

As Amended by House Committee

As Amended by Senate Committee

Session of 2018

SENATE BILL No. 260

By Legislative Post Audit Committee

12-21

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

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 ~~bids~~
32 **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 firm's
38 qualifications, the qualifications of staff to be assigned to the job, the
39 firm's technical approach to the audit and the fee. The executive director
40 shall evaluate the ~~bids~~ **proposals** received in response to the ~~invitations~~
41 **requests for proposals** and for each audit shall prepare a list of at least
42 three and not more than five firms that are, in the opinion of the executive
43 director, qualified to perform such audit or audits. Such list shall be

1 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.

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

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

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

26 (c) Such contracts shall not be subject to the provisions of K.S.A. 75-
27 3739 *or 75-37,102 or K.S.A. 2017 Supp. 75-37,130 through 75-37,135*,
28 and amendments thereto.

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

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

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

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

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

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

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

28 (c) The Kansas public employees retirement system board of trustees
29 shall be responsible for the procurement of an auditing firm under the
30 provisions of K.S.A. 75-37,132, and amendments thereto.

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

35 (b) The executive director of the Kansas public employees retirement
36 system shall submit a preliminary draft of the management's discussion
37 and analysis and the financial statements by October 1 of each year to the
38 secretary of administration and the firm selected to perform an audit
39 required by section 8, and amendments thereto. The executive director of
40 the Kansas public employees retirement system shall submit the final draft
41 of the management's discussion and analysis and the financial statements
42 by October 15 of each year to the secretary of administration and the firm
43 selected to perform an audit required by section 8, and amendments

1 thereto. The final audit opinion letter shall be submitted by November 1 of
2 each year by the firm selected to perform an audit by section 8, and
3 amendments thereto, to the executive director of the Kansas public
4 employees retirement system, the secretary of administration and the
5 legislative post audit committee.

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

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

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

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

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

1 investment priorities of safety, liquidity and performance. The
2 performance of such investments shall be measured by comparison to an
3 appropriate market index. The resulting written audit report shall be
4 completed no later than the deadlines as set forth in section 17, and
5 amendments thereto.

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

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

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

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

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

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

36 New Sec. 13. (a) There is hereby created the department of
37 administration contract audit committee, which shall consist of the
38 following members: (1) The secretary of administration or a person
39 designated by the secretary of administration; (2) the director of accounts
40 and reports or a person designated by the director of accounts and reports;
41 (3) the post auditor or a person designated by the post auditor; (4) the state
42 treasurer or a person designated by the state treasurer; and (5) the director
43 of the budget or a person designated by the director of the budget. The

1 secretary of administration or the person designated by the secretary to
2 serve as a member of the department of administration contract audit
3 committee shall be the chairperson of the committee.

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

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

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

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

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

36 (b) The department of administration audit contract committee shall
37 consider, in making their selection, qualifications of the firm and staff, the
38 technical proposal and fee.

39 (c) If the department of administration audit contract committee is
40 unable to contract with any of the selected firms, the committee shall
41 request the secretary of administration to provide another list of firms to be
42 reviewed by the committee. Upon receipt of such list, the committee shall
43 proceed in accordance with the provisions of this section.

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

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

14 (c) Such contracts shall not be subject to the provisions of K.S.A. 75-
15 3739 *or* 75-37,102 *or* K.S.A. 2017 *Supp.* 75-37,130 *through* 75-37,135,
16 and amendments thereto.

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

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

25 (1) For an audit of the state financial statements required by section
26 11(a), and amendments thereto, a final written report shall be issued to the
27 secretary of administration and to the legislative post audit committee by
28 December 1 following the audited fiscal year;

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

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

39 (c) In the performance of an audit pursuant to section 11 and section
40 12, and amendments thereto, the officers and employees of the firm
41 performing the audit shall be subject to the same duty of confidentiality
42 applicable to the post auditor and officers and employees of the division of
43 post audit under the legislative post audit act, and shall have access to all

1 books, accounts, records, files, documents and correspondence,
2 confidential or otherwise, of any person or state agency subject to the
3 audit.

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

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

22 New Sec. 19. (a) Each state agency awarded a federal grant or other
23 federal financial assistance that is subject to an audit pursuant to section
24 12, and amendments thereto, as a condition of such grant or assistance
25 shall notify the secretary of administration immediately of the award of
26 such grant or assistance. Based on the amount and nature of federal
27 moneys received by the state agency, the secretary shall compute annually
28 the amount of federal moneys reasonably anticipated to be required to
29 provide audit coverage in accordance with federal requirements. The
30 amounts determined for such audits shall be reviewed and approved by the
31 department of administration audit contract committee. Upon such
32 approval, the state agency, in accordance with section 18, and amendments
33 thereto, shall reimburse the secretary of administration for the amount
34 approved by the contract audit committee.

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

40 (c) The secretary of administration shall remit all money received
41 under this section to the state treasurer in accordance with the provisions
42 of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such
43 remittance, the state treasurer shall deposit the entire amount in the state

1 treasury to the credit of the audit services fund.

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

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

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

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

21 (3) information may be disclosed to an outside source if such
22 disclosure:

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

28 (B) is directly connected to the administration of the secretary's
29 program;

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

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

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

39 (b) Nothing in this section shall be construed to prohibit the
40 publication of aggregate non-identifying statistics—~~which~~ *that* are so
41 classified as to prevent the identification of specific applicants or
42 recipients.

43 Sec. 21. On and after July 1, 2019, K.S.A. 2017 Supp. 46-1106 is

1 hereby amended to read as follows: 46-1106. (a) ~~(1) A financial-~~
2 ~~compliance audit shall be conducted each year of the general purpose~~
3 ~~financial statements prepared by the division of accounts and reports for its~~
4 ~~annual financial report. This audit shall be conducted in accordance with~~
5 ~~generally accepted governmental auditing standards. The resulting written~~
6 ~~audit report shall be issued as soon after the end of the fiscal year as is~~
7 ~~practicable.~~

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

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

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

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

39 ~~(b) Including financial compliance audit work conducted as part of~~
40 ~~the audit conducted pursuant to subsection (a), financial compliance Audit~~
41 ~~work shall be conducted at each state agency at least once every three~~
42 ~~years as directed by the legislative post audit committee. Written reports~~
43 ~~on the results of such auditing shall be furnished to the governor, director~~

1 of accounts and reports, director of the budget, the state agency ~~which~~ *that*
2 is audited, the legislative post audit committee and such other persons or
3 agencies as may be required by law or by the specifications of the audit.

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

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

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

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

39 ~~(f) (d)~~ In the discharge of the duties imposed under the legislative
40 post audit act, the post auditor may require state agencies to preserve and
41 make available their accounts, records, documents, vouchers, requisitions,
42 payrolls, canceled checks or vouchers and coupons, and other evidence of
43 financial transactions.

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

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

41 ~~(i)~~ (1) ~~A financial compliance audit shall be conducted annually on~~
42 ~~the accounts and transactions of the Kansas lottery and the Kansas lottery~~
43 ~~commission, of the Kansas public employees retirement system and of any~~

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

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

36 Sec. 22. On and after July 1, 2019, K.S.A. 46-1108 is hereby
37 amended to read as follows: 46-1108. Audits, in addition to financial-
38 compliance audits or other financial compliance audit work conducted
39 pursuant to K.S.A. 46-1106 and amendments thereto, shall be performed
40 by the post auditor only on the direction of the legislative post audit
41 committee. The legislative post audit committee may direct the post
42 auditor to perform additional audits or audit work described in K.S.A. 46-
43 1106, and amendments thereto, of any state agencies, or may direct that

1 any additional audit of a state agency shall be performed to accomplish
2 other objectives than those specified pursuant to K.S.A. 46-1106, and
3 amendments thereto. The legislative post audit committee may direct that
4 any such additional audits shall be conducted to determine:

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

7 (b) whether the programs and activities of a state agency, or a
8 particular program or activity, is being efficiently and effectively operated;
9 or

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

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

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

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

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

22 (a) "Person" means an individual, proprietorship, partnership, limited
23 partnership, association, trust, estate, business trust, group, or corporation,
24 whether or not operated for profit, or a governmental agency, unit, or
25 subdivision.

26 (b) "State agency" means any state office, officer, department, board,
27 commission, institution, bureau, agency, or authority or any division or
28 unit thereof.

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

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

37 ~~(e) "Federal grant" means moneys received by a state agency under~~
38 ~~any act or appropriation of the federal government or moneys received by~~
39 ~~a state agency under the state and local fiscal assistance act of 1972 and~~
40 ~~amendments thereto.~~

41 Sec. 24. On and after July 1, 2019, K.S.A. 2017 Supp. 46-1114 is
42 hereby amended to read as follows: 46-1114. (a) The legislative post audit
43 committee is hereby authorized to direct the post auditor and the division

1 of post audit to make an audit of any type described in K.S.A. 46-1106 or
2 46-1108, and amendments ~~to these sections~~ *thereto*, of any records or
3 matters of any person specified in this section, and may direct the object in
4 detail of any such audit.

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

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

13 (1) Audit of any local subdivision of government or agency or
14 instrumentality thereof which receives any distribution of moneys from or
15 through the state.

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

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

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

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

38 (2) Access to all books, accounts, records, files, documents and
39 correspondence, confidential or otherwise, as authorized under subsection
40 ~~(b) of this section~~ of any nongovernmental person audited under authority
41 of subsection (c)(3) ~~of this section~~ shall be limited to those books,
42 accounts, records, files, documents and correspondence, confidential or
43 otherwise, of such person to which the state governmental agency ~~which~~

1 *that* contracts with such person is authorized under law to have access.

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

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

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

41 Failure to make records available for post audit is a class A
42 misdemeanor.

43 Sec. 27. On and after July 1, 2019, K.S.A. 2017 Supp. 46-1118 is

1 hereby amended to read as follows: 46-1118. (a) (1) Except as otherwise
2 provided by statute, whenever the post auditor performs any additional
3 audit work for any state agency to satisfy federal government
4 requirements, and incurs costs in addition to those attributable to the
5 operations of the division of post audit in performance of other duties and
6 responsibilities, the post auditor shall make charges for such additional
7 costs.

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

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

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

26 ~~(5)~~(3) The furnishing of any such audit services by the division of
27 post audit shall be a transaction between the post auditor and the state
28 agency receiving such services and such transaction shall be settled in
29 accordance with the provisions of K.S.A. 75-5516, and amendments
30 thereto.

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

41 Sec. 28. On and after July 1, 2019, K.S.A. 46-1122 is hereby
42 amended to read as follows: 46-1122. ~~The legislative post audit committee~~
43 ~~shall specify whether a financial-compliance audit of or financial-~~

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

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

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

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

36 (d) Two or more separate ~~financial-compliance~~ audits may be
37 combined by the contract audit committee for the purpose of procuring
38 audit services for all such audits from a single firm, and in each such case
39 such combined audits shall be construed to be a single audit for all
40 purposes under K.S.A. 46-1123, and amendments thereto, and K.S.A. 46-
41 1125 ~~to through~~ 46-1127, ~~inclusive~~, and amendments thereto.

42 Sec. 30. On and after July 1, 2019, K.S.A. 46-1125 is hereby
43 amended to read as follows: 46-1125. (a) The contract audit committee

1 may conduct discussions with each of the firms submitted by the post
2 auditor and then shall select a firm or firms from such listing to provide
3 the ~~financial-compliance~~ audit in accordance with the legislative post audit
4 act.

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

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

13 Sec. 31. On and after July 1, 2019, K.S.A. 46-1126 is hereby
14 amended to read as follows: 46-1126. (a) Each contract for ~~a financial-~~
15 ~~compliance audit of a~~ *an audit* state agency entered into under K.S.A. 46-
16 1123 and 46-1125, and amendments ~~to these sections~~ *thereto*, shall be
17 entered into between the post auditor and the firm selected to perform the
18 ~~financial-compliance~~ audit. Each such contract shall require the firm
19 selected to perform the ~~financial-compliance~~ audit to submit evidence
20 which is satisfactory to the contract audit committee that the firm has
21 general professional liability insurance or specific professional liability
22 insurance which is adequate for such audit.

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

28 (c) Such contracts shall not be subject to the provisions of K.S.A. 75-
29 3739, and amendments thereto.

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

43 (b) In the performance of such audit, the officers and employees of

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

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

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

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

38 (d) The legislative post auditor may report in writing outside of a
39 regularly scheduled meeting to the legislative post audit committee, the
40 joint committee on information technology, and the chief information
41 technology officers of the executive, legislative and judicial branches,
42 when, in the opinion of the post auditor, it appears that an information
43 technology project being audited under K.S.A. 2017 Supp. 46-1135, and

1 amendments thereto, is at risk due to a failure to meet key milestones, or
2 failure to receive sufficient deliverables after a contract payment,
3 significant cost overruns, or when the post auditor finds the project is not
4 being efficiently and effectively implemented in accordance with its
5 original stated purpose and goals.

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

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

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

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

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

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

29 (1) The entity which is being audited;

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

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

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

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

38 (4) the legislative post audit committee;

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

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

43 (c) The provisions of K.S.A. 46-1106(~~g~~)(e), and amendments thereto,

1 shall apply to any audit or audit work conducted pursuant to this section.

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

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

17 (b) Notwithstanding the provisions of this section, the secretary of
18 revenue may:

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

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

31 Sec. 36. On and after July 1, 2019, K.S.A. 2017 Supp. 74-4921 is
32 hereby amended to read as follows: 74-4921. (1) There is hereby created in
33 the state treasury the Kansas public employees retirement fund. All
34 employee and employer contributions shall be deposited in the state
35 treasury to be credited to the Kansas public employees retirement fund.
36 The fund is a trust fund and shall be used solely for the exclusive purpose
37 of providing benefits to members and member beneficiaries and defraying
38 reasonable expenses of administering the fund. Investment income of the
39 fund shall be added or credited to the fund as provided by law. All benefits
40 payable under the system, refund of contributions and overpayments,
41 purchases or investments under the law and expenses in connection with
42 the system unless otherwise provided by law shall be paid from the fund.
43 The director of accounts and reports is authorized to draw warrants on the

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

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

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

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

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

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

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

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

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

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

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

17 (vi) the individual alternative investment does not exceed more than
18 2.5% of the total alternative investments made under this subsection. If the
19 alternative investment is made pursuant to participation by the system in a
20 multi-investor pool, the 2.5% limitation contained in this subsection is
21 applied to the underlying individual assets of such pool and not to
22 investment in the pool itself. The total of such alternative investments
23 made pursuant to participation by the system in any one individual multi-
24 investor pool shall not exceed more than 20% of the total of alternative
25 investments made by the system pursuant to this subsection. Nothing in
26 this subsection requires the board to liquidate or sell the system's holdings
27 in any alternative investments made pursuant to participation by the
28 system in any one individual multi-investor pool held by the system on the
29 effective date of this act, unless such liquidation or sale would be in the
30 best interest of the members and beneficiaries of the system and be
31 prudent under the standards contained in this section. The 20% limitation
32 contained in this subsection shall not have been violated if the total of such
33 investment in any one individual multi-investor pool exceeds 20% of the
34 total alternative investments of the fund as a result of market forces acting
35 to increase the value of such a multi-investor pool relative to the rest of the
36 system's alternative investments; however, the board shall not invest or
37 reinvest any moneys of the fund in any such individual multi-investor pool
38 until the value of such individual multi-investor pool is less than 20% of
39 the total alternative investments of the fund;

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

43 (viii) prior to the time the alternative investment is made, the system

1 has in place procedures and systems to ensure that the investment is
2 properly monitored and investment performance is accurately measured;
3 and

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

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

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

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

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

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

39 (6) Subject to the objective set forth in subsection (3) and the
40 standards set forth in subsections (4) and (5) the board shall formulate
41 policies and objectives for the investment and reinvestment of moneys in
42 the fund and the acquisition, retention, management and disposition of
43 investments of the fund. Such policies and objectives shall include:

- 1 (a) Specific asset allocation standards and objectives;
- 2 (b) establishment of criteria for evaluating the risk versus the
3 potential return on a particular investment;
- 4 (c) a requirement that all investment managers submit such manager's
5 due diligence findings on each investment to the board or investment
6 advisory committee for approval or rejection prior to making any
7 alternative investment;
- 8 (d) a requirement that all investment managers shall immediately
9 report all instances of default on investments to the board and provide the
10 board with recommendations and options, including, but not limited to,
11 curing the default or withdrawal from the investment; and
- 12 (e) establishment of criteria that would be used as a guideline for
13 determining when no additional add-on investments or reinvestments
14 would be made and when the investment would be liquidated.

15 The board shall review such policies and objectives, make changes
16 considered necessary or desirable and readopt such policies and objectives
17 on an annual basis.

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

40 (8) (a) In the acquisition or disposition of securities, the board may
41 rely on the written legal opinion of a reputable bond attorney or attorneys,
42 the written opinion of the attorney of the investment counselor or
43 managers, or the written opinion of the attorney general certifying the

1 legality of the securities.

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

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

15 (b) The state treasurer and the board shall collect the principal and
16 interest or other income of investments or the proceeds of sale of securities
17 in the custody of the state treasurer and pay same when so collected into
18 the fund.

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

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

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

40 (12) (a) Any internal assessment or examination of alternative
41 investments of the system performed by any person or entity employed or
42 retained by the board which evaluates or monitors the performance of
43 alternative investments shall be reported to the legislative post auditor so

1 that such report may be reviewed in accordance with the annual financial-
2 compliance audits conducted pursuant to ~~K.S.A. 46-1106~~ *section 8*, and
3 amendments thereto.

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

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

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

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

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

29 (3) provide the post auditor access to all such excise tax reports or
30 returns in accordance with and subject to the provisions of K.S.A. 46-
31 1106(~~g~~)(*e*), and amendments thereto;

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

36 (5) provide information from returns and reports filed under article 42
37 of chapter 79 of the Kansas Statutes Annotated, and amendments thereto,
38 to county appraisers as is necessary to ensure proper valuations of
39 property. Information from such returns and reports may also be
40 exchanged with any other state agency administering and collecting
41 conservation or other taxes and fees imposed on or measured by mineral
42 production;

43 (6) provide, upon request by a city or county clerk or treasurer or

1 finance officer of any city or county receiving distributions from a local
2 excise tax, monthly reports identifying each retailer doing business in such
3 city or county or making taxable sales sourced to such city or county,
4 setting forth the tax liability and the amount of such tax remitted by each
5 retailer during the preceding month, and identifying each business location
6 maintained by the retailer and such retailer's sales or use tax registration or
7 account number;

8 (7) provide information from returns and applications for registration
9 filed pursuant to K.S.A. 12-187, and amendments thereto, and K.S.A. 79-
10 3601, and amendments thereto, to a city or county treasurer or clerk or
11 finance officer to explain the basis of statistics contained in reports
12 provided by subsection (b)(6);

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

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

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

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

41 (12) provide environmental surcharge or solvent fee, or both,
42 information from returns and applications for registration filed pursuant to
43 K.S.A. 65-34,150 and 65-34,151, and amendments thereto, to the secretary

1 of health and environment or the secretary's designee for the sole purpose
2 of ensuring that retailers collect the environmental surcharge tax or solvent
3 fee, or both;

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

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

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

21 (16) provide to retailers tax exemption information for the sole
22 purpose of verifying the authenticity of tax exemption numbers issued by
23 the department;

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

30 (18) release or publish charitable gaming information obtained in
31 charitable gaming licensee and registration applications and renewals in
32 accordance with the Kansas charitable gaming act, K.S.A. 2017 Supp. 75-
33 5171 et seq., and amendments thereto. The information to be released is
34 limited to: The name, address, phone number, license registration number
35 and email address of the organization, distributor or of premises; and

36 (19) provide to the attorney general confidential information for
37 purposes of determining compliance with or enforcing K.S.A. 50-6a01 et
38 seq., and amendments thereto, the master settlement agreement referred to
39 therein and all agreements regarding disputes under the master settlement
40 agreement. The secretary and the attorney general may share the
41 information specified under this subsection with any of the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

32 (8) disclose the name, residence address, employer or Kansas
33 adjusted gross income of a taxpayer who may have a duty of support in a
34 title IV-D case to the secretary of the Kansas department for children and
35 families for use solely in administrative or judicial proceedings to
36 establish, modify or enforce such support obligation in a title IV-D case. In
37 addition to any other limits on use, such use shall be allowed only where
38 subject to a protective order which prohibits disclosure outside of the title
39 IV-D proceeding. As used in this section, "title IV-D case" means a case
40 being administered pursuant to part D of title IV of the federal social
41 security act, 42 U.S.C. § 651 et seq., and amendments thereto. Any person
42 receiving any information under the provisions of this subsection shall be
43 subject to the confidentiality provisions of subsection (b) and to the

1 penalty provisions of subsection (e);

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

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

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

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

31 (13) (i) provide taxpayer information of persons suspected of
32 violating K.S.A. 2017 Supp. 44-766, and amendments thereto, to the
33 secretary of labor or such secretary's designee for the purpose of
34 determining compliance by any person with the provisions of ~~subsection~~
35 ~~(i)(3)(D)~~ of K.S.A. 44-703(i)(3)(D) and K.S.A. 2017 Supp. 44-766, and
36 amendments thereto. The information to be provided shall include all
37 relevant information in the possession of the department of revenue
38 necessary for the secretary of labor to make a proper determination of
39 compliance with the provisions of ~~subsection (i)(3)(D)~~ of K.S.A. 44-703(i)
40 (3)(D) and K.S.A. 2017 Supp. 44-766, and amendments thereto, and to
41 calculate any unemployment contribution taxes due. Such information to
42 be provided by the department of revenue shall include, but not be limited to,
43 to, withholding tax and payroll information, the identity of any person that

1 has been or is currently being audited or investigated in connection with
2 the administration and enforcement of the withholding and declaration of
3 estimated tax act, K.S.A. 79-3294 et seq., and amendments thereto, and the
4 results or status of such audit or investigation;

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

10 (iii) each of the secretary of labor and the secretary of revenue may
11 adopt rules and regulations necessary to effect the provisions of this
12 paragraph;

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

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

30 (d) Any person receiving information under the provisions of
31 subsection (c) shall be subject to the confidentiality provisions of
32 subsection (b) and to the penalty provisions of subsection (e).

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

36 (f) For the purpose of determining whether a defendant is financially
37 able to employ legal counsel under the provisions of K.S.A. 22-4504, and
38 amendments thereto, in all felony cases with appointed counsel where the
39 defendant's social security number is accessible from the records of the
40 district court, the court shall electronically provide the defendant's name,
41 social security number, district court case number and county to the
42 secretary of revenue in the manner and format agreed to by the office of
43 judicial administration and the secretary.

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

7 Sec. 39. On and after July 1, 2019, K.S.A. 46-1108, 46-1112, 46-
8 1115, 46-1116, 46-1122, 46-1123, 46-1125, 46-1126, 46-1127 and 74-2424
9 and K.S.A. 2017 Supp. 39-709b, 46-1106, 46-1114, 46-1118, 46-1121, 46-
10 1128, 46-1134, 46-1135, 74-4921, 75-5133 and 79-3234 are hereby
11 repealed.

12 Sec. 40. This act shall take effect and be in force from and after its
13 publication in the ~~statute book~~ **Kansas register**.