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4 **SENATE BILL No. 22**

5  
6 By Committee on Federal and State Affairs

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8 1-11

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10 AN ACT concerning the Kansas lottery; concerning the executive direc-  
11 tor thereof; amending K.S.A. 2000 Supp. 74-8723 and repealing the  
12 existing section ~~74-8706 and K.S.A. 2000 Supp. 74-8707 and 74-~~  
13 ~~8723 and repealing the existing sections.~~

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

16 Section 1. K.S.A. 2000 Supp. 74-8723 is hereby amended to read as  
17 follows: 74-8723. (a) The Kansas lottery and the office of executive di-  
18 rector of the Kansas lottery, established by K.S.A. 74-8703, and amend-  
19 ments thereto, and the Kansas lottery commission, created by K.S.A. 74-  
20 8709, and amendments thereto, shall be and hereby are abolished on July  
21 1, ~~2002~~ 2007.

22 (b) This section shall be part of and supplemental to the Kansas lot-  
23 tery act.

24 ~~Sec. 2. K.S.A. 2000 Supp. 74-8723 is hereby repealed.~~

25 **Sec. 2. K.S.A. 74-8706 is hereby amended to read as follows:**  
26 **74-8706. The executive director shall have the duty to:**

27 (a) ***Make and keep books and records which accurately and***  
28 ***fairly reflect each day's transactions, including but not limited to:***  
29 ***The distribution of tickets and shares to lottery retailers; receipt of***  
30 ***funds, prize claims, prize disbursements made by the Kansas lottery***  
31 ***or otherwise or prizes liable to be paid by the Kansas lottery; ex-***  
32 ***penditures and other financial transactions of the Kansas lottery nec-***  
33 ***essary so as to permit daily accountability.***

34 (b) ***Make quarterly and annual financial reports to the commis-***  
35 ***sion, the governor, the state treasurer and the legislature. Such re-***  
36 ***ports shall be based upon generally accepted accounting principles***  
37 ***and include a full and complete statement of lottery revenues, prize***  
38 ***disbursements, expenses, net revenues and other financial transac-***  
39 ***tions for the reporting period.***

40 (c) ***Make available for inspection by the commission, upon re-***  
41 ***quest, all books, records, files and other information and documents***  
42 ***of the Kansas lottery.***

43 (d) ~~Engage, in accordance with K.S.A. 74-8705 and amendments~~

1 thereto, an independent firm experienced in security procedures, includ-  
2 ing but not limited to computer security and systems security, to peri-  
3 odically conduct a comprehensive study and evaluation of all aspects of  
4 security in the operation of the Kansas lottery.

5 —(e) *(d) Engage, in accordance with K.S.A. 74-8705, and amend-*  
6 *ments thereto, an independent firm experienced in marketing re-*  
7 *search and analysis to periodically conduct periodically an evaluation*  
8 *to determine the effectiveness of marketing, promotion and public*  
9 *information programs used by the Kansas lottery and make rec-*  
10 *ommendations which will enhance such programs.*

11 ~~(f)~~ *(e) Prepare and submit budgets and proposals for the oper-*  
12 *ation of the Kansas lottery.*

13 ~~(g)~~ *(f) Operate the Kansas lottery in such a manner that, after*  
14 *the initial state appropriation, it is self-sustaining and self-funded.*

15 ~~(h)~~ *(g) Make available at the point of sale of any lottery tickets*  
16 *or shares a list of the odds of winning such game, based upon the*  
17 *number of tickets or shares projected to be sold.*

18 ~~(i)~~ *(h) Make provision for the timely and efficient transfer of*  
19 *funds due from lottery retailers to the lottery operating fund, in-*  
20 *cluding the use of electronic funds transfers whenever possible.*

21 **Sec. 3. K.S.A. 2000 Supp. 74-8707 is hereby amended to read**  
22 **as follows: 74-8707. (a) The accounts and transactions of the Kansas**  
23 **lottery and the Kansas lottery commission shall be subject to an**  
24 **annual financial-compliance audit, and such other audits as di-**  
25 **rected by the legislative post audit committee, under the legislative**  
26 **post audit act. The annual audit shall be conducted as soon after**  
27 **the close of the fiscal year as practicable. The auditor to conduct**  
28 **this audit work shall be specified in accordance with K.S.A. 46-**  
29 **1122, and amendments thereto. If the legislative post audit com-**  
30 **mittee specifies under such statute that a firm, as defined by K.S.A.**  
31 **46-1112, and amendments thereto, is to perform all or part of such**  
32 **audit work, such firm shall be selected and shall perform such audit**  
33 **work as provided in K.S.A. 46-1123, and amendments thereto, and**  
34 **K.S.A. 46-1125 through 46-1127, and amendments thereto.**

35 **The post auditor shall annually compute annually the reasonably**  
36 **anticipated cost of providing audits pursuant to this section subsec-**  
37 **tion, subject to review and approval by the contract audit committee**  
38 **established by K.S.A. 46-1120, and amendments thereto. Upon such**  
39 **approval, the Kansas lottery shall reimburse the division of post**  
40 **audit for the amount approved by the contract audit committee. The**  
41 **furnishing of audit services pursuant to this section subsection shall**  
42 **be a transaction between the post auditor and the Kansas lottery**  
43 **and shall be settled in accordance with the provisions of K.S.A. 75-**

1 **5516, and amendments thereto.**

2 (b) *On or before December 31, 2004, and at least once every three*  
3 *years thereafter, there shall be conducted a security audit of the Kansas*  
4 *lottery. A security audit shall include a comprehensive study and evalu-*  
5 *ation of all aspects of security in the operation of the Kansas lottery. The*  
6 *auditor to conduct a security audit shall be specified in accordance with*  
7 *K.S.A. 46-1122, and amendments thereto. If the legislative post audit com-*  
8 *mittee specifies under such statute that a person, as defined by K.S.A. 46-*  
9 *1112, and amendments thereto, other than the post auditor is to perform*  
10 *all or part of such audit work, such person shall be selected and shall*  
11 *perform such audit work as provided in the applicable provisions of K.S.A.*  
12 *46-1123, and amendments thereto, and K.S.A. 46-1125 through 46-1127,*  
13 *and amendments thereto. The person selected to perform a security audit*  
14 *shall be experienced in security procedures, including, but not limited to,*  
15 *computer and systems security. A contract to conduct a security audit*  
16 *required by this subsection, shall be considered a major procurement con-*  
17 *tract as defined by K.S.A. 74-8702, and amendments thereto, and shall*  
18 *not be awarded until a background investigation is conducted on the per-*  
19 *son or firm selected to perform the audit. Such background investigation*  
20 *shall be subject to the requirements of subsection (c) of K.S.A. 74-8705,*  
21 *and amendments thereto.*

22 *For the purpose of conducting a security audit under this subsection,*  
23 *a person or a firm selected to perform the security audit shall not be*  
24 *limited to a legal entity permitted by law to engage in practice as a cer-*  
25 *tified public accountant.*

26 *The post auditor shall compute the reasonably anticipated cost of pro-*  
27 *viding audits pursuant to this subsection, subject to review and approval*  
28 *by the contract audit committee established by K.S.A. 46-1120, and*  
29 *amendments thereto. Upon such approval, the Kansas lottery shall re-*  
30 *imburse the division of post audit for the amount approved by the contract*  
31 *audit committee. The furnishing of audit services pursuant to this sub-*  
32 *section shall be a transaction between the post auditor and the Kansas*  
33 *lottery and shall be settled in accordance with the provisions of K.S.A.*  
34 *75-5516, and amendments thereto.*

35 **Sec. 4. K.S.A. 74-8706 and K.S.A. 2000 Supp. 74-8707 and 74-**  
36 **8723 are hereby repealed.**

37 **Sec. ~~3~~ 5.** This act shall take effect and be in force from and after its  
38 publication in the statute book.

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