any person receiving tax information under the provisions of this paragraph shall be subject to the same duty of confidentiality imposed by law upon the personnel of the department of revenue and shall be subject to any civil or criminal penalties imposed by law for violations of such duty of confidentiality; and

(iii) each of the secretary of labor and the secretary of revenue may adopt rules and regulations necessary to effect the provisions of this paragraph;

(14) provide such information to the state treasurer for the sole purpose of carrying out the provisions of K.S.A. 58-3934, and amendments thereto. Such information shall be limited to current and prior addresses of taxpayers or associated persons who may have knowledge as to the location of an owner of unclaimed property. For the purposes of this paragraph, "associated persons" includes spouses or dependents listed on income tax returns; and

(15) after receipt of information pursuant to subsection (f), forward such information and provide the following reported Kansas individual income tax information for each listed defendant, if available, to the state board of indigents' defense services in an electronic format and in the manner determined by the secretary: (A) The defendant's name; (B) social security number; (C) Kansas adjusted gross income; (D) number of exemptions claimed; and (E) the relevant tax year of such records. Any social security number provided to the secretary and the state board of indigents' defense services pursuant to this section shall remain confidential.

(d) Any person receiving information under the provisions of subsection (c) shall be subject to the confidentiality provisions of subsection (b) and to the penalty provisions of subsection (e).

(e) Any violation of subsection (b) or (c) is a class A nonperson mis-

demeanor and, if the offender is an officer or employee of the state, such officer or employee shall be dismissed from office.

(f) For the purpose of determining whether a defendant is financially able to employ legal counsel under the provisions of K.S.A. 22-4504, and amendments thereto, in all felony cases with appointed counsel where the defendant's social security number is accessible from the records of the district court, the court shall electronically provide the defendant's name, social security number, district court case number and county to the secretary of revenue in the manner and format agreed to by the office of judicial administration and the secretary.

(g) Nothing in this section shall be construed to allow disclosure of the amount of income or any particulars set forth or disclosed in any report, return, federal return or federal return information, where such disclosure is prohibited by the federal internal revenue code as in effect on September 1, 1996, and amendments thereto, related federal internal revenue rules or regulations, or other federal law.

Sec. 39. K.S.A. 2017 Supp. 75-7209 is hereby amended to read as follows: 75-7209. (a) Whenever an agency proposes an information technology project, such agency shall prepare and submit to the chief information technology officer of the branch of state government of which the agency is a part of a project budget estimate therefor, and for each amendment or revision thereof, in accordance with this section. Each information technology project budget estimate shall be in such form as required by the director of the budget, in consultation with the chief information technology architect, and by this section. In each case, the agency shall prepare and include as a part of such project budget estimate a plan consisting of a written program statement describing the project. The program statement shall:

(1) Include a detailed description of and justification for the project, including: (A) An analysis of the programs, activities and other needs and intended uses for the additional or improved information technology; (B) a statement of project scope including identification of the organizations and individuals to be affected by the project and a definition of the functionality to result from the project; and (C) an analysis of the alternative means by which such information technology needs and uses could be satisfied;

(2) describe the tasks and schedule for the project and for each phase of the project, if the project is to be completed in more than one phase;

(3) include a financial plan showing: (A) The proposed source of funding and categorized expenditures for each phase of the project; and (B) cost estimates for any needs analyses or other investigations, consulting or other professional services, computer programs, data, equipment, buildings or major repairs or improvements to buildings and other items or services necessary for the project; and

(4) include a cost-benefit statement based on an analysis of qualitative as well as financial benefits.

(b) (1) Before one or more state agencies proposing an information technology project begin implementation of the project, the project plan, including the architecture and the cost-benefit analysis, shall be approved by the head of each state agency proposing the project and by the chief information technology officer of each branch of state government of which the agency or agencies are a part. Approval of those projects that involve telecommunications services shall also be subject to the provisions of K.S.A. 75-4709, 75-4710 and 75-4712, and amendments thereto.

(2) All specifications for bids or proposals related to an approved information technology project of one or more state agencies shall be reviewed by the chief information technology officer of each branch of state government of which the agency or agencies are a part.

(3) (A) *Agencies are prohibited from contracting with a vendor to implement the project if that vendor prepared or assisted in the preparation of the program statement required under subsection (a), the project planning documents required under subsection (b)(1), or any other project plans prepared prior to the project being approved by the chief information technology officer as required under subsection (b)(1).*

(B) *Information technology projects with an estimated cumulative cost of less than \$5,000,000 are exempted from the provisions of subparagraph (A).*

(C) *The provisions of subparagraph (A) may be waived with prior written permission from the chief information technology officer.*

(c) Annually at the time specified by the chief information technology officer of the branch of state government of which the agency is a part, each agency shall submit to such officer:

(1) A copy of a three-year strategic information technology plan that sets forth the agency's current and future information technology needs and utilization plans for the next three ensuing fiscal years, in such form and containing such additional information as prescribed by the chief information technology officer; and

(2) any deviations from the state information technology architecture adopted by the information technology executive council.

(d) The provisions of this section shall not apply to the information network of Kansas (INK).

Sec. 40. K.S.A. 2017 Supp. 12-5377, as amended by section 1 of 2018 House Bill No. 2435, is hereby amended to read as follows: 12-5377. (a) The receipts and disbursements of the LCPA shall be audited yearly by a licensed municipal accountant or certified public accountant.

(b) The LCPA may require an audit of any provider's books and records concerning the collection and remittance of fees pursuant to this act. The cost of any such audit shall be paid from the 911 state grant fund.

(c) (1) On or before December 31, 2018, and at least once every five years thereafter, the division of post audit shall conduct an audit of the 911 system to determine: (1) (A) Whether the moneys received by PSAPs pursuant to this act are being used appropriately; (2) (B) whether the amount of moneys collected pursuant to this act is adequate; and (3) (C) the status of 911 service implementation. The auditor to conduct such audit shall be specified in accordance with K.S.A. 46-1122, and amendments thereto.

(2) The post auditor shall compute the reasonably anticipated cost of providing audits pursuant to this subsection, subject to review and approval by the contract audit committee established by K.S.A. 46-1120, and amendments thereto. Upon such approval, ~~the 911 state grant fund shall reimburse~~ the division of post audit *shall be reimbursed from the 911 state grant fund* for the amount approved by the contract audit committee. The audit report shall be submitted to the 911 coordinating council, the LCPA, the house of representatives committee on energy, utilities and telecommunications and the senate committee on utilities.

(d) (1) *On or before December 31, 2018, the division of post audit shall conduct an audit of the budget and expenditures of the 911 coordinating council. In conducting such audit, the division shall examine: (A) The annual expenses and financial needs, including personnel, of the council; (B) the total annual operating expenses of the council that are included in the 2.5% cap on expenditures pursuant to K.S.A. 2017 Supp. 12-5364(i), and amendments thereto; (C) the current and projected contractual expenses of the council; (D) the expenditures and distribution of moneys from the 911 state grant fund by the council; and (E) whether the moneys expended by the council are being used pursuant to this act. The auditor, to conduct such audit, shall be specified in accordance with K.S.A. 46-1122, and amendments thereto.*

(2) *The post auditor shall compute the reasonably anticipated cost of providing the audit pursuant to this subsection, subject to review and approval by the contract audit committee established by K.S.A. 46-1120, and amendments thereto. Upon such approval, the division of post audit shall be reimbursed from the 911 state grant fund for the amount approved by the contract audit committee. The audit report shall be submitted to the 911 coordinating council, the house of representatives committee on energy, utilities and telecommunications and the senate committee on utilities.*

(e) The legislature shall review this act at the regular 2014 legislative session and at the regular legislative session every five years thereafter.

Sec. 41. On and after July 1, 2019, K.S.A. 46-1108, 46-1112, 46-1115, 46-1116, 46-1122, 46-1123, 46-1125, 46-1126, 46-1127 and 74-2424 and K.S.A. 2017 Supp. 12-5377, as amended by section 1 of 2018 House Bill No. 2435, 39-709b, 46-1106, 46-1114, 46-1118, 46-1121, 46-1128, 46-

SENATE BILL No. 260—page 25

1134, 46-1135, 74-4921, 75-5133, 75-7209 and 79-3234 are hereby repealed.

Sec. 42. This act shall take effect and be in force from and after its publication in the Kansas register.

I hereby certify that the above BILL originated in the SENATE, and passed that body

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SENATE adopted  
Conference Committee Report \_\_\_\_\_

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*President of the Senate.*

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*Secretary of the Senate.*

Passed the HOUSE  
as amended \_\_\_\_\_

HOUSE adopted  
Conference Committee Report \_\_\_\_\_

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*Speaker of the House.*

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*Chief Clerk of the House.*

APPROVED \_\_\_\_\_

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*Governor.*