

**SENATE BILL No. 26**

By Legislative Post Audit Committee

1-18

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1 AN ACT concerning the state lottery; relating to security audits;  
2 background investigation requirements; amending K.S.A. 74-8707 and  
3 repealing the existing section.  
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5 *Be it enacted by the Legislature of the State of Kansas:*

6 Section 1. K.S.A. 74-8707 is hereby amended to read as follows: 74-  
7 8707. (a) The accounts and transactions of the Kansas lottery and the  
8 Kansas lottery commission shall be subject to an annual financial-  
9 compliance audit, and such other audits as directed by the legislative post  
10 audit committee, under the legislative post audit act. The annual audit  
11 shall be conducted as soon after the close of the fiscal year as practicable.  
12 The auditor to conduct this audit work shall be specified in accordance  
13 with K.S.A. 46-1122, and amendments thereto. If the legislative post  
14 audit committee specifies under such statute that a firm, as defined by  
15 K.S.A. 46-1112, and amendments thereto, is to perform all or part of such  
16 audit work, such firm shall be selected and shall perform such audit work  
17 as provided in K.S.A. 46-1123, and amendments thereto, and K.S.A. 46-  
18 1125 through 46-1127, and amendments thereto.

19 The post auditor shall compute annually the reasonably anticipated  
20 cost of providing audits pursuant to this subsection, subject to review and  
21 approval by the contract audit committee established by K.S.A. 46-1120,  
22 and amendments thereto. Upon such approval, the Kansas lottery shall  
23 reimburse the division of post audit for the amount approved by the  
24 contract audit committee. The furnishing of audit services pursuant to this  
25 subsection shall be a transaction between the post auditor and the Kansas  
26 lottery and shall be settled in accordance with the provisions of K.S.A.  
27 75-5516, and amendments thereto.

28 (b) On or before December 31, 2004, and at least once every three  
29 years thereafter, there shall be conducted a security audit of the Kansas  
30 lottery. A security audit shall include a comprehensive study and  
31 evaluation of all aspects of security in the operation of the Kansas lottery.  
32 The auditor to conduct a security audit shall be specified in accordance  
33 with K.S.A. 46-1122, and amendments thereto. If the legislative post  
34 audit committee specifies under such statute that a person, as defined by  
35 K.S.A. 46-1112, and amendments thereto, other than the post auditor is to  
36 perform all or part of such audit work, such person shall be selected and

1 shall perform such audit work as provided in the applicable provisions of  
2 K.S.A. 46-1123, and amendments thereto, and K.S.A. 46-1125 through  
3 46-1127, and amendments thereto. The person selected to perform a  
4 security audit shall be experienced in security procedures, including, but  
5 not limited to, computer and systems security. A contract to conduct a  
6 security audit required by this subsection, ~~shall be considered a major~~  
7 ~~procurement contract as defined by K.S.A. 74-8702, and amendments~~  
8 ~~thereto, and~~ shall not be awarded until a background investigation is  
9 conducted *by the executive director* on the person or firm selected to  
10 perform the audit. Such background investigation shall ~~be subject to the~~  
11 ~~requirements of subsection (e) of K.S.A. 74-8705, and amendments~~  
12 ~~thereto include: (1) The vendor to whom the contract is to be awarded;~~  
13 ~~(2) all persons who own a controlling interest in such vendor; and (3) all~~  
14 ~~applicable staff having involvement with the audit.~~

15 For the purpose of conducting a security audit under this subsection, a  
16 person or a firm selected to perform the security audit shall not be limited  
17 to a legal entity permitted by law to engage in practice as a certified  
18 public accountant.

19 The post auditor shall compute the reasonably anticipated cost of  
20 providing audits pursuant to this subsection, subject to review and  
21 approval by the contract audit committee established by K.S.A. 46-1120,  
22 and amendments thereto. Upon such approval, the Kansas lottery shall  
23 reimburse the division of post audit for the amount approved by the  
24 contract audit committee. The furnishing of audit services pursuant to this  
25 subsection shall be a transaction between the post auditor and the Kansas  
26 lottery and shall be settled in accordance with the provisions of K.S.A.  
27 75-5516, and amendments thereto.

28 Sec. 2. K.S.A. 74-8707 is hereby repealed.

29 Sec. 3. This act shall take effect and be in force from and after its  
30 publication in the statute book.