

SESSION OF 2014

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2002**

As Amended by Senate Committee of the Whole

**Brief\***

Sub. for HB 2002, as amended, would re-codify current statutory auditing requirements for the Kansas Lottery and the Kansas Public Employees Retirement System (KPERs). The bill would consolidate several current statutory provisions related to annual financial audits of both agencies and for one or more performance audit subjects of KPERs audits into the Legislative Post Audit Act. The bill also would change the background investigation requirements for the vendor selected to perform a security audit for the Kansas Lottery and would add the revised procedures to the Legislative Post Audit Act. In addition, the bill would continue to allow the Legislative Post Auditor to charge any costs for auditing to the agencies being audited.

Specifically, the bill would change the background investigation for a security audit to a more narrow focus. The bill would require background investigations only for the vendor awarded the contract, those individuals who have a controlling interest in the vendor, and those staff members of the vendor specifically engaged in the audit. Under current law, additional background investigations are required on all officers and directors of the vendor and all persons who own a 5.0 percent or more interest in the vendor.

The Senate Committee of the Whole made technical amendments that would update the statutory provision which was amended by the 2013 Session and the references to the 2014 Session.

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\*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

## **Background**

The Legislative Post Auditor testified in support of the bill as introduced. No one else testified on the bill.

The House Committee adopted a substitute bill that would place in the Legislative Post Audit Act the revised requirements for background investigations of a firm hired to conduct a lottery security audit and would repeal the original requirement in the lottery statutes. The substitute bill also would consolidate into the Legislative Post Audit Act the requirement for annual financial audits of KPERs and of the Kansas Lottery. A performance audit requirement also would be shifted from the KPERs statutes to the Legislative Post Audit Act.

The Senate Committee of the Whole amended the bill to make it technically correct by updating references for the 2014 Session since Sub. for HB 2002 carried over from the 2013 Session. The amending language in section two with statutory references was also stricken and new language was added to reflect changes in the same statute which took place during the 2013 Session.

The fiscal note provided by the Division of the Budget indicated the bill, as introduced, would have no fiscal impact. No updated fiscal note was available in 2014.