

HOUSE BILL No. 2441

By Legislative Post Audit Committee

12-27

1 AN ACT concerning audits of state agencies; financial-compliance audits;
2 Kansas lottery security audit; selection of auditor, contracts with;
3 creating the Kansas lottery audit contract committee and the department
4 of administration audit contract committee; creating the department of
5 administration audit services fund; amending K.S.A. 46-1108, 46-1112,
6 46-1115, 46-1116, 46-1122, 46-1123, 46-1125, 46-1126, 46-1127 and
7 74-2424 and K.S.A. 2017 Supp. 39-709b, 46-1106, 46-1114, 46-1118,
8 46-1128, 46-1135, 74-4921, 75-5133 and 79-3234 and repealing the
9 existing sections; also repealing K.S.A. 2017 Supp. 46-1121 and 46-
10 1134.

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

12 New Section 1. (a) (1) Beginning in calendar year 2019, and at least
13 once every three years thereafter, there shall be conducted a security audit
14 of the Kansas lottery. Any security audit conducted pursuant to this section
15 shall include a comprehensive study and evaluation of all aspects of
16 security in the operation of such state agency. The firm to conduct a
17 security audit shall be selected and shall perform such audit work as
18 provided in sections 3 through 6, and amendments thereto. The firm
19 selected to perform a security audit shall be experienced in security
20 procedures, including, but not limited to, computer systems and security.
21 A contract to conduct such a security audit required by this subsection
22 shall not be awarded until a background investigation is conducted by the
23 executive director of the Kansas lottery on the person or firm selected to
24 perform the audit. Such background investigation shall include: (A) The
25 vendor to whom the contract is to be awarded; (B) all persons who own a
26 controlling interest in such vendor; and (C) all applicable staff having
27 involvement with the audit.

28
29 (2) For the purpose of conducting a security audit under this
30 subsection, a person or a firm selected to perform the security audit shall
31 not be limited to a legal entity permitted by law to engage in practice as a
32 certified public accountant.

33 (b) Beginning in calendar year 2019, a financial-compliance audit
34 shall be conducted annually on the accounts and transactions of the Kansas

1 lottery and the Kansas lottery commission. The first financial-compliance
2 audit shall examine the accounts and transactions for fiscal year 2019. The
3 firm to conduct this audit work shall be selected as provided in sections 3
4 and 4, and amendments thereto. The audits required pursuant to this
5 subsection shall be conducted in accordance with generally accepted
6 governmental auditing standards, and shall be conducted as soon after the
7 close of the fiscal year as practicable, but shall be completed no later than
8 the deadlines as set forth in section 6, and amendments thereto.

9 New Sec. 2. (a) There is hereby created the Kansas lottery audit
10 contract committee, which shall consist of the following members: (1) The
11 executive director of the Kansas lottery or a Kansas lottery employee
12 designated by the executive director; (2) the chairperson of the Kansas
13 lottery commission or a commission member designated by the
14 chairperson of the Kansas lottery commission; and (3) the post auditor or a
15 person designated by the post auditor. The executive director of the Kansas
16 lottery or the person designated by the executive director to serve as a
17 member of the Kansas lottery audit contract committee shall be the
18 chairperson of the committee.

19 (b) The Kansas lottery audit contract committee shall meet on the call
20 of the chairperson of such committee. A vote of two members of the
21 committee shall be required for any action of the committee.

22 New Sec. 3. (a) In the procurement of a firm or firms to perform an
23 audit required by section 1, and amendments thereto, the executive
24 director of the Kansas lottery shall encourage firms engaged in the lawful
25 practice of their professions to place their names on a list maintained by
26 the executive director of ~~bidders firms~~ to receive ~~invitations for bid~~
27 **requests for proposals** on audit contracts.

28 (b) The executive director of the Kansas lottery shall establish
29 specifications for the conduct by a firm or firms of an audit required by
30 section 1, and amendments thereto. The specifications shall be used in
31 preparing ~~invitations for bid~~ **requests for proposals** and evaluating the
32 ~~bids~~ **proposals** received.

33 (c) For all audits required by section 1, and amendments thereto, the
34 executive director of the Kansas lottery shall issue ~~an invitation for bid~~ **a**
35 **request for proposals** to all firms who have requested to be on the ~~bidders~~
36 **firm** list and others who request a copy after notice in the Kansas register.
37 The ~~invitation~~ **request for proposals** shall request information on the
38 firm's qualifications, the qualifications of staff to be assigned to the job,
39 the firm's technical approach to the audit and the fee. The executive
40 director shall evaluate the ~~bids~~ **proposals** received in response to the
41 ~~invitations~~ **requests for proposals** and for each audit shall prepare a list of
42 at least three and not more than five firms that are, in the opinion of the
43 executive director, qualified to perform such audit or audits. Such list shall

1 be submitted to the Kansas lottery audit contract committee.

2 New Sec. 4. (a) The Kansas lottery audit contract committee may
3 conduct discussions with each of the firms submitted by the executive
4 director and then shall select a firm or firms from such listing to provide
5 an audit as required by section 1, and amendments thereto.

6 (b) The Kansas lottery audit contract committee shall consider, in
7 making their selection, qualifications of the firm and staff, the technical
8 proposal and fee. ~~The firm selected by the committee {for the financial-~~
9 ~~compliance audit required under section 1(b), and amendments~~
10 ~~thereto,} shall be located in Kansas.~~

11 (c) If the Kansas lottery audit contract committee is unable to contract
12 with any of the selected firms, the committee shall request the executive
13 director to provide another list of firms to be reviewed by the committee.
14 Upon receipt of such list, the committee shall proceed in accordance with
15 the provisions of this section.

16 New Sec. 5. (a) Each contract for an audit required by section 1, and
17 amendments thereto, entered into under section 3 and section 4, and
18 amendments thereto, shall be entered into between the executive director
19 of the Kansas lottery and the firm or firms selected to perform the audit.
20 Each such contract shall require the firm or firms selected to submit
21 evidence that is satisfactory to the Kansas lottery audit contract committee
22 that the firm has general professional liability insurance or specific
23 liability insurance that is adequate for such audit.

24 (b) In addition to the requirements in subsection (a), each such
25 contract for audit services shall specify the responsibilities undertaken by
26 the firm selected to perform such audit and such firm shall be responsible
27 for all material errors and omissions in the performance of such contract.

28 (c) Such contracts shall not be subject to the provisions of K.S.A. 75-
29 3739 **or 75-37,102 or K.S.A. 2017 Supp. 75-37,130 through 75-37,135,**
30 and amendments thereto.

31 New Sec. 6. (a) The Kansas lottery audit contract committee shall
32 monitor the performance of the firm or firms conducting audits pursuant to
33 a contract entered into under section 5, and amendments thereto, to ensure
34 that such audit is performed in accordance with the specifications
35 developed for the conduct of such audit.

36 (b) (1) The firm selected to perform an audit required by section 1(a),
37 and amendments thereto, shall submit a final written audit report by
38 December 1 of each year to the executive director of the Kansas lottery and
39 the legislative post audit committee.

40 (2) The firm selected to perform an audit required by section 1(b),
41 and amendments thereto, shall submit a preliminary written audit report by
42 September 15 of each year to the executive director of the Kansas lottery
43 and the secretary of administration. A final audit report shall be submitted

1 by October 1 of each year to the executive director of the Kansas lottery,
2 the secretary of administration and the legislative post audit committee.

3 (c) In the performance of such audit, the officers and employees of
4 the firm or firms performing the audit shall be subject to the same duty of
5 confidentiality applicable to the post auditor and officers and employees of
6 the division of post audit under the legislative post audit act, and shall
7 have access to all books, accounts, records, files, documents and
8 correspondence, confidential or otherwise, of any person or state agency
9 subject to the audit.

10 New Sec. 7. Sections 1 through 7, and amendments thereto, shall be
11 part of and supplemental to the Kansas lottery act.

12 New Sec. 8. (a) Beginning in calendar year 2019, a financial-
13 compliance audit shall be conducted annually on the accounts and
14 transactions of the Kansas public employees retirement system. The first
15 financial-compliance audit shall examine the accounts and transactions for
16 fiscal year 2019. The auditor to conduct this audit work shall be selected as
17 provided in subsection (c). The audit required pursuant to this subsection
18 shall be conducted in accordance with generally accepted governmental
19 auditing standards, and shall be conducted as soon after the close of the
20 fiscal year as practicable, but shall be completed no later than the
21 deadlines as set forth in section 9, and amendments thereto.

22 (b) The financial-compliance audit of the Kansas public employees
23 retirement system shall include, but not be limited to, a review of
24 alternative investments of the system with any estimates of permanent
25 impairments to the value of such alternative investments reported by the
26 system pursuant to K.S.A. 74-4907, and amendments thereto, and a review
27 of any internal assessment or examination of alternative investments of the
28 system performed and reported pursuant to K.S.A. 74-4921(12)(a), and
29 amendments thereto.

30 (c) The Kansas public employees retirement system board of trustees
31 shall be responsible for the procurement of an auditing firm under the
32 provisions of K.S.A. 75-37,132, and amendments thereto. ~~Any auditing~~
33 ~~firm selected by the board shall be located in Kansas.~~

34 New Sec. 9. (a) The executive director of the Kansas public
35 employees retirement system shall monitor the performance of the firm
36 conducting an audit to ensure that such audit is performed in accordance
37 with the specifications developed for the conduct of such audit.

38 (b) The executive director of the Kansas public employees retirement
39 system shall submit a preliminary draft of the management's discussion
40 and analysis and the financial statements by October 1 of each year to the
41 secretary of administration and the firm selected to perform an audit
42 required by section 8, and amendments thereto. The executive director of
43 the Kansas public employees retirement system shall submit the final draft

1 of the management's discussion and analysis and the financial statements
2 by October 15 of each year to the secretary of administration and the firm
3 selected to perform an audit required by section 8, and amendments
4 thereto. The final audit opinion letter shall be submitted by November 1 of
5 each year by the firm selected to perform an audit by section 8, and
6 amendments thereto, to the executive director of the Kansas public
7 employees retirement system, the secretary of administration and the
8 legislative post audit committee.

9 (c) In the performance of such audit, the officers and employees of
10 the firm performing the audit shall be subject to the same duty of
11 confidentiality applicable to the post auditor and officers and employees of
12 the division of post audit under the legislative post audit act, and shall
13 have access to all books, accounts, records, files, documents and
14 correspondence, confidential or otherwise, of any person, any affiliated
15 employer or state agency subject to the audit.

16 New Sec. 10. (a) At least once every three years, the legislative post
17 audit committee shall direct the division of post audit to conduct a
18 performance audit of the Kansas public employees retirement system. In
19 considering performance audit subjects, the legislative post audit
20 committee shall consider recommendations and requests for performance
21 audits relating to the system or the management thereof by the joint
22 committee on pensions, investments and benefits or by any other
23 committee or individual member of the legislature.

24 (b) This section shall be part of and supplemental to the legislative
25 post audit act.

26 New Sec. 11. (a) Beginning in calendar year 2019, a financial-
27 compliance audit shall be conducted each year of the general purpose
28 financial statements prepared by the division of accounts and reports of the
29 department of administration for its annual financial report. The first
30 financial-compliance audit shall examine the general purpose financial
31 statements for fiscal year 2019. This audit shall be conducted in
32 accordance with generally accepted governmental auditing standards. The
33 resulting written audit report shall be issued as soon after the end of the
34 fiscal year as is practicable, but shall be completed no later than the
35 deadlines as set forth in section 17, and amendments thereto.

36 (b) (1) Beginning in fiscal year 2020, and once every two years
37 thereafter, separate written audit reports on the financial management
38 practices of the office of the state treasurer and the pooled money
39 investment board shall be prepared addressing the adequacy of financial
40 management practices and compliance with applicable state laws. The
41 separate audit of the pooled money investment board also shall include a
42 comparative investment performance review and an analysis of the
43 investment program, including an evaluation of investment policies and

1 practices and of specific investments in the pooled money investment
2 portfolio. The analysis of the specific investments in the pooled money
3 investment portfolio shall review whether such investments meet the
4 investment priorities of safety, liquidity and performance. The
5 performance of such investments shall be measured by comparison to an
6 appropriate market index. The resulting written audit report shall be
7 completed no later than the deadlines as set forth in section 17, and
8 amendments thereto.

9 (2) In addition, whenever an individual is first elected or appointed
10 and qualified to the office of the state treasurer, there shall be conducted a
11 transition audit within two weeks after the date such individual enters upon
12 the duties of the office of the state treasurer. The purpose of the transition
13 audit shall be to review the assets in the custody of the office of the state
14 treasurer for significant discrepancies at the time of the transition. A
15 separate written report shall be prepared for each transition audit.

16 (3) Any additional costs associated with preparing the separate
17 additional reports on the office of the state treasurer and the pooled money
18 investment board shall be borne by the office of the state treasurer and the
19 pooled money investment board in accordance with section 18, and
20 amendments thereto.

21 (c) (1) Books and accounts of the state treasurer and the director of
22 accounts and reports, including the bond register of the state treasurer, may
23 be examined monthly if the department of administration audit contract
24 committee so determines, and such examination may include detailed
25 checking of every transaction or test checking.

26 (2) Any person receiving tax information under the provisions of
27 subsection (a) or (b) shall be subject to the same duty of confidentiality
28 imposed by law upon the personnel of the department of revenue and shall
29 be subject to any civil or criminal penalties imposed by law for violations
30 of such duty of confidentiality.

31 New Sec. 12. (a) Beginning in fiscal year 2019, the department of
32 administration shall be responsible for procuring and managing audit
33 services for any audit of the financial affairs and transactions of a state
34 agency that is required to comply with federal government audit
35 requirements for receiving federal awards or grants.

36 (b) As used in this section, "state agency" means any state office,
37 officer, department, board, commission, institution, bureau, agency or
38 authority or any division or unit thereof.

39 New Sec. 13. (a) There is hereby created the department of
40 administration contract audit committee, which shall consist of the
41 following members: (1) The secretary of administration or a person
42 designated by the secretary of administration; (2) the director of accounts
43 and reports or a person designated by the director of accounts and reports;

1 (3) the post auditor or a person designated by the post auditor; (4) the state
2 treasurer or a person designated by the state treasurer; and (5) the director
3 of the budget or a person designated by the director of the budget. The
4 secretary of administration or the person designated by the secretary to
5 serve as a member of the department of administration contract audit
6 committee shall be the chairperson of the committee.

7 (b) The department of administration contract audit committee shall
8 meet on the call of the chairperson of such committee. A vote of two
9 members of the committee shall be required for any such action of the
10 committee.

11 New Sec. 14. (a) In the procurement of a firm or firms to perform an
12 audit required by section 11 and section 12, and amendments thereto, the
13 secretary of administration shall encourage firms engaged in the lawful
14 practice of their professions to place their names on a list maintained by
15 the secretary of ~~bidders~~ **firms** to receive ~~invitations for bid~~ **requests for**
16 **proposals** on audit contracts.

17 (b) The secretary of administration shall establish specifications for
18 the conduct by a firm or firms of an audit required by section 11 and
19 section 12, and amendments thereto. The specifications shall be used in
20 preparing ~~invitations for bid~~ **requests for proposals** and evaluating the
21 ~~bids~~ **proposals** received.

22 (c) For all audits required by section 11 and section 12, and
23 amendments thereto, the secretary of administration shall issue ~~an~~
24 ~~invitation for bid~~ **a request for proposals** to all firms who have requested
25 to be on the ~~bidders~~ **firm** list and others who request a copy after notice in
26 the Kansas register. The ~~invitation~~ **request for proposals** shall request
27 information on the firm's qualifications, the qualifications of staff to be
28 assigned to the job, the firm's technical approach to the audit and the fee.
29 The secretary shall evaluate the ~~bids~~ **proposals** received in response to the
30 ~~invitations~~ **request for proposals** and for each audit shall prepare a list of
31 at least three and not more than five firms that are, in the opinion of the
32 secretary, qualified to perform such audit. Such list shall be submitted to
33 the department of administration audit contract committee.

34 New Sec. 15. (a) The department of administration audit contract
35 committee may conduct discussions with each of the firms submitted by
36 the secretary of administration and then shall select a firm or firms from
37 such listing to provide an audit as required by section 11 and section 12,
38 and amendments thereto.

39 (b) The department of administration audit contract committee shall
40 consider, in making their selection, qualifications of the firm and staff, the
41 technical proposal and fee. ~~The firm selected by the committee shall be~~
42 **located in Kansas.**

43 (c) If the department of administration audit contract committee is

1 unable to contract with any of the selected firms, the committee shall
2 request the secretary of administration to provide another list of firms to be
3 reviewed by the committee. Upon receipt of such list, the committee shall
4 proceed in accordance with the provisions of this section.

5 New Sec. 16. (a) Each contract for an audit required by section 11
6 and section 12, and amendments thereto, entered into under section 14 and
7 section 15, and amendments thereto, shall be entered into between the
8 secretary of administration and the firm selected to perform the audit.
9 Each such contract shall require the firm selected to submit evidence that
10 is satisfactory to the department of administration audit contract committee
11 that the firm has general professional liability insurance or specific
12 liability insurance that is adequate for such audit.

13 (b) In addition to the requirements in subsection (a), each such
14 contract for audit services shall specify the responsibilities undertaken by
15 the firm selected to perform such audit and that such firm shall be
16 responsible for all material errors and omissions in the performance of
17 such contract.

18 (c) Such contracts shall not be subject to the provisions of K.S.A. 75-
19 3739 or 75-37,102 or K.S.A. 2017 Supp. 75-37,130 through 75-37,135,
20 and amendments thereto.

21 New Sec. 17. (a) The department of administration audit contract
22 committee shall monitor the performance of the firm conducting an audit
23 pursuant to a contract entered into under section 16, and amendments
24 thereto, to ensure that such audit is performed in accordance with the
25 specifications developed for the conduct of such audit.

26 (b) Written reports from audits required by section 11 and section 12,
27 and amendments thereto, shall be issued according to the following
28 deadlines:

29 (1) For an audit of the state financial statements required by section
30 11(a), and amendments thereto, a final written report shall be issued to the
31 secretary of administration and to the legislative post audit committee by
32 December 1 following the audited fiscal year;

33 (2) for a biennial audit of the state treasurer's office and the pooled
34 money investment board required by section 11(b), and amendments
35 thereto, a final written report shall be issued to the state treasurer or the
36 pooled money investment board, as appropriate, and to the secretary of
37 administration and the legislative post audit committee by December 1
38 following the audited fiscal year; and

39 (3) for a federal compliance audit required by section 12, and
40 amendments thereto, a final written report shall be issued to the secretary
41 of administration and the legislative post audit committee not less than 15
42 calendar days before the federal deadline for such report.

43 (c) In the performance of an audit pursuant to section 11 and section

1 12, and amendments thereto, the officers and employees of the firm
2 performing the audit shall be subject to the same duty of confidentiality
3 applicable to the post auditor and officers and employees of the division of
4 post audit under the legislative post audit act, and shall have access to all
5 books, accounts, records, files, documents and correspondence,
6 confidential or otherwise, of any person or state agency subject to the
7 audit.

8 New Sec. 18. (a) Whenever the secretary of administration contracts
9 with a firm to perform any audit work for any state agency to satisfy
10 financial-compliance audit requirements prescribed by section 11 and
11 section 12, and amendments thereto, and incurs costs in addition to those
12 attributable to the operations of the department of administration in
13 performance of other duties and responsibilities, the secretary shall make
14 charges for such additional costs.

15 (b) All moneys received for reimbursement to the department of
16 administration under this section shall be remitted to the state treasurer in
17 accordance with the provisions of K.S.A. 75-4215, and amendments
18 thereto. Upon receipt of each such remittance, the state treasurer shall
19 deposit the entire amount in the state treasury to the credit of the
20 department of administration audit services fund, which fund is hereby
21 created in the state treasury. All expenditures from the department of
22 administration audit services fund shall be made in accordance with
23 appropriation acts upon warrants of the director of accounts and reports
24 issued pursuant to vouchers approved by the secretary of administration or
25 a person or persons designated by the secretary.

26 New Sec. 19. (a) Each state agency awarded a federal grant or other
27 federal financial assistance that is subject to an audit pursuant to section
28 12, and amendments thereto, as a condition of such grant or assistance
29 shall notify the secretary of administration immediately of the award of
30 such grant or assistance. Based on the amount and nature of federal
31 moneys received by the state agency, the secretary shall compute annually
32 the amount of federal moneys reasonably anticipated to be required to
33 provide audit coverage in accordance with federal requirements. The
34 amounts determined for such audits shall be reviewed and approved by the
35 department of administration audit contract committee. Upon such
36 approval, the state agency, in accordance with section 18, and amendments
37 thereto, shall reimburse the secretary of administration for the amount
38 approved by the contract audit committee.

39 (b) The secretary of administration shall compute the amount of
40 money reasonably anticipated to be required to provide a financial-
41 compliance audit as required pursuant to section 12, and amendments
42 thereto. The amounts determined for such audits shall be reviewed and
43 approved by the department of administration contract audit committee.

1 (c) The secretary of administration shall remit all money received
2 under this section to the state treasurer in accordance with the provisions
3 of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such
4 remittance, the state treasurer shall deposit the entire amount in the state
5 treasury to the credit of the audit services fund.

6 (d) In addition to expenditures that may be made from the department
7 of administration audit services fund under section 18, and amendments
8 thereto, expenditures shall be made from such fund, and from other
9 available appropriations, to pay for the cost of financial-compliance audits
10 performed to comply with federal government audit requirements.

11 Sec. 20. On and after July 1, 2019, K.S.A. 2017 Supp. 39-709b is
12 hereby amended to read as follows: 39-709b. (a) Information concerning
13 applicants for and recipients of assistance from the secretary shall be
14 confidential and privileged and shall only be available to the secretary and
15 the officers and employees of the secretary except as set forth in this
16 section. Unless otherwise prohibited by law, such information shall be
17 disclosed to an applicant, recipient or outside source under the following
18 conditions:

19 (1) Information shall be disclosed to the post auditor in accordance
20 with and subject to the provisions of K.S.A. 46-1106~~(g)~~(e), and
21 amendments thereto;

22 (2) information shall be disclosed to an applicant or recipient in
23 accordance with and subject to rules and regulations adopted by the
24 secretary; and

25 (3) information may be disclosed to an outside source if such
26 disclosure:

27 (A) Has been consented to in writing by the applicant or recipient and
28 the applicant or recipient has been granted access by the secretary to the
29 information to be disclosed, except that in an emergency information may
30 be disclosed without a written consent if such disclosure is deemed by the
31 secretary to be in the best interests of the applicant or recipient;

32 (B) is directly connected to the administration of the secretary's
33 program;

34 (C) is directly connected to an investigation, prosecution, or criminal
35 or civil proceeding conducted in connection with the administration of the
36 secretary's program;

37 (D) is authorized by a state plan developed by the secretary pursuant
38 to the federal social security act or any other federal program providing
39 federal financial assistance and services in the field of social welfare; or

40 (E) concerns the intent of an applicant or recipient to commit a crime
41 and in this case such information and the information necessary to prevent
42 the crime shall be disclosed to the appropriate authorities.

43 (b) Nothing in this section shall be construed to prohibit the

1 publication of aggregate non-identifying statistics ~~which~~ *that* are so
2 classified as to prevent the identification of specific applicants or
3 recipients.

4 Sec. 21. On and after July 1, 2019, K.S.A. 2017 Supp. 46-1106 is
5 hereby amended to read as follows: 46-1106. ~~(a)–(1) A financial-~~
6 ~~compliance audit shall be conducted each year of the general purpose~~
7 ~~financial statements prepared by the division of accounts and reports for its~~
8 ~~annual financial report. This audit shall be conducted in accordance with~~
9 ~~generally accepted governmental auditing standards. The resulting written~~
10 ~~audit report shall be issued as soon after the end of the fiscal year as is~~
11 ~~practicable.~~

12 ~~(2) In addition, once every two years, separate written audit reports~~
13 ~~on the financial management practices of the office of the state treasurer~~
14 ~~and the pooled money investment board shall be prepared addressing the~~
15 ~~adequacy of financial management practices and compliance with~~
16 ~~applicable state laws. The separate audit of the pooled money investment~~
17 ~~board also shall include a comparative investment performance review and~~
18 ~~an analysis of the investment program, including an evaluation of~~
19 ~~investment policies and practices and of specific investments in the pooled~~
20 ~~money investment portfolio. The analysis of the specific investments in the~~
21 ~~pooled money investment portfolio shall review whether such investments~~
22 ~~meet the investment priorities of safety, liquidity and performance. The~~
23 ~~performance of such investments shall be measured by comparison to an~~
24 ~~appropriate market index.~~

25 ~~(3) In addition, whenever an individual is first elected or appointed~~
26 ~~and qualified to the office of the state treasurer, the legislative division of~~
27 ~~post audit shall conduct a transition audit within two weeks after the date~~
28 ~~such individual enters upon the duties of the office of the state treasurer.~~
29 ~~The purpose of the transition audit shall be to review the assets in the~~
30 ~~custody of the office of the state treasurer for significant discrepancies at~~
31 ~~the time of the transition. A separate written report shall be prepared for~~
32 ~~each transition audit.~~

33 ~~(4) Copies of the reports of audits conducted pursuant to this~~
34 ~~subsection (a) shall be furnished to the governor, director of accounts and~~
35 ~~reports, director of the budget, each state agency, the legislative post audit~~
36 ~~committee and other persons or agencies as may be required by law or by~~
37 ~~the specifications of the audit.~~

38 ~~(5) Any additional costs associated with preparing the separate~~
39 ~~additional reports on the office of the state treasurer and the pooled money~~
40 ~~investment board shall be borne by the office of the state treasurer and the~~
41 ~~pooled money investment board in accordance with K.S.A. 46-1121, and~~
42 ~~amendments thereto.~~

43 ~~(b) Including financial-compliance audit work conducted as part of~~

1 ~~the audit conducted pursuant to subsection (a), financial compliance~~ Audit
2 work shall be conducted at each state agency at least once every three
3 years as directed by the legislative post audit committee. Written reports
4 on the results of such auditing shall be furnished to the governor, director
5 of accounts and reports, director of the budget, the state agency ~~which~~ *that*
6 is audited, the legislative post audit committee and such other persons or
7 agencies as may be required by law or by the specifications of the audit.

8 ~~(e) (1) Books and accounts of the state treasurer and the director of~~
9 ~~accounts and reports, including the bond register of the state treasurer, may~~
10 ~~be examined monthly if the legislative post audit committee so determines,~~
11 ~~and such examination may include detailed checking of every transaction~~
12 ~~or test checking.~~

13 ~~(2) Any person receiving tax information under the provisions of~~
14 ~~subsection (a) or (b) shall be subject to the same duty of confidentiality~~
15 ~~imposed by law upon the personnel of the department of revenue and shall~~
16 ~~be subject to any civil or criminal penalties imposed by law for violations~~
17 ~~of such duty of confidentiality.~~

18 ~~(d)(b)~~ The post auditor shall report immediately in writing to the
19 legislative post audit committee, governor and attorney general whenever
20 it appears in the opinion of the post auditor that there may have occurred
21 any violation of penal statutes or any instances of misfeasance,
22 malfeasance or nonfeasance by a public officer or employee disclosed by
23 any audit or audit work conducted under the legislative post audit act *or*
24 *any audit conducted pursuant to section 1, section 8, section 11 or section*
25 *12, and amendments thereto.* The post auditor shall furnish the attorney
26 general all information in the possession of the post auditor relative to any
27 report referred to the attorney general. The attorney general shall institute
28 and prosecute civil proceedings against any such delinquent officer or
29 employee, or upon such officer or employee's official bond, or both, as
30 may be needed to recover for the state any funds or other assets
31 misappropriated. The attorney general shall also prosecute such ouster and
32 criminal proceedings as the evidence in the case warrants. Any person
33 receiving tax information under the provisions of this subsection shall be
34 subject to the same duty of confidentiality imposed by law upon the
35 personnel of the department of revenue and shall be subject to any civil or
36 criminal penalties imposed by law for violations of such duty of
37 confidentiality.

38 ~~(e) (c)~~ The post auditor shall immediately report to the committee on
39 surety bonds and insurance when any audit or audit work conducted under
40 the legislative post audit act *or any audit conducted pursuant to section 1,*
41 *section 8, section 11 or section 12, and amendments thereto,* discloses a
42 shortage in the accounts of any state agency, officer or employee.

43 ~~(f) (d)~~ In the discharge of the duties imposed under the legislative

1 post audit act, the post auditor may require state agencies to preserve and
2 make available their accounts, records, documents, vouchers, requisitions,
3 payrolls, canceled checks or vouchers and coupons, and other evidence of
4 financial transactions.

5 ~~(g)~~ (e) In the discharge of the duties imposed under the legislative
6 post audit act, the post auditor or firm conducting a financial compliance
7 audit or conducting any other audit or audit work *under the legislative post*
8 *audit act* shall have access to all books, accounts, records, files, documents
9 and correspondence, confidential or otherwise, of any person or state
10 agency subject to the legislative post audit act or in the custody of any
11 such person or state agency. Except as otherwise provided in this
12 subsection, the post auditor or firm conducting a financial compliance
13 audit or other any audit or audit work under the legislative post audit act
14 and all employees and former employees of the division of post audit or
15 firm performing a financial compliance audit or other any audit or audit
16 work shall be subject to the same duty of confidentiality imposed by law
17 on any such person or state agency with regard to any such books,
18 accounts, records, files, documents and correspondence, and any
19 information contained therein, and shall be subject to any civil or criminal
20 penalties imposed by law for violations of such duty of confidentiality. The
21 duty of confidentiality imposed on the post auditor and on firms
22 conducting financial compliance audits or any other audits *audit* or audit
23 work under the legislative post audit act and all employees of the division
24 of post audit and all employees of such firms shall be subject to the
25 provisions of subsection ~~(d)~~ (b), and the post auditor may furnish all such
26 books, accounts, records, files, documents and correspondence, and any
27 information contained therein to the attorney general pursuant to
28 subsection ~~(d)~~ (b). Upon receipt thereof, the attorney general and all
29 assistant attorneys general and all other employees and former employees
30 of the office of attorney general shall be subject to the same duty of
31 confidentiality with the exceptions that any such information contained
32 therein may be disclosed in civil proceedings, ouster proceedings and
33 criminal proceedings which may be instituted and prosecuted by the
34 attorney general in accordance with subsection ~~(d)~~ (b), and any such
35 books, accounts, records, files, documents and correspondence furnished
36 to the attorney general in accordance with subsection ~~(d)~~ (b) may be
37 entered into evidence in any such proceedings. Nothing in this subsection
38 shall be construed to supersede any requirement of federal law.

39 ~~(h)~~ (f) Any firm or firms which develop information in the course of
40 conducting a financial compliance audit or other any audit or audit work
41 under the legislative post audit act which the post auditor is required to
42 report under subsection ~~(d)~~ or ~~(e)~~ (b) or (c) shall immediately report such
43 information to the post auditor. The post auditor shall then make the report

1 required in subsection ~~(d) or (e)~~ *(b) or (c)*.

2 ~~(i) (1) A financial compliance audit shall be conducted annually on~~
3 ~~the accounts and transactions of the Kansas lottery and the Kansas lottery~~
4 ~~commission, of the Kansas public employees retirement system and of any~~
5 ~~other state agency as may be required by law. The auditor to conduct this~~
6 ~~audit work shall be specified in accordance with K.S.A. 46-1122, and~~
7 ~~amendments thereto. If the legislative post audit committee specifies under~~
8 ~~such statute that a firm is to perform all or part of such audit work, such~~
9 ~~firm shall be selected and shall perform such audit work as provided in~~
10 ~~K.S.A. 46-1123, and amendments thereto, and K.S.A. 46-1125 through 46-~~
11 ~~1127, and amendments thereto. The audits required pursuant to this~~
12 ~~subsection shall be conducted in accordance with generally accepted~~
13 ~~governmental auditing standards, and shall be conducted as soon after the~~
14 ~~close of the fiscal year as practicable, but shall be completed no later than~~
15 ~~six months after the close of the fiscal year.~~

16 ~~(2) The financial compliance audit of the Kansas public employees~~
17 ~~retirement system shall include, but not be limited to, a review of~~
18 ~~alternative investments of the system with any estimates of permanent~~
19 ~~impairments to the value of such alternative investments reported by the~~
20 ~~system pursuant to K.S.A. 74-4907, and amendments thereto. The~~
21 ~~financial compliance audit may include one or more performance audit~~
22 ~~subjects as directed by the legislative post audit committee. In considering~~
23 ~~performance audit subjects to be included in any such financial-~~
24 ~~compliance audit, the legislative post audit committee shall consider~~
25 ~~recommendations and requests for performance audits, relating to the~~
26 ~~system or the management thereof, by the joint committee on pensions,~~
27 ~~investments and benefits or by any other committee or individual member~~
28 ~~of the legislature. The legislative post audit committee shall specify if one~~
29 ~~or more performance audit subjects shall be included in such financial-~~
30 ~~compliance audit, in addition to such other subjects as may be directed to~~
31 ~~be included in such financial compliance audit by the legislative post audit~~
32 ~~committee. Except as otherwise determined by the legislative post audit~~
33 ~~committee, one or more performance audit subjects specified by the~~
34 ~~legislative post audit committee shall be included at least once every two~~
35 ~~fiscal years in such financial compliance audit. The legislative post audit~~
36 ~~committee may direct that one or more performance audit subjects are to~~
37 ~~be included in such financial compliance audit not more than once during~~
38 ~~a specific period of three fiscal years, in lieu of once every two fiscal~~
39 ~~years.~~

40 Sec. 22. On and after July 1, 2019, K.S.A. 46-1108 is hereby
41 amended to read as follows: 46-1108. Audits, ~~in addition to financial-~~
42 ~~compliance audits or other financial compliance audit work conducted~~
43 ~~pursuant to K.S.A. 46-1106 and amendments thereto, shall be performed~~

1 by the post auditor only on the direction of the legislative post audit
2 committee. The legislative post audit committee may direct the post
3 auditor to perform additional audits or audit work described in K.S.A. 46-
4 1106, and amendments thereto, of any state agencies, or may direct that
5 any additional audit of a state agency shall be performed to accomplish
6 other objectives than those specified pursuant to K.S.A. 46-1106, and
7 amendments thereto. The legislative post audit committee may direct that
8 any such additional audits shall be conducted to determine:

9 (a) Whether any state agency is carrying out only those activities or
10 programs authorized by the legislature; or

11 (b) whether the programs and activities of a state agency, or a
12 particular program or activity, is being efficiently and effectively operated;
13 or

14 (c) whether any new activity or program is being efficiently and
15 effectively implemented in accordance with the intent of the legislature; or

16 (d) whether there is a need for change in any authorized activity or
17 program of a state agency; or

18 (e) whether any reorganization of a state agency, or group of state
19 agencies, is needed or justified to accomplish the results of programs or
20 activities authorized by the legislature; or

21 (f) any combination of the purposes specified in this or any other
22 section of the legislative post audit act.

23 Sec. 23. On and after July 1, 2019, K.S.A. 46-1112 is hereby
24 amended to read as follows: 46-1112. As used in the legislative post audit
25 act, unless the context otherwise requires:

26 (a) "Person" means an individual, proprietorship, partnership, limited
27 partnership, association, trust, estate, business trust, group, or corporation,
28 whether or not operated for profit, or a governmental agency, unit, or
29 subdivision.

30 (b) "State agency" means any state office, officer, department, board,
31 commission, institution, bureau, agency, or authority or any division or
32 unit thereof.

33 ~~(c) "Financial compliance audit" means an audit of the financial~~
34 ~~affairs and transactions of a state agency required to comply with federal~~
35 ~~government audit requirements for receiving federal grants or an audit of~~
36 ~~the financial affairs and transactions of a state agency otherwise required~~
37 ~~by law to be performed.~~

38 ~~(d) "Firm" means any individual, firm, partnership, corporation,~~
39 ~~association or other legal entity permitted by law to engage in practice as a~~
40 ~~certified public accountant.~~

41 ~~(e) "Federal grant" means moneys received by a state agency under~~
42 ~~any act or appropriation of the federal government or moneys received by~~
43 ~~a state agency under the state and local fiscal assistance act of 1972 and~~

1 ~~amendments thereto.~~

2 Sec. 24. On and after July 1, 2019, K.S.A. 2017 Supp. 46-1114 is
3 hereby amended to read as follows: 46-1114. (a) The legislative post audit
4 committee is hereby authorized to direct the post auditor and the division
5 of post audit to make an audit of any type described in K.S.A. 46-1106 or
6 46-1108, and ~~amendments to these sections thereto~~, of any records or
7 matters of any person specified in this section, and may direct the object in
8 detail of any such audit.

9 (b) Upon receiving any such direction, the post auditor with the
10 division of post audit, shall make such audit and shall have access to all
11 books, accounts, records, files, documents and correspondence,
12 confidential or otherwise, to the same extent permitted under ~~subsection~~
13 ~~(g)~~ of K.S.A. 46-1106(e), and ~~amendments thereto~~, except that such access
14 shall be subject to the limitations established under subsection (d) ~~of this~~
15 ~~section~~.

16 (c) Audits authorized by this section are the following:

17 (1) Audit of any local subdivision of government or agency or
18 instrumentality thereof which receives any distribution of moneys from or
19 through the state.

20 (2) Audit of any person who receives any grant or gift from or
21 through the state.

22 (3) Audit of the contract relationships and the fiscal records related
23 thereto of any person who contracts with the state.

24 (4) Audit of any person who is regulated or licensed by any state
25 agency or who operates or functions for the benefit of any state institution
26 except that any audit of any person regulated by the state corporation
27 commission shall address only compliance with laws or regulations,
28 collection or remittance of taxes or fees, or other matters related directly to
29 state government programs or functions. Any such audit authorized under
30 this subsection shall not address corporate governance or financial issues
31 except as they may relate directly to state government programs or
32 functions. This subsection shall not apply to public utilities as described in
33 ~~subsection (f)~~ of K.S.A. 66-1,187(l), and amendments thereto.

34 (d) (1) Access to all books, accounts, records, files, documents and
35 correspondence, confidential or otherwise, as authorized under subsection
36 ~~(b) of this section~~ of any nongovernmental person audited under authority
37 of subsection (c)(2) ~~of this section~~ shall be limited to those books,
38 accounts, records, files, documents and correspondence, confidential or
39 otherwise, of such person to which the state governmental agency ~~which~~
40 *that* administers the grant or gift and provides for the disbursement thereof
41 is authorized under law to have access.

42 (2) Access to all books, accounts, records, files, documents and
43 correspondence, confidential or otherwise, as authorized under subsection

1 ~~(b) of this section~~ of any nongovernmental person audited under authority
2 of subsection (c)(3) ~~of this section~~ shall be limited to those books,
3 accounts, records, files, documents and correspondence, confidential or
4 otherwise, of such person to which the state governmental agency ~~which~~
5 *that* contracts with such person is authorized under law to have access.

6 (3) Access to all books, accounts, records, files, documents and
7 correspondence, confidential or otherwise, as authorized under subsection
8 ~~(b) of this section~~ of any nongovernmental person audited under authority
9 of subsection (c)(4) ~~of this section~~ shall be limited to those books,
10 accounts, records, files, documents and correspondence, confidential or
11 otherwise, of such person to which the state governmental agency ~~which~~
12 *that* regulates or licenses such person or the state institution on whose
13 behalf such person operates or functions is authorized under law to have
14 access.

15 Sec. 25. On and after July 1, 2019, K.S.A. 46-1115 is hereby
16 amended to read as follows: 46-1115. Whenever any person fails to make
17 any books, accounts, contracts or records, files, documents and
18 correspondence, confidential or otherwise, related to any of the foregoing
19 available to the post auditor or to a firm performing ~~a financial compliance~~
20 ~~audit~~ *any audit or audit work under the legislative post audit act* or to any
21 officer or employee of the division of post audit or of such firm within 30
22 days after a request therefor by the post auditor or ~~by a firm performing a~~
23 ~~financial compliance audit~~ or any such officer or employee of the post
24 auditor or of such firm, and such person is entitled under any other statute
25 to receive any state funds, such funds shall be withheld until such person
26 has fully complied with such request. Whenever state funds are to be
27 withheld under this section, the post auditor shall give written notice
28 thereof to the director of accounts and reports, and such director shall issue
29 no warrant for payment of state funds to such person until the post auditor
30 has given such director written notice that such person has acceded to the
31 request of the post auditor. The provisions of this section shall not affect
32 any contract entered into prior to the effective date of this act to the extent
33 that any impairment of such contract occurs.

34 Sec. 26. On and after July 1, 2019, K.S.A. 46-1116 is hereby
35 amended to read as follows: 46-1116. Failure to make records available for
36 post audit is the intentional failure to make any books, accounts, contracts
37 or records, files, documents and correspondence, confidential or otherwise,
38 related to any of the foregoing available to the post auditor or to a firm
39 performing ~~a financial compliance audit~~ *any audit or audit work under the*
40 *legislative post audit act* or any officer or employee of the division of post
41 audit or of such firm upon request of the post auditor or ~~such~~ firm or any
42 such officer or employee for the purpose of post audit as directed by the
43 legislative post audit committee under authority of this act *or as otherwise*

1 *directed pursuant to law.*

2 Failure to make records available for post audit is a class A
3 misdemeanor.

4 Sec. 27. On and after July 1, 2019, K.S.A. 2017 Supp. 46-1118 is
5 hereby amended to read as follows: 46-1118. (a) (1) Except as otherwise
6 provided by statute, whenever the post auditor performs any additional
7 audit work for any state agency to satisfy federal government
8 requirements, and incurs costs in addition to those attributable to the
9 operations of the division of post audit in performance of other duties and
10 responsibilities, the post auditor shall make charges for such additional
11 costs.

12 ~~(2) Except as otherwise provided by statute, whenever the post~~
13 ~~auditor performs any audit work for any state agency to satisfy financial-~~
14 ~~compliance audit requirements prescribed by or pursuant to subsection (a)~~
15 ~~(1) of K.S.A. 46-1106, and amendments thereto, and incurs costs in~~
16 ~~addition to those attributable to the operations of the division of post audit~~
17 ~~in performance of other duties and responsibilities, the post auditor shall~~
18 ~~make charges for such additional costs.~~

19 ~~(3)—~~The legislative post audit committee may authorize the post
20 auditor to perform additional ~~financial-related~~ audit work at the request of
21 a state agency. Upon the authorization and in accordance with the direction
22 of the legislative post audit committee, the post auditor may make charges
23 for costs incurred for the performance of such ~~financial-related~~ audit work.

24 ~~(4) The post auditor shall compute the reasonably anticipated cost of~~
25 ~~providing audits pursuant to K.S.A. 2017 Supp. 46-1134, and amendments~~
26 ~~thereto, subject to review and approval by the contract audit committee.~~
27 ~~Upon such approval, the state agency that is receiving the audit services~~
28 ~~shall reimburse the division of post audit for the amount approved by the~~
29 ~~contract audit committee.~~

30 ~~(5)(3)~~ The furnishing of any such audit services by the division of
31 post audit shall be a transaction between the post auditor and the state
32 agency receiving such services and such transaction shall be settled in
33 accordance with the provisions of K.S.A. 75-5516, and amendments
34 thereto.

35 (b) All moneys received for reimbursement ~~of~~ to the division of post
36 audit under this section shall be remitted to the state treasurer in
37 accordance with the provisions of K.S.A. 75-4215, and amendments
38 thereto. Upon receipt of each such remittance, the state treasurer shall
39 deposit the entire amount in the state treasury to the credit of the audit
40 services fund, which fund is hereby created in the state treasury. All
41 expenditures from the audit services fund shall be made in accordance
42 with appropriation acts upon warrants of the director of accounts and
43 reports issued pursuant to vouchers approved by the post auditor or a

1 person or persons designated by the post auditor.

2 Sec. 28. On and after July 1, 2019, K.S.A. 46-1122 is hereby
3 amended to read as follows: 46-1122. ~~The legislative post audit committee~~
4 ~~shall specify whether a financial compliance audit of or financial-~~
5 ~~compliance audit work at a state agency is to be conducted: (a) By a firm~~
6 ~~or firms qualified to perform such audit or audit work; or (b) by the post~~
7 ~~auditor.~~ If the legislative post audit committee specifies that a firm or firms
8 is to perform ~~such~~ *an* audit or audit work, such firm or firms shall be
9 selected and shall perform such audit or audit work as provided in K.S.A.
10 46-1123, and amendments thereto, and K.S.A. 46-1125 ~~to through~~ 46-
11 1127, ~~inclusive~~, and amendments thereto. If the legislative post audit
12 committee specifies that the post auditor is to perform such audit or audit
13 work, the post auditor shall perform such audit or audit work as directed
14 by the legislative post audit committee pursuant to K.S.A. 46-1106, and
15 amendments thereto, and, if the audit or audit work is performed to
16 comply with federal government audit requirements, in accordance with
17 specifications for the conduct of such audit or audit work established by
18 the contract audit committee.

19 Sec. 29. On and after July 1, 2019, K.S.A. 46-1123 is hereby
20 amended to read as follows: 46-1123. (a) In the procurement of a firm or
21 firms to perform ~~a financial compliance~~ *an audit or audit work*, the post
22 auditor shall encourage firms engaged in the lawful practice of their
23 profession to place their names on the list maintained by the post auditor
24 of bidders to receive invitations for bid on post audit contracts.

25 (b) The post auditor shall establish specifications, with the advice of
26 the head of each state agency to be audited, for the conduct by a firm or
27 firms of the ~~financial compliance~~ audit. The specifications shall be used in
28 preparing invitations for bid and evaluating the bids received.

29 (c) ~~For all financial compliance audits of state agencies~~ to be
30 performed by a firm or firms, the post auditor shall issue an invitation for
31 bid to all firms who have requested to be on the bidders' list and others
32 who request a copy after notice in the Kansas register. The invitation shall
33 request information on the firm's qualifications, the qualifications of staff
34 to be assigned to the job, the firm's technical approach to the audit and the
35 fee. The post auditor shall evaluate the bids received in response to the
36 invitations and for each audit shall prepare a list of at least three and not
37 more than five firms which are, in the opinion of the post auditor, qualified
38 to perform such audit. Such list shall be submitted to the contract audit
39 committee.

40 (d) Two or more separate ~~financial compliance~~ audits may be
41 combined by the contract audit committee for the purpose of procuring
42 audit services for all such audits from a single firm, and in each such case
43 such combined audits shall be construed to be a single audit for all

1 purposes under K.S.A. 46-1123, and amendments thereto, and K.S.A. 46-
2 1125 ~~to through 46-1127, inclusive,~~ and amendments thereto.

3 Sec. 30. On and after July 1, 2019, K.S.A. 46-1125 is hereby
4 amended to read as follows: 46-1125. (a) The contract audit committee
5 may conduct discussions with each of the firms submitted by the post
6 auditor and then shall select a firm or firms from such listing to provide
7 the ~~financial-compliance~~ audit in accordance with the legislative post audit
8 act.

9 (b) The contract audit committee shall consider, in making their
10 selection, qualifications of the firm and staff, the technical proposal and
11 fee.

12 (c) If the contract audit committee is unable to contract with any of
13 the selected firms, the contract audit committee shall request the post
14 auditor to provide another list of firms to be reviewed by the contract audit
15 committee and, upon receipt of such list, the contract audit committee shall
16 proceed in accordance with the provisions of this section.

17 Sec. 31. On and after July 1, 2019, K.S.A. 46-1126 is hereby
18 amended to read as follows: 46-1126. (a) Each contract for ~~a financial-~~
19 ~~compliance audit of a~~ *an audit* state agency entered into under K.S.A. 46-
20 1123 and 46-1125, and amendments ~~to these sections~~ *thereto*, shall be
21 entered into between the post auditor and the firm selected to perform the
22 ~~financial-compliance~~ audit. Each such contract shall require the firm
23 selected to perform the ~~financial-compliance~~ audit to submit evidence
24 which is satisfactory to the contract audit committee that the firm has
25 general professional liability insurance or specific professional liability
26 insurance which is adequate for such audit.

27 (b) In addition to the requirements in subsection (a), each such
28 contract for ~~financial-compliance~~ audit services shall specify the
29 responsibilities undertaken by the firm selected to perform such audit and
30 that such firm shall be responsible for all material errors and omissions in
31 the performance of such contract.

32 (c) Such contracts shall not be subject to the provisions of K.S.A. 75-
33 3739, and amendments thereto.

34 Sec. 32. On and after July 1, 2019, K.S.A. 46-1127 is hereby
35 amended to read as follows: 46-1127. (a) The contract audit committee
36 shall monitor the performance of the firm or firms conducting ~~a financial-~~
37 ~~compliance~~ *an* audit pursuant to a contract entered into under K.S.A. 46-
38 1126, and amendments thereto, to insure that such audit is performed in
39 accordance with the specifications developed for the conduct of such audit.
40 The firm or firms selected to perform such audit shall submit a written
41 audit report at the conclusion of the audit to the post auditor who shall
42 distribute the complete audit report to members of the legislative post audit
43 committee, the governor, the director of accounts and reports, the director

1 of the budget, the secretary of administration, ~~the~~ any state agency which
2 is audited and other persons or agencies as may be required by the
3 specifications.

4 (b) In the performance of such audit, the officers and employees of
5 the firm or firms performing the audit shall be subject to the same duty of
6 confidentiality applicable to the post auditor and officers and employees of
7 the division of post audit under the legislative post audit act and shall have
8 access to all books, accounts, records, files, documents and
9 correspondence, confidential or otherwise, of any person or state agency
10 subject to the ~~financial-compliance~~ audit.

11 Sec. 33. On and after July 1, 2019, K.S.A. 2017 Supp. 46-1128 is
12 hereby amended to read as follows: 46-1128. (a) Except as provided by
13 subsections (b), (c) and (d) of this section and by K.S.A. 46-1106~~(d), (e)~~
14 ~~and (g)(b), (c) and (e)~~, and amendments thereto, each audit report prepared
15 by the division of post audit or by a firm under the legislative post audit
16 act, and each finding, conclusion, opinion or recommendation contained in
17 the audit report, shall be confidential and shall not be disclosed pursuant to
18 the provisions of the open records act or under any other law until: (1) The
19 time of the next scheduled meeting of the legislative post audit committee
20 held after distribution of the report to members of such committee; or (2)
21 the time of the next scheduled meeting of another legislative committee
22 held after distribution of the report to the members of such committee as
23 authorized by the legislative post audit committee.

24 (b) The legislative post audit committee may authorize a specific
25 confidential distribution of any audit report, prior to any such presentation
26 of the audit report, by motion adopted by the legislative post audit
27 committee or by rule adopted by the committee, in accordance with such
28 motion or rule. Each person who receives an audit report pursuant to any
29 such motion or rule authorizing a specific confidential distribution of the
30 audit report shall keep the audit report and each finding, conclusion,
31 opinion or recommendation contained in the audit report confidential until
32 the audit report is presented to the legislative post audit committee or
33 another legislative committee at an open meeting of the committee.

34 (c) The post auditor, or the post auditor's designee may make a
35 limited distribution of preliminary audit findings, conclusions or
36 recommendations to any person affected by the audit as part of the process
37 of conducting the audit. Such preliminary audit findings, conclusions,
38 opinions or recommendations shall be confidential and shall not be subject
39 to disclosure pursuant to the provisions of the open records act or any
40 other law, except as provided in K.S.A. 46-1106~~(d), (e) and (g)(b), (c) and~~
41 ~~(e)~~, and amendments thereto.

42 (d) The legislative post auditor may report in writing outside of a
43 regularly scheduled meeting to the legislative post audit committee, the

1 joint committee on information technology, and the chief information
2 technology officers of the executive, legislative and judicial branches,
3 when, in the opinion of the post auditor, it appears that an information
4 technology project being audited under K.S.A. 2017 Supp. 46-1135, and
5 amendments thereto, is at risk due to a failure to meet key milestones, or
6 failure to receive sufficient deliverables after a contract payment,
7 significant cost overruns, or when the post auditor finds the project is not
8 being efficiently and effectively implemented in accordance with its
9 original stated purpose and goals.

10 (e) As used in this section, "audit report" means the written report of
11 any ~~financial compliance audit~~, performance audit; or any other audit or
12 audit work conducted under the legislative post audit act by the division of
13 post audit or by a firm under the legislative post audit act; and any other
14 words and phrases used in this section shall have the meanings
15 respectively ascribed thereto by K.S.A. 46-1112, and amendments thereto.

16 (f) This section shall be part of and supplemental to the legislative
17 post audit act.

18 Sec. 34. On and after July 1, 2019, K.S.A. 2017 Supp. 46-1135 is
19 hereby amended to read as follows: 46-1135. (a) The legislative division of
20 post audit shall conduct information technology audits as directed by the
21 legislative post audit committee. Audit work performed under this section
22 may include:

23 (1) Assessment of security practices of information technology
24 systems maintained or administered by any state agency or any entity
25 subject to audit under the provisions of K.S.A. 46-1114(c), and
26 amendments thereto; and

27 (2) continuous audits of ongoing information technology projects by
28 any state agency or any entity subject to audit under the provisions of
29 K.S.A. 46-1114(c), and amendments thereto, including systems
30 development and implementation.

31 (b) Written reports on the results of such auditing shall be furnished
32 to:

33 (1) The entity which is being audited;

34 (2) the chief information technology officer of the branch of
35 government that the entity being audited is part of;

36 (3) (A) the governor, if the entity being audited is an executive branch
37 entity;

38 (B) the legislative coordinating council, if the entity being audited is a
39 legislative entity; or

40 (C) the chief justice of the Kansas supreme court, if the entity being
41 audited is a judicial entity;

42 (4) the legislative post audit committee;

43 (5) the joint committee on information technology; and

1 (6) such other persons or agencies as may be required by law or by
2 the specifications of the audit or as otherwise directed by the legislative
3 post audit committee.

4 (c) The provisions of K.S.A. 46-1106~~(g)~~(e), and amendments thereto,
5 shall apply to any audit or audit work conducted pursuant to this section.

6 (d) This section shall be part of and supplemental to the legislative
7 post audit act.

8 Sec. 35. On and after July 1, 2019, K.S.A. 74-2424 is hereby
9 amended to read as follows: 74-2424. (a) The secretary of revenue may
10 make available or furnish to the taxing officials of any other state or the
11 commissioner of internal revenue of the United States or other taxing
12 officials of the federal government, or their authorized representatives, or
13 the director of property valuation, information contained in tax reports,
14 renditions or returns or any audit thereof or the report of any investigation
15 made with respect thereto, filed pursuant to the tax laws. Such information
16 shall not be used for any other purpose than that of the administration of
17 the tax laws of this or another state or of the United States, except that the
18 post auditor shall have access to all such information in accordance with
19 and subject to the provisions of ~~subsection (g)~~ of K.S.A. 46-1106(e), and
20 amendments thereto.

21 (b) Notwithstanding the provisions of this section, the secretary of
22 revenue may:

23 (1) Communicate to the executive director of the Kansas lottery
24 information as to whether a person, partnership or corporation is current in
25 the filing of all applicable tax returns and in the payment of all taxes,
26 interest and penalties to the state of Kansas, excluding items under formal
27 appeal, for the purpose of determining whether such person, partnership or
28 corporation is eligible to be selected as a lottery retailer; and

29 (2) communicate to the executive director of the Kansas racing
30 commission information as to whether a person, partnership or corporation
31 has failed to meet any tax obligation to the state of Kansas for the purpose
32 of determining whether such person, partnership or corporation is eligible
33 for a facility owner license or facility manager license pursuant to the
34 Kansas parimutuel racing act.

35 Sec. 36. On and after July 1, 2019, K.S.A. 2017 Supp. 74-4921 is
36 hereby amended to read as follows: 74-4921. (1) There is hereby created in
37 the state treasury the Kansas public employees retirement fund. All
38 employee and employer contributions shall be deposited in the state
39 treasury to be credited to the Kansas public employees retirement fund.
40 The fund is a trust fund and shall be used solely for the exclusive purpose
41 of providing benefits to members and member beneficiaries and defraying
42 reasonable expenses of administering the fund. Investment income of the
43 fund shall be added or credited to the fund as provided by law. All benefits

1 payable under the system, refund of contributions and overpayments,
2 purchases or investments under the law and expenses in connection with
3 the system unless otherwise provided by law shall be paid from the fund.
4 The director of accounts and reports is authorized to draw warrants on the
5 state treasurer and against such fund upon the filing in the director's office
6 of proper vouchers executed by the chairperson or the executive director of
7 the board. As an alternative, payments from the fund may be made by
8 credits to the accounts of recipients of payments in banks, savings and loan
9 associations and credit unions. A payment shall be so made only upon the
10 written authorization and direction of the recipient of payment and upon
11 receipt of such authorization such payments shall be made in accordance
12 therewith. Orders for payment of such claims may be contained on (a) a
13 letter, memorandum, telegram, computer printout or similar writing, or (b)
14 any form of communication, other than voice, which is registered upon
15 magnetic tape, disc or any other medium designed to capture and contain
16 in durable form conventional signals used for the electronic
17 communication of messages.

18 (2) The board shall have the responsibility for the management of the
19 fund and shall discharge the board's duties with respect to the fund solely
20 in the interests of the members and beneficiaries of the system for the
21 exclusive purpose of providing benefits to members and such member's
22 beneficiaries and defraying reasonable expenses of administering the fund
23 and shall invest and reinvest moneys in the fund and acquire, retain,
24 manage, including the exercise of any voting rights and disposal of
25 investments of the fund within the limitations and according to the powers,
26 duties and purposes as prescribed by this section.

27 (3) Moneys in the fund shall be invested and reinvested to achieve the
28 investment objective which is preservation of the fund to provide benefits
29 to members and member beneficiaries, as provided by law and accordingly
30 providing that the moneys are as productive as possible, subject to the
31 standards set forth in this act. No moneys in the fund shall be invested or
32 reinvested if the sole or primary investment objective is for economic
33 development or social purposes or objectives.

34 (4) In investing and reinvesting moneys in the fund and in acquiring,
35 retaining, managing and disposing of investments of the fund, the board
36 shall exercise the judgment, care, skill, prudence and diligence under the
37 circumstances then prevailing, which persons of prudence, discretion and
38 intelligence acting in a like capacity and familiar with such matters would
39 use in the conduct of an enterprise of like character and with like aims by
40 diversifying the investments of the fund so as to minimize the risk of large
41 losses, unless under the circumstances it is clearly prudent not to do so,
42 and not in regard to speculation but in regard to the permanent disposition
43 of similar funds, considering the probable income as well as the probable

1 safety of their capital.

2 (5) Notwithstanding subsection (4): (a) Total investments in common
3 stock may be made in the amount of up to 60% of the total book value of
4 the fund;

5 (b) the board may invest or reinvest moneys of the fund in alternative
6 investments if the following conditions are satisfied:

7 (i) The total of the annual net commitment to alternative investments
8 does not exceed 5% of the total market value of investment assets of the
9 fund as measured from the end of the preceding calendar year;

10 (ii) if in addition to the system, there are at least two other qualified
11 institutional buyers, as defined by section (a)(1)(i) of rule 144A, securities
12 act of 1933;

13 (iii) the system's share in any individual alternative investment is
14 limited to an investment representing not more than 20% of any such
15 individual alternative investment;

16 (iv) the system has received a favorable and appropriate
17 recommendation from a qualified, independent expert in investment
18 management or analysis in that particular type of alternative investment;

19 (v) the alternative investment is consistent with the system's
20 investment policies and objectives as provided in subsection (6);

21 (vi) the individual alternative investment does not exceed more than
22 2.5% of the total alternative investments made under this subsection. If the
23 alternative investment is made pursuant to participation by the system in a
24 multi-investor pool, the 2.5% limitation contained in this subsection is
25 applied to the underlying individual assets of such pool and not to
26 investment in the pool itself. The total of such alternative investments
27 made pursuant to participation by the system in any one individual multi-
28 investor pool shall not exceed more than 20% of the total of alternative
29 investments made by the system pursuant to this subsection. Nothing in
30 this subsection requires the board to liquidate or sell the system's holdings
31 in any alternative investments made pursuant to participation by the
32 system in any one individual multi-investor pool held by the system on the
33 effective date of this act, unless such liquidation or sale would be in the
34 best interest of the members and beneficiaries of the system and be
35 prudent under the standards contained in this section. The 20% limitation
36 contained in this subsection shall not have been violated if the total of such
37 investment in any one individual multi-investor pool exceeds 20% of the
38 total alternative investments of the fund as a result of market forces acting
39 to increase the value of such a multi-investor pool relative to the rest of the
40 system's alternative investments; however, the board shall not invest or
41 reinvest any moneys of the fund in any such individual multi-investor pool
42 until the value of such individual multi-investor pool is less than 20% of
43 the total alternative investments of the fund;

1 (vii) the board has received and considered the investment manager's
2 due diligence findings submitted to the board as required by subsection (6)
3 (c);

4 (viii) prior to the time the alternative investment is made, the system
5 has in place procedures and systems to ensure that the investment is
6 properly monitored and investment performance is accurately measured;
7 and

8 (ix) the total of alternative investments does not exceed 15% of the
9 total investment assets of the fund. The 15% limitation contained in this
10 subsection shall not have been violated if the total of such alternative
11 investments exceeds 15% of the total investment assets of the fund, based
12 on the fund total market value, as a result of market forces acting to
13 increase the value of such alternative investments relative to the rest of the
14 system's investments. However, the board shall not invest or reinvest any
15 moneys of the fund in alternative investments until the total value of such
16 alternative investments is less than 15% of the total investment assets of
17 the fund based on the market value. If the total value of the alternative
18 investments exceeds 15% of the total investment assets of the fund, the
19 board shall not be required to liquidate or sell the system's holdings in any
20 alternative investment held by the system, unless such liquidation or sale
21 would be in the best interest of the members and beneficiaries of the
22 system and is prudent under the standards contained in this section.

23 For purposes of this act, "alternative investment" includes a broad
24 group of investments that are not one of the traditional asset types of
25 public equities, fixed income, cash or real estate. Alternative investments
26 are generally made through limited partnership or similar structures, are
27 not regularly traded on nationally recognized exchanges and thus are
28 relatively illiquid, and exhibit lower correlations with more liquid asset
29 types such as stocks and bonds. Alternative investments generally include,
30 but are not limited to, private equity, private credit, hedge funds,
31 infrastructure, commodities and other investments which have the
32 characteristics described in this paragraph; and

33 (c) except as otherwise provided, the board may invest or reinvest
34 moneys of the fund in real estate investments if the following conditions
35 are satisfied:

36 (i) The system has received a favorable and appropriate
37 recommendation from a qualified, independent expert in investment
38 management or analysis in that particular type of real estate investment;

39 (ii) the real estate investment is consistent with the system's
40 investment policies and objectives as provided in subsection (6); and

41 (iii) the system has received and considered the investment manager's
42 due diligence findings.

43 (6) Subject to the objective set forth in subsection (3) and the

1 standards set forth in subsections (4) and (5) the board shall formulate
2 policies and objectives for the investment and reinvestment of moneys in
3 the fund and the acquisition, retention, management and disposition of
4 investments of the fund. Such policies and objectives shall include:

5 (a) Specific asset allocation standards and objectives;

6 (b) establishment of criteria for evaluating the risk versus the
7 potential return on a particular investment;

8 (c) a requirement that all investment managers submit such manager's
9 due diligence findings on each investment to the board or investment
10 advisory committee for approval or rejection prior to making any
11 alternative investment;

12 (d) a requirement that all investment managers shall immediately
13 report all instances of default on investments to the board and provide the
14 board with recommendations and options, including, but not limited to,
15 curing the default or withdrawal from the investment; and

16 (e) establishment of criteria that would be used as a guideline for
17 determining when no additional add-on investments or reinvestments
18 would be made and when the investment would be liquidated.

19 The board shall review such policies and objectives, make changes
20 considered necessary or desirable and readopt such policies and objectives
21 on an annual basis.

22 (7) The board may enter into contracts with one or more persons
23 whom the board determines to be qualified, whereby the persons undertake
24 to perform the functions specified in subsection (2) to the extent provided
25 in the contract. Performance of functions under contract so entered into
26 shall be paid pursuant to rates fixed by the board subject to provisions of
27 appropriation acts and shall be based on specific contractual fee
28 arrangements. The system shall not pay or reimburse any expenses of
29 persons contracted with pursuant to this subsection, except that after
30 approval of the board, the system may pay approved investment related
31 expenses subject to provisions of appropriation acts. The board shall
32 require that a person contracted with to obtain commercial insurance
33 which provides for errors and omissions coverage for such person in an
34 amount to be specified by the board, provided that such coverage shall be
35 at least the greater of \$500,000 or 1% of the funds entrusted to such person
36 up to a maximum of \$10,000,000. The board shall require a person
37 contracted with to give a fidelity bond in a penal sum as may be fixed by
38 law or, if not so fixed, as may be fixed by the board, with corporate surety
39 authorized to do business in this state. Such persons contracted with the
40 board pursuant to this subsection and any persons contracted with such
41 persons to perform the functions specified in subsection (2) shall be
42 deemed to be agents of the board and the system in the performance of
43 contractual obligations.

1 (8) (a) In the acquisition or disposition of securities, the board may
2 rely on the written legal opinion of a reputable bond attorney or attorneys,
3 the written opinion of the attorney of the investment counselor or
4 managers, or the written opinion of the attorney general certifying the
5 legality of the securities.

6 (b) The board shall employ or retain qualified investment counsel or
7 counselors or may negotiate with a trust company to assist and advise in
8 the judicious investment of funds as herein provided.

9 (9) (a) Except as provided in subsection (7) and this subsection, the
10 custody of money and securities of the fund shall remain in the custody of
11 the state treasurer, except that the board may arrange for the custody of
12 such money and securities as it considers advisable with one or more
13 member banks or trust companies of the federal reserve system or with one
14 or more banks in the state of Kansas, or both, to be held in safekeeping by
15 the banks or trust companies for the collection of the principal and interest
16 or other income or of the proceeds of sale. The services provided by the
17 banks or trust companies shall be paid pursuant to rates fixed by the board
18 subject to provisions of appropriation acts.

19 (b) The state treasurer and the board shall collect the principal and
20 interest or other income of investments or the proceeds of sale of securities
21 in the custody of the state treasurer and pay same when so collected into
22 the fund.

23 (c) The principal and interest or other income or the proceeds of sale
24 of securities as provided in clause (a) of this subsection (9) shall be
25 reported to the state treasurer and the board and credited to the fund.

26 (10) The board shall with the advice of the director of accounts and
27 reports establish the requirements and procedure for reporting any and all
28 activity relating to investment functions provided for in this act in order to
29 prepare a record monthly of the investment income and changes made
30 during the preceding month. The record will reflect a detailed summary of
31 investment, reinvestment, purchase, sale and exchange transactions and
32 such other information as the board may consider advisable to reflect a
33 true accounting of the investment activity of the fund.

34 (11) The board shall provide for an examination of the investment
35 program annually. The examination shall include an evaluation of current
36 investment policies and practices and of specific investments of the fund in
37 relation to the objective set forth in subsection (3), the standard set forth in
38 subsection (4) and other criteria as may be appropriate, and
39 recommendations relating to the fund investment policies and practices
40 and to specific investments of the fund as are considered necessary or
41 desirable. The board shall include in its annual report to the governor as
42 provided in K.S.A. 74-4907, and amendments thereto, a report or a
43 summary thereof covering the investments of the fund.

1 (12) (a) Any internal assessment or examination of alternative
2 investments of the system performed by any person or entity employed or
3 retained by the board which evaluates or monitors the performance of
4 alternative investments shall be reported to the legislative post auditor so
5 that such report may be reviewed in accordance with the annual financial-
6 compliance audits conducted pursuant to ~~K.S.A. 46-1106~~ *section 8*, and
7 amendments thereto.

8 (b) The board shall prepare and submit an alternative investment
9 report to the joint committee on pensions, investments and benefits prior to
10 January 1, 2016. Such report shall include a review of alternative
11 investments of the system with an emphasis on the effects of changes in
12 law pursuant to this act and includes specific investment cost and market
13 value information of each individual alternative investment.

14 Sec. 37. On and after July 1, 2019, K.S.A. 2017 Supp. 75-5133 is
15 hereby amended to read as follows: 75-5133. (a) Except as otherwise more
16 specifically provided by law, all information received by the secretary of
17 revenue, the director of taxation or the director of alcoholic beverage
18 control from returns, reports, license applications or registration
19 documents made or filed under the provisions of any law imposing any
20 sales, use or other excise tax administered by the secretary of revenue, the
21 director of taxation, or the director of alcoholic beverage control, or from
22 any investigation conducted under such provisions, shall be confidential,
23 and it shall be unlawful for any officer or employee of the department of
24 revenue to divulge any such information except in accordance with other
25 provisions of law respecting the enforcement and collection of such tax, in
26 accordance with proper judicial order or as provided in K.S.A. 74-2424,
27 and amendments thereto.

28 (b) The secretary of revenue or the secretary's designee may:

29 (1) Publish statistics, so classified as to prevent identification of
30 particular reports or returns and the items thereof;

31 (2) allow the inspection of returns by the attorney general or the
32 attorney general's designee;

33 (3) provide the post auditor access to all such excise tax reports or
34 returns in accordance with and subject to the provisions of K.S.A. 46-
35 1106~~(g)~~(e), and amendments thereto;

36 (4) disclose taxpayer information from excise tax returns to persons
37 or entities contracting with the secretary of revenue where the secretary
38 has determined disclosure of such information is essential for completion
39 of the contract and has taken appropriate steps to preserve confidentiality;

40 (5) provide information from returns and reports filed under article 42
41 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto,
42 to county appraisers as is necessary to ensure proper valuations of
43 property. Information from such returns and reports may also be

1 exchanged with any other state agency administering and collecting
2 conservation or other taxes and fees imposed on or measured by mineral
3 production;

4 (6) provide, upon request by a city or county clerk or treasurer or
5 finance officer of any city or county receiving distributions from a local
6 excise tax, monthly reports identifying each retailer doing business in such
7 city or county or making taxable sales sourced to such city or county,
8 setting forth the tax liability and the amount of such tax remitted by each
9 retailer during the preceding month, and identifying each business location
10 maintained by the retailer and such retailer's sales or use tax registration or
11 account number;

12 (7) provide information from returns and applications for registration
13 filed pursuant to K.S.A. 12-187, and amendments thereto, and K.S.A. 79-
14 3601, and amendments thereto, to a city or county treasurer or clerk or
15 finance officer to explain the basis of statistics contained in reports
16 provided by subsection (b)(6);

17 (8) disclose the following oil and gas production statistics received by
18 the department of revenue in accordance with K.S.A. 79-4216 et seq., and
19 amendments thereto: Volumes of production by well name, well number,
20 operator's name and identification number assigned by the state
21 corporation commission, lease name, leasehold property description,
22 county of production or zone of production, name of purchaser and
23 purchaser's tax identification number assigned by the department of
24 revenue, name of transporter, field code number or lease code, tax period,
25 exempt production volumes by well name or lease, or any combination of
26 this information;

27 (9) release or publish liquor brand registration information provided
28 by suppliers, farm wineries, microdistilleries and microbreweries in
29 accordance with the liquor control act. The information to be released is
30 limited to: Item number, universal numeric code, type status, product
31 description, alcohol percentage, selling units, unit size, unit of
32 measurement, supplier number, supplier name, distributor number and
33 distributor name;

34 (10) release or publish liquor license information provided by liquor
35 licensees, distributors, suppliers, farm wineries, microdistilleries and
36 microbreweries in accordance with the liquor control act. The information
37 to be released is limited to: County name, owner, business name, address,
38 license type, license number, license expiration date and the process agent
39 contact information;

40 (11) release or publish cigarette and tobacco license information
41 obtained from cigarette and tobacco licensees in accordance with the
42 Kansas cigarette and tobacco products act. The information to be released
43 is limited to: County name, owner, business name, address, license type

1 and license number;

2 (12) provide environmental surcharge or solvent fee, or both,
3 information from returns and applications for registration filed pursuant to
4 K.S.A. 65-34,150 and 65-34,151, and amendments thereto, to the secretary
5 of health and environment or the secretary's designee for the sole purpose
6 of ensuring that retailers collect the environmental surcharge tax or solvent
7 fee, or both;

8 (13) provide water protection fee information from returns and
9 applications for registration filed pursuant to K.S.A. 82a-954, and
10 amendments thereto, to the secretary of the state board of agriculture or the
11 secretary's designee and the secretary of the Kansas water office or the
12 secretary's designee for the sole purpose of verifying revenues deposited to
13 the state water plan fund;

14 (14) provide to the secretary of commerce copies of applications for
15 project exemption certificates sought by any taxpayer under the enterprise
16 zone sales tax exemption pursuant to K.S.A. 79-3606(cc), and
17 amendments thereto;

18 (15) disclose information received pursuant to the Kansas cigarette
19 and tobacco act and subject to the confidentiality provisions of this act to
20 any criminal justice agency, as defined in K.S.A. 22-4701(c), and
21 amendments thereto, or to any law enforcement officer, as defined in
22 K.S.A. 2017 Supp. 21-5111, and amendments thereto, on behalf of a
23 criminal justice agency, when requested in writing in conjunction with a
24 pending investigation;

25 (16) provide to retailers tax exemption information for the sole
26 purpose of verifying the authenticity of tax exemption numbers issued by
27 the department;

28 (17) provide information concerning remittance by sellers, as defined
29 in K.S.A. 2017 Supp. 12-5363, and amendments thereto, of prepaid
30 wireless 911 fees from returns to the local collection point administrator,
31 as defined in K.S.A. 2017 Supp. 12-5363, and amendments thereto, for
32 purposes of verifying seller compliance with collection and remittance of
33 such fees;

34 (18) release or publish charitable gaming information obtained in
35 charitable gaming licensee and registration applications and renewals in
36 accordance with the Kansas charitable gaming act, K.S.A. 2017 Supp. 75-
37 5171 et seq., and amendments thereto. The information to be released is
38 limited to: The name, address, phone number, license registration number
39 and email address of the organization, distributor or of premises; and

40 (19) provide to the attorney general confidential information for
41 purposes of determining compliance with or enforcing K.S.A. 50-6a01 et
42 seq., and amendments thereto, the master settlement agreement referred to
43 therein and all agreements regarding disputes under the master settlement

1 agreement. The secretary and the attorney general may share the
2 information specified under this subsection with any of the following:

3 (A) Federal, state or local agencies for the purposes of enforcement
4 of corresponding laws of other states; and

5 (B) a court, arbitrator, data clearinghouse or similar entity for the
6 purpose of assessing compliance with or making calculations required by
7 the master settlement agreement or agreements regarding disputes under
8 the master settlement agreement, and with counsel for the parties or expert
9 witnesses in any such proceeding, if the information otherwise remains
10 confidential.

11 (c) Any person receiving any information under the provisions of
12 subsection (b) shall be subject to the confidentiality provisions of
13 subsection (a) and to the penalty provisions of subsection (d).

14 (d) Any violation of this section shall be a class A, nonperson
15 misdemeanor, and if the offender is an officer or employee of this state,
16 such officer or employee shall be dismissed from office. Reports of
17 violations of this paragraph shall be investigated by the attorney general.
18 The district attorney or county attorney and the attorney general shall have
19 authority to prosecute any violation of this section if the offender is a city
20 or county clerk or treasurer or finance officer of a city or county.

21 Sec. 38. On and after July 1, 2019, K.S.A. 2017 Supp. 79-3234 is
22 hereby amended to read as follows: 79-3234. (a) All reports and returns
23 required by this act shall be preserved for three years and thereafter until
24 the director orders them to be destroyed.

25 (b) Except in accordance with proper judicial order, or as provided in
26 subsection (c) or in K.S.A. 17-7511, ~~subsection (g) of~~ K.S.A. 46-1106(e),
27 K.S.A. 46-1114, or K.S.A. 79-32,153a, and amendments thereto, it shall be
28 unlawful for the secretary, the director, any deputy, agent, clerk or other
29 officer, employee or former employee of the department of revenue or any
30 other state officer or employee or former state officer or employee to
31 divulge, or to make known in any way, the amount of income or any
32 particulars set forth or disclosed in any report, return, federal return or
33 federal return information required under this act; and it shall be unlawful
34 for the secretary, the director, any deputy, agent, clerk or other officer or
35 employee engaged in the administration of this act to engage in the
36 business or profession of tax accounting or to accept employment, with or
37 without consideration, from any person, firm or corporation for the
38 purpose, directly or indirectly, of preparing tax returns or reports required
39 by the laws of the state of Kansas, by any other state or by the United
40 States government, or to accept any employment for the purpose of
41 advising, preparing material or data, or the auditing of books or records to
42 be used in an effort to defeat or cancel any tax or part thereof that has been
43 assessed by the state of Kansas, any other state or by the United States

1 government.

2 (c) The secretary or the secretary's designee may: (1) Publish
3 statistics, so classified as to prevent the identification of particular reports
4 or returns and the items thereof;

5 (2) allow the inspection of returns by the attorney general or other
6 legal representatives of the state;

7 (3) provide the post auditor access to all income tax reports or returns
8 in accordance with and subject to the provisions of ~~subsection (g) of~~
9 K.S.A. 46-1106(e) or K.S.A. 46-1114, and amendments thereto;

10 (4) disclose taxpayer information from income tax returns to persons
11 or entities contracting with the secretary of revenue where the secretary
12 has determined disclosure of such information is essential for completion
13 of the contract and has taken appropriate steps to preserve confidentiality;

14 (5) disclose to the secretary of commerce the following: (A) Specific
15 taxpayer information related to financial information previously submitted
16 by the taxpayer to the secretary of commerce concerning or relevant to any
17 income tax credits, for purposes of verification of such information or
18 evaluating the effectiveness of any tax credit or economic incentive
19 program administered by the secretary of commerce; (B) the amount of
20 payroll withholding taxes an employer is retaining pursuant to K.S.A.
21 2017 Supp. 74-50,212, and amendments thereto; (C) information received
22 from businesses completing the form required by K.S.A. 2017 Supp. 74-
23 50,217, and amendments thereto; and (D) findings related to a compliance
24 audit conducted by the department of revenue upon the request of the
25 secretary of commerce pursuant to K.S.A. 2017 Supp. 74-50,215, and
26 amendments thereto;

27 (6) disclose income tax returns to the state gaming agency to be used
28 solely for the purpose of determining qualifications of licensees of and
29 applicants for licensure in tribal gaming. Any information received by the
30 state gaming agency shall be confidential and shall not be disclosed except
31 to the executive director, employees of the state gaming agency and
32 members and employees of the tribal gaming commission;

33 (7) disclose the taxpayer's name, last known address and residency
34 status to the Kansas department of wildlife, parks and tourism to be used
35 solely in its license fraud investigations;

36 (8) disclose the name, residence address, employer or Kansas
37 adjusted gross income of a taxpayer who may have a duty of support in a
38 title IV-D case to the secretary of the Kansas department for children and
39 families for use solely in administrative or judicial proceedings to
40 establish, modify or enforce such support obligation in a title IV-D case. In
41 addition to any other limits on use, such use shall be allowed only where
42 subject to a protective order which prohibits disclosure outside of the title
43 IV-D proceeding. As used in this section, "title IV-D case" means a case

1 being administered pursuant to part D of title IV of the federal social
2 security act, 42 U.S.C. § 651 et seq., and amendments thereto. Any person
3 receiving any information under the provisions of this subsection shall be
4 subject to the confidentiality provisions of subsection (b) and to the
5 penalty provisions of subsection (e);

6 (9) permit the commissioner of internal revenue of the United States,
7 or the proper official of any state imposing an income tax, or the
8 authorized representative of either, to inspect the income tax returns made
9 under this act and the secretary of revenue may make available or furnish
10 to the taxing officials of any other state or the commissioner of internal
11 revenue of the United States or other taxing officials of the federal
12 government, or their authorized representatives, information contained in
13 income tax reports or returns or any audit thereof or the report of any
14 investigation made with respect thereto, filed pursuant to the income tax
15 laws, as the secretary may consider proper, but such information shall not
16 be used for any other purpose than that of the administration of tax laws of
17 such state, the state of Kansas or of the United States;

18 (10) communicate to the executive director of the Kansas lottery
19 information as to whether a person, partnership or corporation is current in
20 the filing of all applicable tax returns and in the payment of all taxes,
21 interest and penalties to the state of Kansas, excluding items under formal
22 appeal, for the purpose of determining whether such person, partnership or
23 corporation is eligible to be selected as a lottery retailer;

24 (11) communicate to the executive director of the Kansas racing
25 commission as to whether a person, partnership or corporation has failed
26 to meet any tax obligation to the state of Kansas for the purpose of
27 determining whether such person, partnership or corporation is eligible for
28 a facility owner license or facility manager license pursuant to the Kansas
29 parimutuel racing act;

30 (12) provide such information to the executive director of the Kansas
31 public employees retirement system for the purpose of determining that
32 certain individuals' reported compensation is in compliance with the
33 Kansas public employees retirement act, K.S.A. 74-4901 et seq., and
34 amendments thereto;

35 (13) (i) provide taxpayer information of persons suspected of
36 violating K.S.A. 2017 Supp. 44-766, and amendments thereto, to the
37 secretary of labor or such secretary's designee for the purpose of
38 determining compliance by any person with the provisions of ~~subsection~~
39 ~~(i)(3)(D)~~ of K.S.A. 44-703(i)(3)(D) and K.S.A. 2017 Supp. 44-766, and
40 amendments thereto. The information to be provided shall include all
41 relevant information in the possession of the department of revenue
42 necessary for the secretary of labor to make a proper determination of
43 compliance with the provisions of ~~subsection (i)(3)(D)~~ of K.S.A. 44-703(i)

1 (3)(D) and K.S.A. 2017 Supp. 44-766, and amendments thereto, and to
2 calculate any unemployment contribution taxes due. Such information to
3 be provided by the department of revenue shall include, but not be limited to,
4 withholding tax and payroll information, the identity of any person that
5 has been or is currently being audited or investigated in connection with
6 the administration and enforcement of the withholding and declaration of
7 estimated tax act, K.S.A. 79-3294 et seq., and amendments thereto, and the
8 results or status of such audit or investigation;

9 (ii) any person receiving tax information under the provisions of this
10 paragraph shall be subject to the same duty of confidentiality imposed by
11 law upon the personnel of the department of revenue and shall be subject
12 to any civil or criminal penalties imposed by law for violations of such
13 duty of confidentiality; and

14 (iii) each of the secretary of labor and the secretary of revenue may
15 adopt rules and regulations necessary to effect the provisions of this
16 paragraph;

17 (14) provide such information to the state treasurer for the sole
18 purpose of carrying out the provisions of K.S.A. 58-3934, and
19 amendments thereto. Such information shall be limited to current and prior
20 addresses of taxpayers or associated persons who may have knowledge as
21 to the location of an owner of unclaimed property. For the purposes of this
22 paragraph, "associated persons" includes spouses or dependents listed on
23 income tax returns; and

24 (15) after receipt of information pursuant to subsection (f), forward
25 such information and provide the following reported Kansas individual
26 income tax information for each listed defendant, if available, to the state
27 board of indigents' defense services in an electronic format and in the
28 manner determined by the secretary: (A) The defendant's name; (B) social
29 security number; (C) Kansas adjusted gross income; (D) number of
30 exemptions claimed; and (E) the relevant tax year of such records. Any
31 social security number provided to the secretary and the state board of
32 indigents' defense services pursuant to this section shall remain
33 confidential.

34 (d) Any person receiving information under the provisions of
35 subsection (c) shall be subject to the confidentiality provisions of
36 subsection (b) and to the penalty provisions of subsection (e).

37 (e) Any violation of subsection (b) or (c) is a class A nonperson
38 misdemeanor and, if the offender is an officer or employee of the state,
39 such officer or employee shall be dismissed from office.

40 (f) For the purpose of determining whether a defendant is financially
41 able to employ legal counsel under the provisions of K.S.A. 22-4504, and
42 amendments thereto, in all felony cases with appointed counsel where the
43 defendant's social security number is accessible from the records of the

1 district court, the court shall electronically provide the defendant's name,
2 social security number, district court case number and county to the
3 secretary of revenue in the manner and format agreed to by the office of
4 judicial administration and the secretary.

5 (g) Nothing in this section shall be construed to allow disclosure of
6 the amount of income or any particulars set forth or disclosed in any
7 report, return, federal return or federal return information, where such
8 disclosure is prohibited by the federal internal revenue code as in effect on
9 September 1, 1996, and amendments thereto, related federal internal
10 revenue rules or regulations, or other federal law.

11 Sec. 39. On and after July 1, 2019, K.S.A. 46-1108, 46-1112, 46-
12 1115, 46-1116, 46-1122, 46-1123, 46-1125, 46-1126, 46-1127 and 74-2424
13 and K.S.A. 2017 Supp. 39-709b, 46-1106, 46-1114, 46-1118, 46-1121, 46-
14 1128, 46-1134, 46-1135, 74-4921, 75-5133 and 79-3234 are hereby
15 repealed.

16 Sec. 40. This act shall take effect and be in force from and after its
17 publication in the statute book.