

MINUTES OF THE HOUSE FED & STATE COMMITTEE

The meeting was called to order by Chairperson Representative Doug Mays at 1:30 p.m. on January 16, 2001 in Room 313-S of the Capitol.

All members were present.

Committee staff present: Theresa Kiernan, Revisor of Statues  
Russell Mills, Legislative Research Department  
Shelia Pearman, Committee Secretary

Conferees appearing before the committee: Randy Tongier, Legislative Post Audit  
Russell Mills, Legislative Research

Others attending: See attached list

Bill introductions:

Without objection bill was introduced as requested by Representative Powell regarding prohibition of Internet lottery. [HB 2109]

Without objection bill was introduced as requested by Representative Powell regarding class action reform. [HB ]

Staff briefings: Randy Tongier, Legislative Division of Post Audit to summarize the results of FY2000 financial compliance audit as required by state law annually (Attachment # 1). Berberich Trahan & Co., P.A. of Topeka was selected using contracting process. Thus, specific questions about conduct of audit would need to be directed to the C.P.A. firm

Audit addresses three primary areas:

1. Lottery's Financial Reporting - Review of financial statements are prepared by the Lottery staff and the auditors review those statements and processes used to complete statements.
2. Compliance with legal requirements as they apply to financial reporting Auditor's conclusions that the Lottery did comply with applicable legal requirements and can be found on page 20 of attached Audit Report
3. Internal Controls (page 20) Auditor's conclusion was there is no significant weaknesses specifically regarding financial reporting.

Mr Tongier stated this audit was not authorized to address reported problems at the Lottery but was the annual audit. The firm conducting this audit was made aware of problems. He addressed additional questions from the committee. Impressed with adequate dealing with issues -- no continuing problems, therefore no current finding and recommendation in this audit. Procedures have been put in place to prevent similar occurrences in the future and that should the situation arise again, the Lottery's management would become aware of and be able to respond quicker. No additional financial audit is being conducted at this time, however a security audit is presently underway.

Russell Mills, Legislative Research Analyst discussed Lottery packet (Attachment #2) distributed to committee. Pages 1-4 were covered in great detail. Lottery approved by voters in 1986 renewed by in 1990, again in 1992 Legislature with the 1995 Legislature continued with a June 30, 2002 sunset date. Revenues fund the State Gaming Revenue Fund (SGRF), Economic Development Initiatives Fund (EDIF), Problem Gambling Grant Fund established in 2000, Correctional Institutions Building Fund and transfer to State General Fund (SGF) in addition to operations of Lottery. The approved FY 2001 budget includes an estimated \$60.6 million from gaming revenues. Approximately \$22.1 million (46.7 percent of funds) are directed toward education via the

Comprehensive Grant Program, Technology Innovation  
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Grants for colleges and universities in addition to Area Vocational Schools and Technical Colleges funding. Other programs funded from lottery revenues are: Kansas Industrial Training (KIT) and Kansas Industrial Retraining (KIR), Graduate Intern Program, Centers of Excellence Grants, Experimental Program to Stimulate Competitive Research National Guard Educational Assistance Program as well as additional programs discussed in this packet. Funding to K-12 education was questioned and will be researched.

While public believes the Lottery was sold as funding for education, Mr. Mills' research found no newspaper articles to document this belief. However, the Missouri Lottery was also established about 1986 and their proceeds do fund education.

Adjourned at 2:55. The next schedule meeting is January 17, 2001.