

3
4 **SENATE BILL No. 34**

5
6 By Joint Committee on Legislative Post Audit

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8 1-12

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10 AN ACT concerning the Kansas lottery; relating to audits thereof;
11 amending K.S.A. 74-8706 and K.S.A. 2000 Supp. 74-8707 and repeal-
12 ing the existing sections.

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

15 Section 1. K.S.A. 74-8706 is hereby amended to read as follows: 74-
16 8706. The executive director shall have the duty to:

17 (a) Make and keep books and records which accurately and fairly
18 reflect each day's transactions, including but not limited to: The distri-
19 bution of tickets and shares to lottery retailers; receipt of funds, prize
20 claims, prize disbursements made by the Kansas lottery or otherwise or
21 prizes liable to be paid by the Kansas lottery; expenses and other financial
22 transactions of the Kansas lottery necessary so as to permit daily
23 accountability.

24 (b) Make quarterly and annual financial reports to the commission,
25 the governor, the state treasurer and the legislature. Such reports shall
26 be based upon generally accepted accounting principles and include a full
27 and complete statement of lottery revenues, prize disbursements, ex-
28 penses, net revenues and other financial transactions for the reporting
29 period.

30 (c) Make available for inspection by the commission, upon request,
31 all books, records, files and other information and documents of the Kan-
32 sas lottery.

33 ~~(d) Engage, in accordance with K.S.A. 74-8705 and amendments~~
34 ~~thereto, an independent firm experienced in security procedures, includ-~~
35 ~~ing but not limited to computer security and systems security, to peri-~~
36 ~~odically conduct a comprehensive study and evaluation of all aspects of~~
37 ~~security in the operation of the Kansas lottery.~~

38 ~~(e)~~ (d) Engage, in accordance with K.S.A. 74-8705, and amendments
39 thereto, an independent firm experienced in marketing research and anal-
40 ysis to ~~periodically~~ *periodically* conduct an evaluation to determine the
41 effectiveness of marketing, promotion and public information programs
42 used by the Kansas lottery and make recommendations which will en-
43 hance such programs.

1 ~~(f)~~ (e) Prepare and submit budgets and proposals for the operation
2 of the Kansas lottery.

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

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

8 ~~(i)~~ (h) Make provision for the timely and efficient transfer of funds
9 due from lottery retailers to the lottery operating fund, including the use
10 of electronic funds transfers whenever possible.

11 Sec. 2. K.S.A. 2000 Supp. 74-8707 is hereby amended to read as
12 follows: 74-8707. (a) The accounts and transactions of the Kansas lottery
13 and the Kansas lottery commission shall be subject to an annual financial-
14 compliance audit, and such other audits as directed by the legislative post
15 audit committee, under the legislative post audit act. The annual audit
16 shall be conducted as soon after the close of the fiscal year as practicable.
17 The auditor to conduct this audit work shall be specified in accordance
18 with K.S.A. 46-1122, and amendments thereto. If the legislative post audit
19 committee specifies under such statute that a firm, as defined by K.S.A.
20 46-1112, and amendments thereto, is to perform all or part of such audit
21 work, such firm shall be selected and shall perform such audit work as
22 provided in K.S.A. 46-1123, and amendments thereto, and K.S.A. 46-1125
23 through 46-1127, and amendments thereto.

24 The post auditor shall ~~annually~~ compute *annually* the reasonably an-
25 ticipated cost of providing audits pursuant to this ~~section subsection~~, sub-
26 ject to review and approval by the contract audit committee established
27 by K.S.A. 46-1120, and amendments thereto. Upon such approval, the
28 Kansas lottery shall reimburse the division of post audit for the amount
29 approved by the contract audit committee. The furnishing of audit serv-
30 ices pursuant to this ~~section subsection~~ shall be a transaction between the
31 post auditor and the Kansas lottery and shall be settled in accordance
32 with the provisions of K.S.A. 75-5516, and amendments thereto.

33 (b) *On or before December 31, ~~2002~~ 2004, and at least once every*
34 *three years thereafter, there shall be conducted a security audit of the*
35 *Kansas lottery. A security audit shall include a comprehensive study and*
36 *evaluation of all aspects of security in the operation of the Kansas lottery.*
37 *The auditor to conduct a security audit shall be specified in accordance*
38 *with K.S.A. 46-1122, and amendments thereto. If the legislative post audit*
39 *committee specifies under such statute that a person, as defined by K.S.A.*
40 *46-1112, and amendments thereto, other than the post auditor is to per-*
41 *form all or part of such audit work, such person shall be selected and*
42 *shall perform such audit work as provided in the applicable provisions of*
43 *K.S.A. 46-1123, and amendments thereto, and K.S.A. 46-1125 through*

1 46-1127, and amendments thereto. The person selected to perform a se-
2 curity audit shall be experienced in security procedures, including, but
3 not limited to, computer and systems security. **A contract to conduct a**
4 **security audit required by this subsection, shall be considered a**
5 **major procurement contract as defined by K.S.A. 74-8702, and**
6 **amendments thereto, and shall not be awarded until a background**
7 **investigation is conducted on the person or firm selected to perform**
8 **the audit. Such background investigation shall be subject to the**
9 **requirements of subsection (c) of K.S.A. 74-8705, and amendments**
10 **thereto.**

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

15 The post auditor shall compute the reasonably anticipated cost of pro-
16 viding audits pursuant to this subsection, subject to review and approval
17 by the contract audit committee established by K.S.A. 46-1120, and
18 amendments thereto. Upon such approval, the Kansas lottery shall re-
19 imburse the division of post audit for the amount approved by the contract
20 audit committee. The furnishing of audit services pursuant to this sub-
21 section shall be a transaction between the post auditor and the Kansas
22 lottery and shall be settled in accordance with the provisions of K.S.A.
23 75-5516, and amendments thereto.

24 Sec. 3. K.S.A. 74-8706 and K.S.A. 2000 Supp. 74-8707 are hereby
25 repealed.

26 Sec. 4. This act shall take effect and be in force from and after its
27 publication in the statute book.

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