

## **Transfer Responsibility and Procurement of Audits from Legislative Division of Post Audit to Audited Agencies; 911 Coordinating Council Audit; SB 260**

**SB 260** transfers responsibility for procuring independent audits from the Legislative Division of Post Audit (LPA) to the audited agencies, requires a one-time audit of the 911 Coordinating Council, and prohibits state agencies from contracting with the same vendor to plan and build certain information technology projects. [Note: Provisions enacted in 2018 HB 2438 reconcile the effective date of provisions pertaining to the creation of the 911 Coordinating Council Audit included in SB 260.]

### ***Audits***

The bill transfers responsibility for four audits previously administered by LPA: the Statewide Single Audit, a financial audit of the Kansas Lottery, a security audit of the Kansas Lottery, and a financial audit of the Kansas Public Employees Retirement System (KPERS). Previously, LPA was responsible for administering the audit contracts, but the agencies maintained responsibility for the costs. Agencies were billed by LPA, which collected the funds and paid the contracted auditing firms for their services.

#### *Statewide Single Audit*

The bill transfers responsibility for procuring and administering the Statewide Single Audit from LPA to the Department of Administration (DoA). The Statewide Single Audit includes four statutorily required audits:

- An annual audit of the State's consolidated annual financial report;
- An annual audit of the State's compliance with federal requirements (known as the federal single audit);
- A biennial examination of financial management practices at the State Treasurer's Office; and
- A biennial examination of financial management practices at the Pooled Money Investment Board.

In addition, the audit includes two audits that are not statutorily required: annual financial audits of the Department of Transportation and audits of two state revolving loan funds administered by the Department of Health and Environment.

The bill creates the Department of Administration Contract Audit Committee to select a firm to conduct the audit. This committee consists of persons appointed by the following individuals: the Secretary of Administration, the Director of Accounts and Reports, the Post Auditor, the State Treasurer, and the Director of the Budget.

The bill allows the DoA to charge state agencies for audit expenses that are above regular DoA operating costs. Moneys received from agencies are deposited into the Department of Administration Audit Services Fund, which is created by the bill.

#### *Kansas Lottery Financial and Security Audits*

The bill creates the Kansas Lottery Audit Contract Committee to select a firm to conduct the required audits. This committee consists of persons appointed by the following individuals: the Executive Director of the Kansas Lottery, the Chairperson of the Kansas Lottery Commission, and the Post Auditor.

#### *KPERS Financial Audit*

The bill requires the KPERS Board of Trustees to select a firm to perform the audit. In addition, the bill requires LPA to conduct a performance audit of KPERS at least once every three years.

#### **911 Coordinating Council Audit**

The bill requires a one-time audit of the budget and expenditures of the 911 Coordinating Council (Council) to be conducted by LPA on or before December 31, 2018. LPA is required to examine the following:

- Annual expenses and financial needs, including personnel;
- Total annual operating expenses included in the 2.5 percent cap on expenditures;
- Current and project contractual expenses;
- Expenditures and distribution of moneys from the 911 State Grant Fund; and
- Whether the moneys expended by the Council are being used pursuant to the Kansas 911 Act.

The auditor conducting the audit is required to compute the anticipated costs of the audit, subject to review and approval by the Contract Audit Committee. Once approved, LPA will be reimbursed from the 911 State Grant Fund.

The bill requires the audit report to be submitted to the Council; the House Committee on Energy, Utilities and Telecommunications; and the Senate Committee on Utilities.

#### **Information Technology Contracting Requirements**

The bill prohibits state agencies from contracting with a vendor on an information technology project if that vendor prepared or assisted with:

- The preparation of the program statement;
- The project planning documents; or
- Any other project plans prepared prior to approval of the project by the Chief Information Technology Officer (CITO) of the relevant branch of government.

Information technology projects with estimated cumulative costs of less than \$5.0 million are exempted from the provisions of the bill. Additionally, the provisions of the bill could be waived with written permission from the CITO.