

Approved Thomas F. Walker  
Date 1-19-90

MINUTES OF THE HOUSE COMMITTEE ON GOVERNMENTAL ORGANIZATION

The meeting was called to order by Representative Thomas F. Walker at  
Chairperson

9:05 a.m./p.m. on Thursday, January 18, 1990 in room 522-S of the Capitol.

All members were present except:

Committee staff present:

Avis Swartzman - Revisor  
Carolyn Rampey - Legislative Research  
Diane Duffy - Legislative Research  
Julian Efird - Legislative Research  
Jackie Breymeyer - Committee Secretary  
Conferees appearing before the committee:

The meeting of the House Governmental Organization Committee was called to order at 9:05 a.m. by Representative Walker, Chairman. Subcommittee assignments were distributed.

Carolyn Rampey continued with the last carryover bill to be discussed. HB 2090 - Board of Accountancy  
The requirement that a certified public accounting office be supervised by a CPA who spent more than 50 percent of the time in that office made it impossible for a person to have two offices. Hearings were held on the bill in February of last year. It was requested that no action be taken on the bill because the Board was in the process of drafting new rules and regulations that would accomplish what the bill was trying to do. On August 29, 1989, new rules and regulations were adopted by the Board allowing an additional office as long as a CPA is present at least two-thirds of the time the additional office is open. There is no physical presence requirement as far as the original office is concerned. (See Attachment 1)

Representative McClure moved that HB 2090 be reported unfavorable for passage. Representative Ramirez gave a second to the motion.  
Discussion was held and a few comments regarding the bill were made. The Chairman called for action on the bill. The motion carried.

Diane Duffy, Legislative Research, began her presentation on the Department of Administration. The first attachment distributed by Ms. Duffy was an organization chart. (Attachment 2) She stated FY 1990 figures for the Department of 24.8 million reportable or on budget plus 72.4 non-reportable or off budget for an approximate total of \$100 million dollars. There are 933 full time employee positions. In Health Benefits, the employee contribution was \$57 million, with the state contributing to make up a total of \$85 million. Ms. Duffy said she would get information as to the number of classified and unclassified personnel for the department. Discussion centered on the liaison who is based in Washington and interfaces with the Department to assist with any particular problem wherein the Department can be of help. A first name of Jennifer was given for the liaison. Scant information was to be had about the job of liaison so Ms. Duffy will obtain more information and report back to the committee. Ms. Duffy continued through each division. Sherry Brown, Secretary of Administration's office, helped with a few clarifying comments. Other attachments distributed by Ms. Duffy were entitled, "Proposal No. 50-- Computer Oversight, "Summary of Nonreportable Expenditures" and another Computer Oversight memorandum (Attachments 3, 4, & 5).

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON GOVERNMENTAL ORGANIZATION

room 522-S, Statehouse, at 9:05 a.m./p.m. on Thursday, January 18, 1990

Ms. Duffy continued her comments by stating that Accounts and Reports handles the central accounting functions of the State of Kansas. She mentioned KFIS, Kansas Financial Information Systems and one of its components, STARS, Statewide Accounting and Reporting System.

The Division of Facilities Management handles state-owned properties.

Ms. Duffy briefly touched on the remaining Divisions of the Department.

Ms. Duffy was asked to explain about IBM and UNISYS on the attachment to the DISC background memorandum. She stated there are two environments. There is not much left that UNISYS is doing and it is being phased out. All work is to be IBM.

Ms. Duffy went through the computer oversight memorandum. Considerable concern has been expressed with regard to DISC, Division of Information System and Communications. Interim study was requested to provide legislative oversight and review of DISC with regard to computer operations. K.S.A. 75-4701 contains DISC's statutory responsibilities. The director of DISC is in the unclassified service, appointed and supervised by the Secretary of Administration.

K.S.A. 75-4705 states all central processing of data by computer for all state agencies must be performed by DISC. The Regents' institutions and the Kansas Lottery are exempt from this provision. DISC is authorized to determine all data processing programs, contract services, and new data processing positions needed by any state agency. The law requires DISC to establish processing standards to be used by all agencies and to audit state agency compliance with those standards.

K.S.A. 75-4706 provides that no state agency may lease or purchase data processing equipment, including hardware and software without prior approval of the DISC director. All specifications for bids for the acquisition of data processing equipment, including auxiliary equipment shall be prepared by DISC.

The entire DISC operation is considered nonreportable expenditure for budget purposes. Computer service expenditures and DISC fees are considered reportable in the budgets of user agencies. It would be a duplication if DISC included this as reportable expenditure.

The attachment to the memorandum contained a synopsis of eleven interim committee reports.

Ms. Duffy will continue with her presentation in the morning. She asked committee members to get any requests for information to her so she could have it by tomorrow.

The Chairman said the minutes were approved if there were no corrections.

The meeting was adjourned at 10:00 a.m.



# MEMORANDUM

## Kansas Legislative Research Department

Room 545-N - Statehouse  
Topeka, Kansas 66612-1586  
(913) 296-3181

January 17, 1990

To: House Committee on Governmental Organization  
Re: Summary of Selected Bills Held Over from the 1989 Session

**H.B. 2090.** H.B. 2090 concerns the Board of Accountancy, which had rules and regulations that required that each certified public accounting office be supervised by a certified public accountant (CPA) who spent more than 50 percent of his or her time in the office. This requirement made it impossible for a sole practitioner to have two offices.

H.B. 2090 would make it possible for a CPA to have more than one office as long as "adequate supervision is provided." The Board of Accountancy would be prohibited from requiring that the manager of an office devote more than one-half of his or her working time to a single office.

Hearings were held on the bill February 3, 1989. The Chairman of the Board of Accountancy and the Executive Director of the Kansas Society of Certified Public Accountants asked that no action be taken on the bill because the Board was in the process of drafting new rules and regulations that would accomplish the intent of the bill. Representative Bill Brady spoke in support of the bill. (His testimony indicates that he did not think the Board was changing its rules and regulations.)

On August 29, 1989, new rules and regulations of the Board of Accountancy became effective. According to these new regulations, each CPA or CPA partnership or corporation may have one additional office as long as a CPA is present at the office at least two-thirds of the time the additional office is open.

*Attachment 1*  
*H. O.*  
*1/18/90*



# MEMORANDUM

Revised  
June 24, 1989

TO: Special Committee on Ways and Means/Appropriations  
FROM: Kansas Legislative Research Department  
RE: Proposal No. 50 -- Computer Oversight

The Legislative Coordinating Council assigned Proposal No. 50 to the Special Committee on Ways and Means/Appropriations. The charge to the Committee is as follows:

Provide legislative oversight and review the practices of the Department of Administration, Division of Information Systems and Communications (DISC), in regard to computer operations.

— During the 1989 Legislative Session there was considerable concern expressed about DISC by the Senate Ways and Means and House Appropriations Committees. The Legislature removed the line-items for DISC in the Department of Administration's appropriation bill and the Department's appropriation for central management systems. The line-items were restored in the Omnibus Appropriation bill. At that time this interim study was requested to provide legislative oversight and review of the practices of DISC, in regard to computer operations.

## Introduction

Computer operations have been the focus of considerable attention over the past 30 years. As computer technology has increased so has the state's involvement with computers. The state's first computer, an IBM 650, was installed in the state highway commission in 1958 for use in connection with engineering and accounting problems. As early as 1964 an interim committee was assigned to study Automatic Data Processing Systems. (See Attachment No. 1 for a list of legislative interim studies.)

In recent years central computer processing has been a matter of continuing concern for the Kansas Legislature. Material contained in this memorandum has been drawn from studies and reports by both the executive and legislative branches and represents an attempt to compile a comprehensive history of the evolution of the Division of Information Systems and Communications (DISC), as well as the Department of Administration's central processing of data by computer (i.e. accounting, personnel/payroll, purchasing).

## DISC Background

The background section on DISC contains a review of the evolution of DISC; a summary of DISC's statutory responsibilities, rules and regulations and policies and procedures; description of the organizational structure of the Division; and DISC financing.

# 3  
Y.O.  
1/18/90

Review of the Evolution of DISC. The creation of the Division of Computer Services (DCS) in 1972 was the first step toward centralized data processing for state government. Previously, data processing was decentralized in individual state agencies, and within the limitations of appropriations acquisitions of equipment, services and consultants were subject only to the approval of the (then) Executive Director of the Department of Administration. The new division initially served only the Department of Administration; however, in 1973 its data processing services were expanded to include other state agencies. Additionally, the director of DCS was authorized to regulate purchases of data processing equipment for other state agencies, excluding the Regents' institutions, in an effort to promote efficiency and avoid unnecessary duplication of services. As data processing activities increased, the computing activity of DCS neared capacity and DCS gave approval for certain state agencies to acquire their own equipment. In other instances, data processing services were contracted with private concerns or with the computing facilities of the state's colleges and universities.

The 1976 Legislature authorized DCS to set priorities for work performed on the central computers, to set standards for data submitted for processing on the central computers, and to refuse to process work due to lack of capacity or nonconformance with standards. A computer services depreciation fund was also established to allow the Division to recover depreciation costs as a part of the charges assessed for data processing services.

In the 1970's, major studies were conducted by a Special Committee on Ways and Means (1976) and by the Governor's Task Force on Effective Management. Among the specific problems identified by these studies were fragmented and duplicated efforts by state agencies; antiquated and inadequate equipment; the absence of explicit responsibility for strategic planning and policymaking on a statewide basis; lack of control of departmental executives over their utilization of computer facilities; and difficulty in developing new computer applications.

The study that perhaps had the most influence on the later decision to establish DISC was conducted by Dr. Richard Mann, University of Kansas, at the direction of the Secretary of Administration. This study, entitled "Data Processing in Kansas State Government," was presented to the 1980 Legislature. The Mann Report examined data processing resources of executive agencies and offered recommendations for improving management of those resources. The report identified specific problems, including the lack of coordination and management of computer resources; no mechanism to establish priorities for the development of new applications, for scheduling the computer, or for the provision of funding for computer equipment and staff; lack of data processing management leadership; no management system in place to evaluate the relative merits of agency requests for data processing resources; and the need for additional funding for computer capacity in future years.

The Mann report compared two alternative solutions to the existing problems: (1) decentralize computer activities to certain of the larger agencies; or, (2) develop a single full function, centralized division of computing to serve the executive agencies. Dr. Mann recommended that "a measured approach to more effective management, drawing on the best features of both centralized and decentralized alternatives, be adopted." The recommended approach included: establishing a new management structure for data processing in the Department of Administration; upgrading central computer capacities from data processing depreciation reserve funds; enhancing central systems developments; expanding central office approval for addition of staff and acquisition of computer equipment, software and contract services; and creating a cabinet-level policy board.

During the 1980 Session, the Mann report along with others culminated in legislation (1980 H.B. 3287) that created the Division of Information Systems and Computing (DISC) and abolished the Division of Computer Services (DCS).

The 1984 Legislature, in recognition of the convergence of information and telecommunications technologies, reorganized DISC and merged the Office of Telecommunications into DISC.

Review of DISC's Statutory Responsibilities. K.S.A. 75-4701 et seq. contains DISC's statutory responsibilities. The law provides for the creation of DISC within the Department of Administration. The director of DISC is in the unclassified service, appointed and supervised by the Secretary of Administration.

Further, K.S.A. 75-4703 requires the adoption of rules and regulations relating to rates and charges for services performed by DISC. Such rates and charges shall be maintained by a cost system in accordance with generally accepted accounting principles. Priorities shall be established for services performed by DISC, including authority to decline new projects under specified conditions. Standards shall be established for submission of data and rules shall specify standards relating to security, confidentiality, and availability of data.

DISC is charged with the responsibility to provide data processing services for other divisions, departments, and agencies and is required to charge for such data processing services in accordance with rules and regulations. All receipts for sales of services must be deposited in the Information Technology Fund. The law provides for the creation of the Information Technology Fund, as well as the Information Technology Reserve Fund. Funds are transferred monthly from the Information Technology Fund to the Information Technology Reserve Fund as charges for depreciation and obsolescence of DISC equipment and programs. Expenditures from the Information Technology Reserve Fund may be made for equipment and programs needed for the operation of DISC. DISC is authorized to enter into multiple year lease or acquisition contracts subject to state purchasing laws so long as the contracts do not extend beyond appropriation periods, limitations, and restrictions.

K.S.A. 75-4705 states that all central processing of data by computer for all state agencies must be performed by DISC. No other unit of state government can perform central processing functions, without the approval of the Secretary of Administration. Further, DISC is authorized to determine all data processing programs, contract services, and new data processing positions needed by any state agency. The law also requires DISC to prepare a comprehensive plan to implement the provisions of statutes requiring central processing of data by DISC. The law requires DISC to establish data processing standards to be used by all agencies and to audit state agency compliance with those standards. DISC is also required to review data processing budget requests of all state agencies and make recommendations to the Budget Division as to the ". . . technical and management merits of the requests." The Regents' institutions are exempt from the provisions of K.S.A. 75-4705.

K.S.A. 75-4706 provides that no state agency may lease or purchase data processing equipment, including hardware and software, without prior approval of the director of DISC. Secondly, the statute provides that all specifications for bids for acquisition of data processing equipment, including auxiliary equipment shall be prepared by DISC. The Regents' institutions and Kansas Lottery are exempt from this latter provision. In 1980 when this act was originally enacted the Regents' institutions were required to comply with this provision.



K.S.A. 75-4707 provides that state agencies using data processing equipment under lease, upon approval of the Secretary of Administration, are authorized to enter into contracts with leasing service companies for purchase by the agency of such equipment with nonstate funds furnished by such leasing services companies and transfer of title to such equipment by the agency to such leasing service company for lease back to the agency.

K.S.A. 75-4708 provides for the creation of the Information Systems Policy Board. The Board is composed of the Secretary of Administration, the Chief Justice of the Supreme Court or his designee, and the Chairman of the Legislative Coordinating Council or a person designated by the Chairman. The Information Systems Policy Board is required to approve the comprehensive plan to implement the provisions of statutes requiring central processing of data by DISC.

The remaining statutes (K.S.A. 75-4709-75-4714) address telecommunications.

Review of DISC's Rules and Regulations. The current body of regulations relating to data processing begins with Article 1-31 of the Kansas Administrative Regulations and continues through Article 1-38. The regulations have not been amended since 1980; consequently, the regulations incorrectly refer to the previous Division of Computer Services.

The subject matter of the articles is briefly as follows:

Article 1-31, defines computer services, generally.

Article 1-32, policy and procedures memorandums (PPMs).

Article 1-33, establishment of rates and charges for services performed by DISC.

Article 1-34, systems design and programming services rates and charges.

Article 1-35, payment of rates and charges.

Article 1-36, determination of priorities and schedules.

Article 1-37, standards for the submission of data.

Article 1-38, standards for security and confidentiality.

Review of DISC's Policies and Procedures. In addition to statutory authority and rules and regulations, DISC has several publications that document DISC policies and procedures:

Policy and Procedure Memorandums (PPMs) inform user agencies of established DISC policies and procedures.

Standards are basic tenets established or adopted by DISC which remain relatively unchanged over time.

Guidelines provide a "how-to" approach to users on compliance with the policies set out in PPMs and Standards.

*pg 4*

Bulletins announce short-term alterations to normal operating conditions. They normally have a definite expiration date or a clear short-term purpose. Bulletins also announce upcoming events of potential importance to the DISC users.

Standard Operating Procedures (SOPs) set forth internal policies and procedures for the DISC staff and do not have a direct impact on users.

DISC Organization. DISC is organized into four Bureaus: Bureau of Information Systems; Bureau of Information Resource Management; Bureau of Telecommunications; and Bureau of Administration. (See attachment No. 2 for DISC's organizational chart.) There are a total of 188.0 FTE positions approved for DISC in FY 1990.

The Bureau of Information Systems is organized into two sections to manage and administer the provision of data processing services to state agencies. The Computer Operations section runs three large computers and associated support equipment located on the 11th floor of the Docking State Office Building and the 7th and 8th floors of the Landon State Office Building. State agencies use these computers through terminals located throughout the state. The Technical Support section supports the systems software which control the computers. They also maintain various software "packages" which make it easier for agencies to develop complex information systems. For FY 1990, there are 70.5 FTE positions assigned to this bureau.

The Bureau of Information Resource Management develops central state government plans for information and communication systems. It is responsible for coordinating short and long-range planning, and insuring faithful performance and implementation of statewide planning for information processing. It reviews state agencies' information processing budgets and provides recommendations to the Division of Budget and the Legislature on the technical and management merit of agency proposals to acquire information processing equipment, systems, and staff. The Bureau approves equipment, personnel, and application requests from state agencies, and initiates volume procurement procedures to achieve maximum cost savings. It evaluates and audits state agency and DISC data processing operations and systems. The Bureau maintains a statewide inventory control system for information systems hardware and software. The Systems Development section of the Bureau assists agencies in assessing their needs for new automated systems and for maintenance of existing systems. This section designs and develops approved systems for agencies who do not have their own systems development staff. Agencies are charged on a per hour basis for the services of the staff. There are 43.5 FTE positions assigned to this bureau for FY 1990.

The Bureau of Telecommunications manages and administers on-going, established telecommunications operations, including the Topeka Area and Capitol Complex local telephone service (Centrex) and the intercity KANS-A-N long distance system. It provides technical advice and assistance to all state agencies regarding design, engineering, and use of telecommunications systems, facilities, and services. It coordinates selection, procurement, and installation of new telecommunications systems and equipment to insure vendor adherence to written specifications. With the installation of new switches at Hays, Kansas City, Lawrence, Manhattan, Wichita, and Topeka, plus wiring and cabling at each location, the Bureau is now responsible for general management of these facilities, in cooperation with the universities. In addition, the Bureau is responsible for planning and managing a statewide data network and providing services to Topeka agencies for moves, adds, and changes of voice and data equipment. In FY 1990, there are 35.0 FTE positions assigned to this bureau.

The Bureau of Administrative Services is responsible for the Division's budget, the administration of accounts receivable and accounts payable, the development of rates for recovery of the costs of performing services, the procurement of equipment and services, contract administration, personnel administration, and office services. In addition, the Bureau is responsible for central mail services. There are 39.0 FTE positions assigned to this bureau in FY 1990.

DISC Financing. The entire DISC operation is considered a nonreportable expenditure for budget purposes. Expenditures for computer services and DISC fees are included in the reportable operating budgets of user agencies. These expenditures would represent a duplication if they were also included as reportable expenditures for DISC.

In FY 1980, nonreportable expenditures by DISC totaled \$2.9 million. In FY 1984 expenditures were \$9.2 million. Expenditures in FY 1988 were \$34.4 million. Approved expenditures for FY 1990 total \$35.9 million.

Theoretically, DISC supplies hardware, software, and staff support in response to agency requests and within agency resources. Since DISC acts much like a utility with respect to distribution of costs, major expansion or curtailment of services by one agency affects the costs billed to all other agencies. To the extent that DISC costs are fixed, and not all of them are, these costs must be spread among all users. As long as central processing capacity is not saturated, the increased use of the computer should result in a decrease in the per unit cost of such use. Appropriations to the various agencies then become the limiting factor on DISC's growth.

### Central Management Systems

The central management systems are the responsibility of the Department of Administration through the various divisions of the Department. For example, the Division of Accounts and Reports is responsible for the central accounting system, Central Accounting System for Kansas (CASK). The Division of Personnel Services is responsible for the central personnel system, Kansas Integrated Personnel-Payroll System (KIPPS). Both of these functions are largely automated. The Division of Purchases is responsible for centralized purchasing, including a nonautomated central purchasing system. This section of the memorandum describes the current CASK and KIPPS systems; the financing of central management systems; the hardware for the central management systems; and the new KFIS (Kansas Financial Information Systems).

CASK. CASK provides financial accounting services for all state agencies. It was developed in 1975 and installed on IBM hardware to replace a manual system designed in the mid 1950s. At that time, it was reported to be the only fully integrated, totally centralized state accounting system in the country. CASK's purpose was to minimize duplication while improving reporting accuracy and timeliness. CASK was designed "open ended" so it could expand its existing applications as well as accept new applications. A major change in the new system was from monthly summary accounting to daily transaction accounting.

The movement of the CASK data base from the IBM computer to the Sperry-Univac-Unisys computer during FY 1982 was another major improvement because it made daily accounting transactions accessible to users via remote terminals. A major advantage to the move was the relative ease with which users through MAPPER (Maintaining, Preparing, and Producing Executive Reports) could write routine reports rather than relying on trained data processing professional programmers. Thus, users can use CASK data to create special reports at a relatively low cost.

*pg 6*

CASK captures varied financial and statistical data from prescribed documents presented by the various state agencies on a daily basis. Statewide financial reports are created daily and CASK files are updated daily. CASK creates daily, monthly, and annual financial reports by agency, by fund and account covering receipts, expenditures, encumbrances, appropriations and/or expenditure limitations, cash balances, and unencumbered balances. The CASK data base contains several data files which are organized on an integrated basis and are updated daily. These files have been converted to MAPPER software which runs on the Sperry-Univac-Unisys hardware. A series of MAPPER runs combine to create the CASK On-Line Inquiry System (CASKINQ). CASKINQ allows user agencies to access current accounting data by day, by month-to-date and by year-to-date. Through MAPPER the user may manipulate the data (total, sort, add, etc.) Instead of waiting 1-3 days for hard copy reports to be mailed to the agency, the CASK user can immediately access the data through CASKINQ. Further, CASK reports may be printed on site if the agency has the appropriate computer equipment.

KIPPS. The Division of Personnel Services (DPS) is responsible for the central personnel system. Data processing use in DPS began in the mid-1970s with the development and implementation of a personnel records system on the IBM. In the late 1970s, DPS in conjunction with the Division of Accounts and Reports and DISC, began the development of the Kansas Integrated Personnel-Payroll System (KIPPS) on the Sperry-Univac-Unisys system. KIPPS was designed to integrate and computerize the personnel and payroll processes, providing a more efficient system with improved management reporting capabilities. KIPPS was recommended for development in 1979 because a study found many problems with the old personnel and payroll systems and the way they interfaced with the central accounting and budgeting systems.

KIPPS has four modules: the Applicant Module, the Employee Module, the Position Module, and the Payroll Module. DPS is responsible for the development and maintenance of three modules: Applicant, Position, and Employee. The Division of Accounts and Reports is responsible for the Payroll module. The Applicant Module is responsible for capturing, maintaining, and reporting information relative to individuals who have applied for positions with the state of Kansas. The Position Module provides position tracking capabilities through the use of unique position numbers. The Employee Module captures and maintains data relating to employees. The KIPPS Payroll Module is designed to calculate and produce pay warrants using information from the KIPPS Employee and Position Modules plus current reports of hours worked. It generates payroll accounting records, creates data updating CASK expenditure records, and creates reports for verification by agency personnel. Three of the modules are used by all state agencies. The fourth module, Payroll is used only by some state agencies.

The operational dates for these modules were: applicant, September 1981; position and employee, January 1983; and payroll, June 1983. During this period of implementation, the available Sperry-Univac-Unisys computer capacity was tripled.

#### Financing of the Central Management Systems

The operating costs of central systems are fully reflected in the budgets of the divisions of the Department of Administration. The only direct costs to State agencies for using these systems is the rental of terminals to access them, if agencies choose to do so.

For the first time in FY 1983, a State General Fund appropriation in the amount of \$420,560 was approved to provide central management and control of systems

A handwritten signature or set of initials, possibly "PJ 7", is located in the bottom right corner of the page.

development within the Department of Administration. This State General Fund account within the Department of Administration's appropriation is titled the Central Management and Information Systems and Computing Operations (CMISCO) account. The practice until this time had been to appropriate funds directly to the user program for costs of developing new systems. Previously, for example, the data processing budgets of the Division of Personnel Services and the Division of Accounts and Reports funded the development costs of KIPPS and CASK.

According to DISC, the appropriation to the CMISCO account rather than to the individual divisions holds two advantages for the Department of Administration. As explained by DISC, it enables the Department to prioritize development of new central systems and allocate resources accordingly. Secondly, it allows for the reallocation of resources once a system is implemented. Department officials believe that current dependence on individual division budgets makes this kind of centralized management and control virtually impossible on a department-wide basis.

For FY 1990, a total of \$3,478,209 was approved from the State General Fund for the Central Management Information Systems and Computing Operations account.

Hardware. The state's computing equipment in Topeka consists of two computing centers. One contains Sperry-Univac-Unisys equipment, while the other includes equipment that is IBM compatible. The IBM computer center consists of hardware, software, and staff to serve all state agencies, except the Department of Administration. The Sperry-Univac-Unisys computer center is essentially the same, but this computer and attendant support are dedicated principally to Department of Administration programs. The major users of the IBM center are the Departments of Transportation, Revenue, and Social and Rehabilitation Services.

In November, 1983, while attempting to install the University of Kansas on the KIPPS payroll module, problems were encountered with the first payroll which resulted in preparation of a number of incorrect checks, as well as some missing checks. Corrections were made through the use of supplemental payments, hand-written checks, and temporary loans using private funds. In total, over 650 checks were written to compensate for the problem. The Sperry-Univac-Unisys, upon which personnel/payroll and accounting operations are performed, had reached its capacity. Attempting to alleviate the capacity problems, the Department of Administration requested funds to upgrade the Sperry equipment during the 1984 Legislature. This request was rejected by the Legislature in April 1984, with the general recommendation that no equipment upgrades occur prior to moving state computing operations from the State Office Building (later named the Docking State Office Building) to the Santa Fe Building (later named the Landon State Office Building). During that legislative session, the Legislature approved funding for the withdrawal of the Regents' institutions from KIPPS. In June 1984, the Regents' institutions agreed to withdraw from the KIPPS payroll system.

In August, 1984 the Department of Administration recommended: (1) that the Sperry-Univac-Unisys computer center be phased out; (2) that personnel and payroll functions be transferred to the IBM compatible computer center; and (3) that prepackaged personnel and payroll software be acquired to replace the present software (*i.e.*, KIPPS). This recommendation was incorporated into the Governor's recommendations to the 1985 Legislature.

The Department of Administration's recommendations were opposed by the Sperry-Univac-Unisys Corporation. Representatives of both the Department of Administration and Sperry-Univac-Unisys appeared before many legislative committees, including a Joint Subcommittee during the 1985 Session and the issue became very controversial. In the

*pg 8*

opinion of many legislators there were several unanswered questions concerning the appropriate method of upgrading the state's central computing system. The attention focused on two basic options, either continue periodic upgrades to two systems or migrate to a single IBM compatible system. The 1985 Legislature appropriated \$125,000 to finance a consultant study of the unresolved computing issues, including which of the above-mentioned options was the most feasible. The Legislative Coordinating Council (LCC) decided to conduct the study of computing issues itself, rather than assigning it to one of the interim committees during the 1985 interim. The LCC contracted with John Diebold and Associates of New York, for study of the computer issue. The Diebold firm was selected due to their experience with computer issues.

Staff of the Diebold firm presented their recommendations to the LCC on October 4, 1985. The report evaluated alternatives according to 11 criteria. If one sums Diebold's evaluation of those criteria, conversion to an IBM compatible system receives a higher rating than upgrading the Sperry-Univac-Unisys system. Nevertheless, Diebold recommended upgrading the Sperry-Univac-Unisys. Diebold saw relatively little difference in cost between the two options. Consequently, their recommendation was based upon no overriding reason to change systems and the disruptive risks associated with installing a new system. In the presentation, staff of Diebold emphasized that in their opinion it was a very "close call" between the two options. They also mentioned that their recommendation was based upon factors involved in continuing two somewhat incompatible systems. They would not recommend acquiring such an equipment configuration initially.

On November 1, 1985, the LCC voted to accept the report but to reject the major conclusion of the consultant and directed the Department of Administration to proceed with migration to an IBM compatible computing environment.

The 1985 Legislature appropriated \$300,000 for purchase of a commercially available personnel and payroll software package. Acquisition of this software package would be the first step in migration to an IBM compatible system. The appropriation was contingent upon Finance Council approval. The Finance Council rejected the release of the \$300,000 for the purchase of personnel/payroll software.

New Software Systems. The 1987 Legislature approved \$121,828 for the Division of Purchases in FY 1988 and the 1988 Legislature approved \$250,000 for FY 1989 for a total of \$371,828 from the State General Fund for an automated procurement system. (Both appropriations were made outside the CMISCO account). Also the 1988 Legislature approved expenditures of \$350,000 (SGF) from the Central Management Information System and Computing Operations account for FY 1989 for the Division of Personnel Services for a personnel software package to replace KIPPS.

The following text is from the 1988 Kansas Information Technology Master Plan.

The division of Personnel Services and the Division of Accounts and Reports plan to acquire a new Personnel/Payroll system to replace the current KIPPS system. The new system will include many of the features and functions that were originally intended to be in the KIPPS system, but were excluded for lack of capacity, lack of funding or due to technical difficulties. Some noticeable shortcomings of the current KIPPS are budgetary position control, payroll direct deposit, position applicant tracking, and interfaces with financial systems for accounting of payroll activity.

In the FY 1990 timeframe, the Division of Accounts and Reports plans to acquire a central accounting system to replace CASK. This new system will

pg 9

include many new features and functions that will place Kansas in compliance with GAAP (Generally Accepted Accounting Principles).

The Division of Purchases plans to install and begin implementation of a new statewide automated procurement system. Because the State's central accounting system does not provide sufficient detail to identify individual items that agencies purchase, the Division of Purchases lacks a systematic method for determining additional items that should be placed on state contract. The Division is currently installing a new automated purchasing system that will provide officials with better information. It could help identify some items that are purchased in large quantity.

In May, 1988, the Division of Purchases solicited bids for an automated procurement system and a procurement negotiating committee was established. K.S.A. 75-37,102 authorizes negotiated procurements. The procurement negotiating committee decided that, because of the limitations of both the personnel and payroll and accounting systems, adding an automated procurement package to the current system would be ill-advised. The committee concluded that such an addition should be part of a fully integrated management information processing system. Therefore, it expanded the scope of its original project and solicited bids for an integrated data processing system.

KFIS (Kansas Financial Information Systems). In August, 1988 the procurement negotiating committee selected the proposal of Peat Marwick for the installation and implementation of a central integrated financial information system. Negotiations were concluded and contracts were approved with Peat Marwick in October, 1988. The new system will replace the existing CASK accounting system, KIPPS personnel/payroll system, and automate state purchasing. There are four components to KFIS: STARS (Statewide Accounting and Reporting System); ISI Payroll/Personnel; ADPIKS (Advanced Purchasing and Inventory Control System); and FAACS (Fixed Asset Accounting Control System). KFIS also involves the phase out of the Sperry-Univac-Unisys mainframe computer and the transfer of these applications to the IBM-compatible side of DISC computer operations. According to the Department of Administration, complete implementation of KFIS may take from three to five years. During the implementation, personnel/payroll and accounting will continue to run on the Sperry-Univac-Unisys computer until the new systems are operational on the IBM computer.

The contract with Peat Marwick is for \$3,688,500 and is to be financed over a five-year period. In regard to the financing of this new system, as mentioned above, the Division of Purchases was approved \$121,828 in FY 1988 and \$250,000 in FY 1989 for a total of \$371,828 from the State General Fund for an automated procurement system. (Both appropriations were in addition to the CMISCO account). The Division of Personnel Services was approved expenditures of \$350,000 from the CMISCO account for FY 1989 for a personnel software package to replace KIPPS. The Department of Administration intends to fund the contract from the current level of appropriation for the Central Management Information System and Computing account. As explained by Department of Administration officials, because DISC's obligations on Sperry-Univac-Unisys equipment are declining as contracts are paid off, its charges to the Department of Administration to run KIPPS and CASK are also declining. Therefore, within the same appropriation level to the CMISCO, the Department of Administration has resources to fund the KFIS project.

## ATTACHMENT NO. 1

- 1964 The Legislative Budget Committee was assigned Proposal No. 37 -- Automatic Data Processing Equipment. The Committee was charged with reviewing the current and prospective use of automatic (including electronic) data processing equipment by state agencies. At that time, there was no comprehensive survey of existing installations and there was no overall state policy regarding the acquisition of computer equipment. The Committee noted that statewide expenditures (personnel and equipment) for data processing systems totaled \$1.6 million.
- 1969 The Legislative Budget Committee was assigned Proposal No. 17 -- Data Processing and Computer Installation. The Committee was charged with reviewing previous studies on data processing and computer installations, and studying present and potential utilization of data processing in state government, the present program provided by the specialist in data processing systems within the Department of Administration under the present law and the adequacy of that law and the programs conducted under that law. The Committee recommended that the responsibility for data processing systems analysis and coordination should be placed in the Budget Division. The report states that statewide expenditures (personnel and equipment) for data processing systems exceeds \$8 million.
- 1971 The Senate Special Committee on State Executive Reorganization was assigned to study the provisions of S.B. 125 which contained provisions establishing a new division of communication and information services as a part of the Department of Administration. The Committee recommended that computer operations of the state be centralized in a new division of the Department of Administration; a policy board be established to facilitate the operation of the new division; and the institutions of higher learning under the control of the Board of Regents be authorized to be exempted temporarily from the provisions of the act, but such exemption should not extend beyond July 1, 1978.
- 1976 The Special Committee on Ways and Means was assigned Proposal No. 45 -- Survey of State Computer Capability. The study proposal called for the identification of data processing capabilities of state agencies and institutions, including personnel, hardware and software utilization, an inventory of hardware, and a summarization of costs. The study was primarily an inventory of current equipment, personnel, and related costs, with no resulting recommendations for action. The study states that FY 1976 data processing operating expenditures totalled \$19,310,373, of which \$7,714,119 were expenditures incurred by the Regents' institutions.
- 1977 The Legislative Budget Committee was assigned Proposal No. 51 -- Contracting For Computer Services. The proposal directed the Committee to consider the provisions and policy ramifications of authorizing state agencies to contract for computer services. Contracting included permitting contracting for facilities management of the state's computer services. The rationale was that it may be more economical and efficient to contract for computer services than to provide them with state employees and equipment. The Committee recommended the introduction of legislation to provide a solid framework for improving the delivery of computer services to state agencies.
- 1978 The Legislative Budget Committee was assigned Proposal No. 30 -- Computer Services. The Committee was charged with reviewing the status of computer

*pg 11*



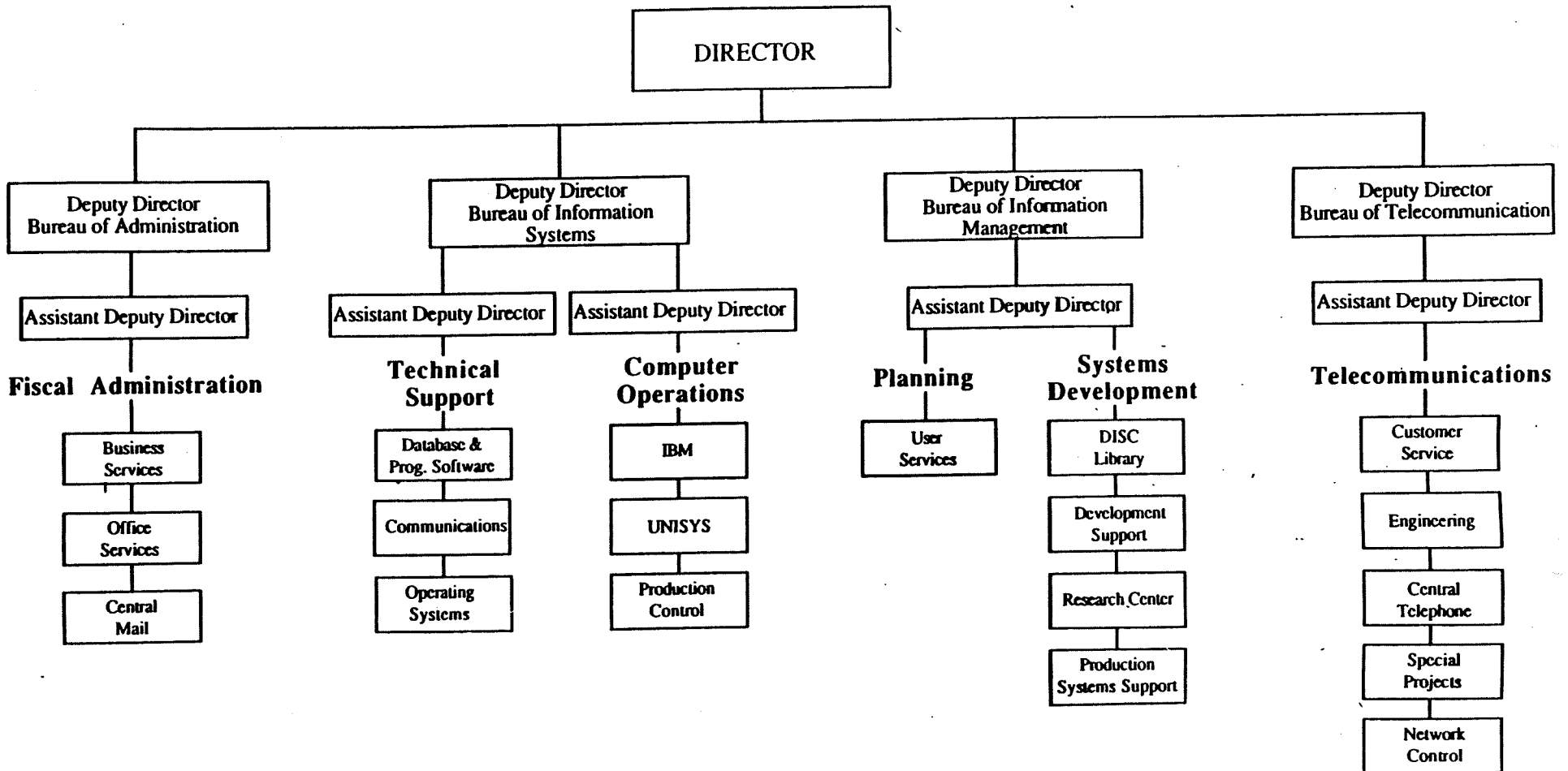
operations, including the results of an Executive Order which formally established a State Data Processing Policy and Review Board.

- 1982** The Special Committee on Data Processing was assigned Proposal No. 8 -- Data Processing. The Committee was directed to study the current operations and financing of DISC and alternatives for continued legislative oversight, including standards and procedures for legislative evaluation of systems development, structure of the rate base, coordination of agency budget estimates and DISC financing, future growth, and cost implications for future growth. The Committee specifically recommended that the Legislature closely monitor the implementation of the planning process, with particular attention to the requirement that agencies submit data processing plans prior to the formal budget submission in September.
- 1983** The House Committee on Communication, Computers, and Technology was assigned Proposal No. 8 -- Agency Data Processing Activities. The Committee was directed to review agency data processing activities, both current and proposed, and develop recommendations on projects to be approved and the level of funding; also, assess the capital investment required to support projected data processing activities in the state.
- 1983** The House Committee on Communication, Computers, and Technology was assigned Proposal No. 9 -- Regents' Computer Resources. The Committee was directed to review academic computing resources at the Regents' institutions, including existing resources, present and future needs, extent of institutional networking and coordination, extent of acquisition coordination within and among institutions, and the nature and amount of financial support for academic computing services; also examine future capital requirements needed to support both the academic and administrative computer needs of the Regents' institutions. Among other recommendations, the Committee recommended introduction of legislation which would exempt the Regents' institutions from the requirements of K.S.A. 75-4706(a) requiring prior approval of purchases by DISC and would clarify the Regents' institutions exemption from inclusion in the state's comprehensive data processing plan (K.S.A. 1983 Supp. 75-4708). The Committee noted that nothing in its recommendations should be taken as exempting the Regents from such statewide data processing activities as CASK and KIPPS.
- 1984** The House Committee on Communication, Computers, and Technology was assigned Proposal No. 9 -- Division of Information Systems and Communications (DISC). The Committee was directed to review the utilization of DISC services and equipment, with special emphasis on DISC utilization by the Division of Personnel Services and the Division of Accounts and Reports. The Committee endorsed the recommendation of the Director of DISC involving the upgrade of the present IBM system and a four-year phase out of the Sperry-Univac-Unisys system. However, that endorsement was contingent upon several factors: a hardware upgrade of \$15 million (translating into an increase in the Division's annual operating budget of \$3 million for the succeeding five-year period); and, the Division's purchase of commercial software packages for personnel/payroll and accounting systems to be run on IBM-compatible equipment. (These packages were to be purchased in FY 1985 and modified in FY 1986. The estimated costs for such systems were set at \$600,000.)
- 1986** The House Committee on Communication, Computers, and Technology was assigned Proposal No. 4 -- State Agency Data Processing Applications. The

*pg 12*

Committee was charged to review agency data processing applications, with particular focus on larger users of DISC.

# DIVISION OF INFORMATION SYSTEMS & COMMUNICATIONS



*Handwritten signature*

DIVISION OF INFORMATION SYSTEMS AND COMMUNICATIONS  
 SUMMARY OF NONREPORTABLE EXPENDITURES  
 (FY 1989, 1990, 1991)

Att. 4

OBJECT OF EXPENDITURE	OBJ. CODE	FY 1989 ACTUAL	FY 1990 APPROVED	FY 1990 REVISED	PCT CHNG FY 89->90	PCT CHNG APP->REV	FY 1991 REQUESTED	AMT CHNG FY 90->91	PCT CHNG FY 90->91
TOTAL SALARIES & WAGES	100	\$5,834,261	\$6,512,823	\$6,675,004	14.4%	2.5%	\$7,264,247	\$589,243	8.8%
COMMUNICATION	200	14,631,739	14,028,808	14,581,744	-0.3%	3.9%	14,932,363	350,619	2.4%
FREIGHT & EXPRESS	210	154,435	125,840	152,550	-1.2%	21.2%	174,290	21,740	14.3%
PRINTING & ADVERTISING	220	26,123	31,130	25,200	-3.5%	-19.0%	59,036	33,836	134.3%
RENTS	230	2,955,107	3,574,482	3,490,786	18.1%	-2.3%	3,847,462	356,676	10.2%
REPAIRING & SERVICING	240	2,054,840	2,093,456	1,887,217	-8.2%	-9.9%	2,109,153	221,936	11.8%
TRAVEL & SUBSISTENCE	250	112,580	111,259	119,961	6.6%	7.8%	169,687	49,726	41.5%
FEES-OTHER SERVICES	260	101,094	119,871	122,115	20.8%	1.9%	43,670	(78,445)	-64.2%
FEES-PROFESSIONAL SERVICES	270	890,825	68,772	260,810	-70.7%	279.2%	253,410	(7,400)	-2.8%
UTILITIES	280	0	0	0			0	0	
OTHER CONTRACTUAL SERVICES	290	15,598	20,047	15,450	-0.9%	-22.9%	15,450	0	0.0%
<b>TOTAL CONTRACTUAL SERVICES</b>		<b>\$20,942,341</b>	<b>\$20,173,665</b>	<b>\$20,655,833</b>	<b>-1.4%</b>	<b>2.4%</b>	<b>\$21,604,521</b>	<b>\$948,688</b>	<b>4.6%</b>
CLOTHING	300	0	0	0			0	0	
FEED & FORAGE	310	0	0	0			0	0	
FOOD FOR HUMAN CONSUMPTION	320	0	0	0			0	0	
FUEL	330	0	0	0			0	0	
MAINT. MATERIALS, SUPPLIES, PARTS	340	15,010	18,300	18,300	21.9%	0.0%	19,627	1,327	7.3%
MOTOR VEHICLE PARTS, SUPPLIES	350	0	0	0			0	0	
PROFESSIONAL & SCIENTIFIC SUPPLIES	360	7,675	3,776	7,650	-0.3%	102.6%	7,987	337	4.4%
STATIONERY & OFFICE SUPPLIES	370	158,299	167,126	169,092	6.8%	1.2%	177,159	8,067	4.8%
SCIENTIFIC RESEARCH SUPPLIES	380	0	0	0			0	0	
OTHER SUPPLIES, MATERIALS, PARTS	390	165,164	150,859	157,245	-4.8%	4.2%	157,476	231	0.1%
<b>TOTAL COMMODITIES</b>		<b>\$346,148</b>	<b>\$340,061</b>	<b>\$352,287</b>	<b>1.8%</b>	<b>3.6%</b>	<b>\$362,249</b>	<b>\$9,962</b>	<b>2.8%</b>
<b>TOTAL CAPITAL OUTLAY</b>	400	<b>\$8,098,509</b>	<b>\$8,587,977</b>	<b>\$8,209,527</b>	<b>1.4%</b>	<b>-4.4%</b>	<b>\$8,319,487</b>	<b>\$109,960</b>	<b>1.3%</b>
INSTITUTIONAL OR DEPT. DEBT	600	0	0	0			0	0	
TOTAL NONEXPENSE ITEMS	700	0	0	0			0	0	
<b>TOTAL--STATE OPERATIONS</b>		<b>\$35,221,259</b>	<b>\$35,614,526</b>	<b>\$35,892,651</b>	<b>1.9%</b>	<b>0.8%</b>	<b>\$37,550,504</b>	<b>\$1,657,853</b>	<b>4.6%</b>
FEDERAL AID TO LOCAL UNITS	500	676	0	0			0	0	
STATE AID TO LOCAL UNITS	510	0	0	0			0	0	
TOTAL AID TO LOCAL UNITS		0	0	0			0	0	
CLAIMS	520	0	0	0			0	0	
TOTAL ASSIST., GRANTS AND BENEFITS		0	0	0			0	0	
<b>TOTAL EXPENDITURES</b>		<b>\$35,221,935</b>	<b>\$35,614,526</b>	<b>\$35,892,651</b>	<b>1.9%</b>	<b>0.8%</b>	<b>\$37,550,504</b>	<b>\$1,657,853</b>	<b>4.6%</b>
NUMBER OF FULL TIME POSITIONS		184.0	188.0	188.0			199.0	11.0	

#4  
 11/8/90

DIVISION OF INFORMATION SYSTEMS AND COMMUNICATIONS  
SUMMARY OF REPORTABLE EXPENDITURES  
(FY 1989, 1990, 1991)

<u>OBJECT OF EXPENDITURE</u>	<u>OBJ. CODE</u>	<u>FY 1989 ACTUAL</u>	<u>FY 1990 APPROVED</u>	<u>FY 1990 REVISED</u>	<u>AMT CHNG FY 89-&gt;90</u>	<u>PCT CHNG FY 89-&gt;90</u>	<u>FY 1991 REQUESTED</u>	<u>AMT CHNG FY 90-&gt;91</u>	<u>PCT CHNG FY 90-&gt;91</u>
TOTAL SALARIES & WAGES	100	\$0	\$0	\$0	\$0		\$48,800	\$48,800	
COMMUNICATION	200	0	0	0	0		0	0	
FREIGHT & EXPRESS	210	0	0	0	0		0	0	
PRINTING & ADVERTISING	220	1,279	0	0	(1,279)	-100.0%	0	0	
RENTS	230	0	0	0	0		0	0	
REPAIRING & SERVICING	240	0	0	0	0		0	0	
TRAVEL & SUBSISTENCE	250	5,476	0	0	(5,476)	-100.0%	0	0	
FEES-OTHER SERVICES	260	3,230,573	3,478,209	3,152,085	247,636	7.7%	2,670,809	(481,276)	-15.3%
FEES-PROFESSIONAL SERVICES	270	236,432	0	261,841	(236,432)	-100.0%	807,400	545,559	208.4%
UTILITIES	280	0	0	0	0		0	0	
OTHER CONTRACTUAL SERVICES	290	0	0	0	0		0	0	
<b>TOTAL CONTRACTUAL SERVICES</b>		<b>\$3,473,760</b>	<b>\$3,478,209</b>	<b>\$3,413,926</b>	<b>\$4,449</b>	<b>0.1%</b>	<b>\$3,478,209</b>	<b>\$64,283</b>	<b>1.9%</b>
CLOTHING	300	0	0	0	0		0	0	
FEED & FORAGE	310	0	0	0	0		0	0	
FOOD FOR HUMAN CONSUMPTION	320	0	0	0	0		0	0	
FUEL	330	0	0	0	0		0	0	
MAINT. MATERIALS, SUPPLIES, PARTS	340	0	0	0	0		0	0	
MOTOR VEHICLE PARTS, SUPPLIES	350	0	0	0	0		0	0	
PROFESSIONAL & SCIENTIFIC SUPPLIES	360	0	0	0	0		0	0	
STATIONERY & OFFICE SUPPLIES	370	0	0	0	0		0	0	
SCIENTIFIC RESEARCH SUPPLIES	380	0	0	0	0		0	0	
OTHER SUPPLIES, MATERIALS, PARTS	390	0	0	0	0		0	0	
<b>TOTAL COMMODITIES</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$0</b>	<b>\$0</b>	
<b>TOTAL CAPITAL OUTLAY</b>	<b>400</b>	<b>\$4,449</b>	<b>\$0</b>	<b>\$64,283</b>	<b>(\$4,449)</b>	<b>-100.0%</b>	<b>\$1,600,000</b>	<b>\$1,535,717</b>	<b>2389.0%</b>
INSTITUTIONAL OR DEPT. DEBT	600	0	0	0	0		0	0	
TOTAL NONEXPENSE ITEMS	700	0	0	0	0		0	0	
<b>TOTAL--STATE OPERATIONS</b>		<b>\$3,478,209</b>	<b>\$3,478,209</b>	<b>\$3,478,209</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$5,127,009</b>	<b>\$1,648,800</b>	<b>47.4%</b>
FEDERAL AID TO LOCAL UNITS	500	0	0	0	0		0	0	
STATE AID TO LOCAL UNITS	510	0	0	0	0		0	0	
TOTAL AID TO LOCAL UNITS		0	0	0	0		0	0	
CLAIMS	520	0	0	0	0		0	0	
TOTAL ASSIST., GRANTS AND BENEFITS		0	0	0	0		0	0	
<b>TOTAL EXPENDITURES</b>		<b>\$3,478,209</b>	<b>\$3,478,209</b>	<b>\$3,478,209</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$5,127,009</b>	<b>\$1,648,800</b>	<b>47.4%</b>
NUMBER OF FULL TIME POSITIONS		0.0	0.0	0.0	0.0		1.0	1.0	

*PR*

**RE: PROPOSAL NO. 50 -- COMPUTER OVERSIGHT\***

Proposal No. 50 directed the Special Committee on Ways and Means/Appropriations to provide legislative oversight and review the practices of the Department of Administration, Division of Information Systems and Communications (DISC), in regard to computer operations.

**Background**

During the 1989 Legislative Session, the Senate Ways and Means and House Appropriations Committees expressed considerable concern about the Department of Administration's computer operations, particularly regarding the Department's acquisition of new central financial systems. The Legislature removed the line items for DISC in the Department of Administration's appropriation bill and the Department's appropriation for central financial management systems. The line items were restored in the Omnibus Appropriation bill. At that time this interim study was requested to provide legislative oversight and review of the practices of the Department of Administration, specifically DISC, in regard to computer operations.

**Committee Activity**

The Committee reviewed a staff background memorandum which included a general discussion of DISC, a historical review of the Division, its statutory responsibilities, organizational structure, and financing. The memorandum included a description of the current central management financial systems (Kansas Integrated Personnel/Payroll System (KIPPS) and Central Accounting System of Kansas (CASK)), financing of these systems, and an overview of the new Kansas Financial Information Systems (KFIS).

Given the broad range of topics the Committee could consider under its charge, the Committee chose to examine four issues:

1. the circumstances surrounding the acquisition of KFIS;

---

\* S.B. 435 accompanies this report.

#5  
L.O.  
1/19/80

2. policy alternatives relating to the Regents' institutions use of the centralized personnel/payroll system component of KFIS;
3. the Department of Administration's implementation of the employee dependent care assistance program and direct deposit of employee paychecks; and
4. policies and procedures for the procurement of computer equipment and services.

The Committee held hearings on Proposal No. 50 at its September meeting. Conferees appearing before the Committee included: the KFIS project manager; Director of the Division of Accounts and Reports; Director of the Division of Personnel Services; Acting Director of DISC; Director of the Division of Purchases; a representative of Peat, Marwick, Main and Company; Director of Planning and Budget for the Kansas Board of Regents; a representative of Digital Equipment Corporation (DEC); representatives of WANG laboratories; representatives of UNISYS; a representative of NCR Corporation; a representative of Data General Corporation; the Executive Director of Kansas Association of Public Employees; a representative of Backup Facilities Management; and the Secretary of Administration.

#### **Acquisition of Kansas Financial Information Systems**

In May, 1988 the Division of Purchases solicited bids for an automated procurement system, as approved by the Legislature, and a procurement negotiating committee was established. The procurement negotiating committee, composed of the directors of Purchases, Accounts and Reports and DISC, decided that because of the limitations of both the personnel/payroll and accounting systems, adding an automated procurement package to the current system would be ill-advised. The negotiating committee concluded that such an addition should be part of a fully integrated management information processing system. Therefore, the negotiating committee expanded the scope of the original project and amended the original request for proposal to include pricing for personnel/payroll systems and accounting systems.

The directors of Accounts and Reports, Personnel Services, DISC, and Purchases appeared before the Committee to describe the deficiencies in the Department of Administration's current central financial management systems and the necessity for new systems. The reasons given by

the conferees for the administrative decision to embark upon major system changes included:

1. the necessity to modernize the state's central accounting system to accommodate Generally Accepted Accounting Principles (GAAP);
2. the "home grown" KIPPS software system is difficult and time-consuming to update and maintain;
3. the need to automate procurement information; and
4. the difficulty in hiring technical staff with training or experience on UNISYS systems.

Four vendors responded to the request for proposal. In August, 1988, the procurement negotiating committee selected the proposal of Peat, Marwick, Main and Company for the installation and implementation of a central integrated financial information system. Negotiations were concluded and contracts were approved with Peat Marwick in October, 1988.

The new KFIS system replaces the existing CASK accounting system, KIPPS personnel/payroll system, and automates state purchasing. There are three major components of KFIS: Peat Marwick's Statewide Accounting and Reporting System (STARS) and Fixed Asset Accounting Control System (FAACS); Integral Systems Inc.'s Human Resource Management System (HRMS); and Peat Marwick's Advanced Purchasing and Inventory Control System (ADPIKS).

KFIS involves the phase-out of the UNISYS mainframe computer hardware because the KFIS applications will run on the IBM-compatible side of the DISC computer operations. During the implementation, personnel/payroll and accounting will continue to run on the UNISYS hardware until the new software systems are operational on the IBM compatible hardware.

The implementation dates for the core KFIS software systems are as follows: Accounting -- February, 1990; Payroll/Personnel -- January, 1991; Purchasing and Fixed Assets -- July, 1991. A representative from Peat, Marwick, Main and Company testified that the KFIS project was reasonably on track.

The contract with Peat, Marwick, Main and Company is for \$3,688,500 and is to be financed over a five-year period. In regard to the financing of this new system, the Division of Purchases was approved



\$121,828 in FY 1988 and \$250,000 in FY 1989 for a total of \$371,828 from the State General Fund for an automated procurement system. (Both appropriations were in addition to the appropriation to the Central Management Informations Systems and Computing Operations (CMISCO) account.) The CMISCO account is a State General Fund appropriation to the Department of Administration to provide central management and control of systems development within the divisions of the Department of Administration. The Division of Personnel Services was approved expenditures of \$350,000 from the CMISCO account for FY 1989 for a personnel software package to replace KIPPS.

Department of Administration officials informed the Committee that the KFIS project will replace the state's central financial systems over the next several years without any increase in appropriations, provided that appropriations are maintained at current levels (\$3,478,209) and there are no significant changes mandated by state and federal laws.

#### **Regents' Institutions Use of the Centralized Personnel/ Payroll System**

At the time of implementation of KIPPS, the Regents' institutions were intended to participate fully on the KIPPS system. Prior to KIPPS, all of the Regents' institutions participated fully in the state's centralized personnel/payroll system. In November, 1983 while installing the University of Kansas on the KIPPS payroll module, problems were encountered which resulted in preparation of a number of incorrect checks, as well as some missing checks. According to officials, the Sperry-Univac-Unisys, upon which personnel/payroll and accounting operations are performed, had reached its capacity. Attempting to alleviate the capacity problems, the Department of Administration requested funds to upgrade the Sperry-Univac-Unisys equipment during the 1984 Legislature. The request was rejected by the Legislature in April, 1984, with the general recommendation that no equipment upgrades occur prior to moving state computing operations from the Docking State Office Building to the Landon State Office Building. During that legislative session, the Legislature approved funding for the withdrawal of the Regents' institutions from KIPPS. In June, 1984, the Regents agreed to withdraw from the KIPPS system.

Currently, only the Kansas College of Technology participates fully in the centralized personnel/payroll system and the other Regents' institutions use individual campus-based personnel processing systems. In regard to payroll, these institutions remit computing tapes to the Division of Accounts and Reports. These tapes contain the accounting information necessary for the Division of Accounts and Reports to issue

warrants. In regard to personnel data, these institutions are to submit an extract file with personnel information to the Division of Personnel Services to be included in the centralized personnel system. Legislators have expressed concern over the lack of statewide personnel data which apparently stems from problems with the submission and utilization of these data.

The Committee received a report from the Regents' Task Force on Personnel and Payroll Processing. The Task Force was formed to answer three basic questions posed by the Secretary of Administration concerning the processing of personnel and payroll records. The three specific questions were:

1. Should all or most of the Regents' institutions use the same personnel/payroll system?
2. Should any of the Regents' institutions use the new personnel/payroll system being implemented by the Department of Administration?
3. What data should Regents provide to the Department of Administration and in what format?

In its report the Task Force responded to the first question by stating that it may ultimately be desirable for several of the institutions to use the same personnel software for processing. As to the second question, the Task Force responded that it is probably too early to determine whether any of the Regents' institutions should use the new personnel/payroll system and finally in response to the third question, the report stated that the Department of Administration is in a better position to know of its specific data needs than are the Regents. The Regents hope to be allowed an opportunity to comment on specific data elements requested by the Department of Administration.

The Board of Regents conferee acknowledged that the Division of Personnel Services lacks Regents' personnel data and the Regents will cooperate with the Department of Administration to see that the appropriate personnel data is submitted to the Department of Administration.

## **Policies and Procedures for the Procurement of Computer Equipment**

The state's purchasing program is administered by the Division of Purchases in the Department of Administration. The Director of Purchases appeared before the Committee to describe current policies and procedures. The basic procurement statutes are contained in K.S.A. 75-3737a through 75-3744. Further, the Legislature enacted K.S.A. 75-37,102 which provides specific authorization to use competitive negotiation as a source selection method for the acquisition of technical equipment and services.

The Committee received testimony from various computer vendors regarding state policies and procedures for the procurement of computer equipment and services. Generally, vendors supported a more open procurement process which would provide a level playing field so that all vendors would have the opportunity to bid. Suggestions included a point system for bids; allowing agencies to determine their own needs and to put out bid specifications for their needs; requiring multiple vendor solutions and avoiding bid specifications that require such specifications as proprietary operating systems, data bases, and networks.

## **Department of Administration Implementa- tion of Employee Dependent Care Assistance Program; Direct Deposit of Employee Paychecks**

The 1988 Legislature enacted K.S.A. 75-6520 and 75-6512, which required the Secretary of Administration to establish and administer a state employee dependent care assistance program as part of an employee cafeteria plan. Under such programs, which were provided for by the U.S. Internal Revenue Code of 1986, state employees could agree to accept reduced compensation in exchange for the state financing the cost of the employee's dependent care expenses. The employee selects the amount, within federal limitations, that would be placed in a special account to pay for the employee's dependent care assistance.

The enacting legislation provided an effective date of July 1, 1989; however, amendments to K.S.A. 75-6512 made the implementation of the employee dependent care program subject to the approval of the Secretary of Administration, to ensure that adequate data processing resources were available to operate the program. To date, the program has not been implemented.

The Legislature approved additional expenditure authority of \$101,110 in FY 1989 from the Cafeteria Benefits Fund for the implementation of the state employee dependent care option. The Department of Administration informed the Committee that \$75,000 of the \$101,110 to implement dependent care had been expended on the personnel/payroll component of KFIS.

The 1988 Legislature enacted legislation that required the Director of Accounts and Reports to develop a plan to allow salaries of state officers and employees to be deposited directly (e.g., by electronic transfer) to their accounts in banks, savings and loan associations, or credit unions, subject to the written approval of the employee. The effective date of this legislation was January 1, 1989.

The Committee learned that currently the State Board of Agriculture is serving as the pilot agency for this program. The Department of Administration plans to add other state agencies to the direct deposit program when the personnel/payroll component of KFIS is implemented.

### Conclusions and Recommendations

The Special Committee on Ways and Means/Appropriations expresses concern regarding the methods used to procure the KFIS software. Although the Committee concludes that there was nothing illegal about the Department of Administration's acquisition of this system, the Committee is concerned about the appearance that this system was procured in an irregular manner.

The Committee concludes that the Regents' institutions should participate in the centralized personnel/payroll component of KFIS. The Committee acknowledges the necessity of certain agencies retaining agency based systems to meet internal management needs; however, the Committee recommends that the KFIS system be implemented in such a fashion as to not prohibit the inclusion of all of the Regents' institutions in the centralized personnel/payroll system.

The Committee recommends that the standing Senate Ways and Means and House Appropriations Committees examine the basic procurement statutes, K.S.A. 75-3737a through 75-3744 and K.S.A. 75-37,102, particularly as the statutes apply to the procurement of highly technical equipment and services.

*Pg 7*

The Committee recommends the introduction of legislation to amend the current law which requires the Secretary of Administration to establish and administer a state employee dependent care assistance program. The bill would delete the current statutory language which makes the implementation of the employee dependent care program subject to the approval of the Secretary of Administration. The bill would be effective upon publication in the Kansas Register. The bill would provide that the program be operational within 180 days after the effective date of the legislation. The Committee notes that as calculated by the Kansas Association of Public Employees (KAPE), a one-year delay in the employee dependent care program will cost state employees approximately \$420,000 and a delay to January 1, 1991 would result in estimated losses of \$630,000. According to the Department of Administration, the additional estimated data processing costs to implement the employee dependent care assistance option on KIPPS, given the Department's current plan regarding KFIS, would be \$82,200.

Further, the Committee recommends that this legislation also amend the current law which requires the Director of Accounts and Reports to develop a plan to allow salaries of state officers and employees to be deposited directly to their banks, savings and loan associations, or credit unions, subject to the written approval of the employee. The effective date of the current law was January 1, 1989. Currently, the Director of Accounts and Reports has implemented the direct deposit program only in the State Board of Agriculture. The bill would require that the direct deposit program be operational for all state officers and employees within 180 days after the effective date of the legislation. The bill would be effective upon publication in the Kansas Register. According to the Department of Administration, the additional estimated data processing costs to implement this program on KIPPS, given the Department's current plan regarding KFIS, would be \$41,400.

Respectfully submitted,

November 14, 1989

Sen. August Bogina, Chairperson  
Special Committee on Ways and  
Means/Appropriations

Rep. Rochelle Chronister,  
Vice-Chairperson  
Rep. Barbara Allen  
Rep. Bill Brady  
Rep. Ken Francisco  
Rep. Fred Gatlin  
Rep. Rex Hoy  
Rep. Al Lane  
Rep. Bob Mead  
Rep. Jack Shriver  
Rep. George Teagarden\*

Sen. Ross Doyen  
Sen. Paul Feleciano, Jr.  
Sen. Frank Gaines  
Sen. Joseph Harder  
Sen. Leroy Hayden  
Sen. Dave Kerr

\* Ranking minority member.

*og 9*

**SENATE BILL No. 435**

By Special Committee on Ways and Means and Appropriations

Re Proposal No. 50

12-21

13 AN ACT concerning state officers and employees; prescribing the  
14 implementation of certain programs of the department of admin-  
15 istration therefor; amending K.S.A. 75-5540, 75-6512 and 75-6520  
16 and repealing the existing sections.

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

18 Section 1. K.S.A. 75-5540 is hereby amended to read as follows:  
19 75-5540. As part of the system of payroll accounting formulated under  
20 K.S.A. 75-5501, and amendments thereto, the director of accounts  
21 and reports shall develop and authorize a payroll remittance plan  
22 which will allow the salaries and wages of state officers or employees  
23 to be deposited directly to the accounts of such officers or employees,  
24 in banks, savings and loan associations or credit unions. ~~Such~~ Direct  
25 deposits *under such payroll remittance plan* shall be made only upon  
26 the written authorization and direction of such state officers or em-  
27 ployees. *The payroll remittance plan provided for by this section*  
28 *shall be in effect for all state officers and employees not later than*  
29 *180 days after the effective date of this act.*

30 Sec. 2. K.S.A. 75-6512 is hereby amended to read as follows:  
31 75-6512. (a) Subject to the provisions of appropriations acts, the  
32 secretary of administration is hereby authorized to establish and  
33 administer a cafeteria plan pursuant to the provisions of section 125  
34 of the federal internal revenue code of 1986 which shall be available  
35 to persons who are officers or employees of the state and who are  
36 qualified to participate in the state health care benefits program and  
37 which shall include, but not be limited to, provisions under which  
38 such officers and employees may agree to receive reduced compen-  
39 sation and (1) have the state's contribution under K.S.A. 75-6508  
40 and amendments thereto cover costs of dependent benefit coverage  
41 or other benefits under the state health care benefits program which  
42 would otherwise be payable by such officers and employees, and (2)  
43 receive benefits under the state employee dependent care assistance

*Page 10*

1 program under K.S.A. ~~1988 Supp.~~ 75-6520 and amendments thereto.

2 (b) Any reduction in compensation for any person pursuant to  
3 any such cafeteria plan shall not reduce the compensation of such  
4 person for purposes of the employment security law, workers com-  
5 pensation act or the purposes of determining contributions and ben-  
6 efits under the Kansas public employees retirement system or any  
7 retirement system administered by the board of trustees of the Kan-  
8 sas public employees retirement system.

9 (c) Implementation of ~~any such~~ the cafeteria plan and any ad-  
10 ditions or deletions thereto, *except the state employee dependent*  
11 *care assistance program*, shall be subject to approval of the secretary  
12 of administration to assure adequate data processing resources there-  
13 for within the division of information systems and communications  
14 of the department of administration.

15 Sec. 3. K.S.A. 75-6520 is hereby amended to read as follows:  
16 75-6520. Subject to the provisions of appropriations acts, the sec-  
17 retary of administration is ~~hereby authorized to~~ shall establish and  
18 administer a state employee dependent care assistance program for  
19 all state officers and employees as part of the cafeteria plan estab-  
20 lished under K.S.A. ~~1987 Supp.~~ 75-6512 and amendments thereto,  
21 pursuant to the provisions of sections 125 and 129 of the federal  
22 internal revenue code of 1986. ~~Subject to the provisions of sub-~~  
23 ~~section (e) of K.S.A. 1987 Supp. 75-6512 and amendments~~  
24 ~~thereto~~, The state employee dependent care assistance program shall  
25 be in effect not later than ~~July 1, 1989~~ 180 days after the effective  
26 date of this act. In accordance with this section, the secretary of  
27 administration shall establish the provisions and procedures of such  
28 program and shall inform all state officers and employees of such  
29 provisions and procedures.

30 Sec. 4. K.S.A. 75-5540, 75-6512 and 75-6520 are hereby  
31 repealed.

32 Sec. 5. This act shall take effect and be in force from and after  
33 its publication in the Kansas register.

jjll