



# **PERFORMANCE AUDIT REPORT 100-Hour Audit**

**Information Network of Kansas:  
Reviewing Its Revenues, Expenditures, and  
Administrative Structure**

**A Report to the Legislative Post Audit Committee  
By the Legislative Division of Post Audit  
State of Kansas  
April 2003**

# ***Legislative Post Audit Committee***

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## ***Legislative Division of Post Audit***

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April 25, 2003

To: Members, Legislative Post Audit Committee

Representative John Edmonds, Chair  
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This report contains the findings, conclusions, and recommendations from our completed performance audit, *Information Network of Kansas: Reviewing Its Revenues, Expenditures, and Administrative Structure*.

The report includes one recommendation for INK to ensure that motions to go into executive sessions are accurately recorded in Board minutes and that before going into executive session, the Board ensure that the topic to be discussed qualifies for executive session under the law. We would be happy to discuss this recommendation or any other items in the report with any legislative committees, individual legislators, or other State officials.

Barbara J. Hinton  
Legislative Post Auditor



# EXECUTIVE SUMMARY

LEGISLATIVE DIVISION OF POST AUDIT

## Overview of the Information Network of Kansas

*In 1990, the Kansas Legislature created the Information Network of Kansas (INK). INK's purpose is to provide citizens electronic access to public information through a centralized electronic information system. In December 1991, the INK Board entered into a contract with the Kansas Information Consortium—a company located in Overland Park—to serve as a network manager. The company's task was to develop, operate, maintain, and expand the electronic network. This contract and the subsequent expansion of the Internet led to creation of the State's web portal. Kansas' official website is available at <http://www.accesskansas.org>. Many different types of information can be accessed free of charge through the AccessKansas website, but certain other services require the user to pay a transaction fee to get the requested information.* ..... page 2

### **Question 1: How Much Money Is Being Generated by the Information Network of Kansas' Contract with Kansas Information Consortium, and Is That Money Being Used in Accordance with State Law?**

**During the past 5 years, the INK Board has received about \$1.3 million from its contract with the Kansas Information Consortium.** *Revenues earned from the operation of the State portal have been about \$1.3 million, and interest earnings have totaled \$128,000.* ..... page 6

**INK's new contract with Kansas Information Consortium will change the way revenues and expenses are accounted for.** *Under a new 3-year contract between INK and Kansas Information Consortium, all moneys received by the network manager are deposited into accounts maintained by INK, rather than by the network manager. The new contract also simplified how moneys are shared between INK and the network manager. According to INK Board members we spoke with, this change is intended to be revenue neutral.* ..... page 6

**Over the past 5 years, INK's annual expenditures have increased from about \$31,000 to about \$234,000.** *Most of the recent increase in expenditures has been for the salary of an Executive Director hired in March 2002, for legal costs associated with determining if current board members could appoint an alternate to attend meetings on their behalf, and for consulting fees associated with developing a request for proposal for network management services.* ..... page 8

**Much of the money the INK Board has accumulated since its inception has been designated for special projects—3 of which haven't started yet.** *As of March 2003, INK had set aside about \$737,000 of the \$1.1 million it had available for special projects, such as the Kansas Business Center, which allows the public to register a new business electronically.* ..... page 9

**The expenditures the INK Board has made to date generally conform to State law.** *Kansas law doesn't place specific restrictions on the types of expenditures INK can make. INK's expenditures include basic operating costs like telephone and rent, costs for other items such as consulting services and travel expenses, and costs for specific projects that generally appear to be designed to enhance the State's e-government activities. Because of time constraints, we didn't assess whether planned expenditures of the \$737,000 of set-aside funds represent the best use of available moneys, but several projects raised questions in our minds as to whether these were the types of projects the Legislature intended to be funded.* ..... page 9

**The INK Board may not be complying with Kansas' Open Meetings Act.** *We identified 2 items which indicate potential non-compliance. First, during one meeting held in February 2002, the Board went into executive session to discuss development of the network manager contract. Generally routine business discussions such as this don't qualify as reasons for executive sessions under the Act. Second, for all 12 meetings in which the INK Board went into executive session, our review of Board minutes found that the minutes didn't contain justification for going into executive session, as required by the Act.* ..... page 11

**Recommendation** ..... page 11

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## **Question 2: How Does the Administrative Structure Kansas Has Established For Oversight of its Electronic Information Network Compare with Other States?**

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**Kansas oversees its website development with a 10-member Board, an Executive Director, and support staff provided by Kansas Inc.** ..... page 12  
*The main duties of the 10-member INK Board include advising the Secretary of Administration, the Division of Information Systems and Communications (DISC), and other State agencies about providing State data to Kansas citizens and businesses. Board minutes show some of the more routine activities of the Board include reviewing the network manager's monthly reports, and reviewing and approving service requests from State agencies to have the network manager develop programs that allow the agencies to electronically provide information to the public. Based on our review of Board minutes and interviews of Board members, it*

appears that the INK Board is actively involved in overseeing the network manager and the State's website.

To help it perform these and other tasks, the INK Board hired an Executive Director in March 2002. The Executive Director's most common duties include meeting with officials from the company that runs the State's website on a day-to-day basis to discuss current project status, service requests, and any problems that have developed, discussing website-related issues with officials from State agencies, and attending various legislative and other committee meetings to stay abreast of e-government initiatives.

In addition, the Director of Operations for Kansas Inc., works up to 3 days a week on INK matters. Kansas Inc. also provides INK with office space and other administrative assistance. Board records show that the INK Board agreed to pay Kansas Inc., \$5,000 a month beginning in April 2001 for this assistance.

**Other states operate and oversee their web portals in a variety of ways.** Four of the other 6 states we contacted (Nebraska, Arkansas, Idaho, and Tennessee) have independent boards not located within a state agency that oversee their portal operations. This is similar to what Kansas has established. When oversight is placed with an independent board, most often it appears to be a board with a single focus. Like Kansas, Arkansas, Idaho, and Tennessee all have boards whose single purpose is the oversight and development of their web portals. The Nebraska State Records Board appears to have a somewhat broader charge.

..... page 13

Two states (Oklahoma and Montana) placed primary contract oversight responsibility within a State agency and provided an advisory board. All decisions in these states are made by one state employee, rather than an independent board. When oversight is placed within a state agency, it tends to be the agency responsible for information technology in the state.

Staff for other states' decision-making boards were always located within other state agencies, and the level of staff support provided and the associated costs varied considerably. Unlike Kansas, none of the boards in the other states we contacted employed their own staff. Most were staffed by employees in departments of finance or administration. The only exception was Nebraska, where the Secretary of State's Office staffs the board. Kansas had the highest staffing level for its oversight board at 1.6 full-time-equivalent employees. At \$95,000 a year, it also had the highest paid employee providing oversight.

**Several options exist for overseeing the operation and development of Kansas' web portal.** We identified 4 options for overseeing the operations and development of Kansas' website, as listed below. .... page 17

- Option 1:** Leave the oversight and administrative structure unchanged.
- Option 2:** Keep the INK Board as it is, but transfer the Board's staff to DISC (similar to 4 other states)
- Option 3:** Transfer the oversight function to DISC employees, and make the INK Board an advisory board (similar to 2 other states)
- Option 4:** Eliminate the INK Board and transfer the oversight function to Kansas Inc.

None of the administrative structures we reviewed stood out as being significantly better than another. Any of these structures could be made to work well, as long as the oversight body has a clear charge and understanding of its role in overseeing the network manager and enhancing the State's role in developing e-government.

**Conclusion** ..... page 20

**APPENDIX A: Scope Statement** ..... page 21

**APPENDIX B: Agency Response** ..... page 23

This audit was conducted by Joe Lawhon and Lisa Hoopes. Leo Hafner was the audit manager. If you need any additional information about the audit's findings, please contact Mr. Lawhon at the Division's offices. Our address is: Legislative Division of Post Audit, 800 SW Jackson Street, Suite 1200, Topeka, Kansas 66612. You also may call us at (785) 296-3792, or contact us via the Internet at LPA@lpa.state.ks.us.

# Information Network of Kansas: Reviewing Its Revenues, Expenditures, and Administrative Structure

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The 1990 Legislature created a public instrumentality known as the Information Network of Kansas Inc. (INK) to provide the public with electronic access to non-confidential government information, and to explore ways to expand public access to such information. INK is governed by a 10-member board.

The INK Board has hired a company called Kansas Information Consortium to do the necessary computer programming and manage the day-to-day operations of Kansas' network. Kansas Information Consortium generates revenues through transaction fees it charges to network users and shares those fees with INK according to terms outlined in contractual agreements. INK's January 2003 balance sheet showed it had more than \$1.1 million in assets, most of which was cash.

Legislators have raised questions about how much money is being generated by INK's contract with Kansas Information Consortium and how that amount has grown over time, what that money is being used for, and whether there is a better administrative structure for overseeing and operating the State's electronic information network. This 100-hour performance audit answers the following questions:

- 1. How much money is being generated by the Information Network of Kansas' contract with Kansas Information Consortium, and is that money being used in accordance with State law?**
- 2. How does the administrative structure Kansas has established for oversight of its electronic information network compare with other states?**

To answer these questions, we reviewed audits of INK and Kansas Information Consortium, contracts between the 2 entities, minutes of the INK Board, and Kansas statutes. We interviewed current and former members of the INK Board and staff from Division of Information Systems and Communication (DISC). We also spoke with officials from other states about their administrative structures.

A copy of the scope statement for this audit approved by the Legislative Post Audit Committee is included in Appendix A.

In conducting this audit, we followed all applicable government auditing standards.

Our findings begin on page 6, following the Overview.

## An Overview of the Information Network of Kansas

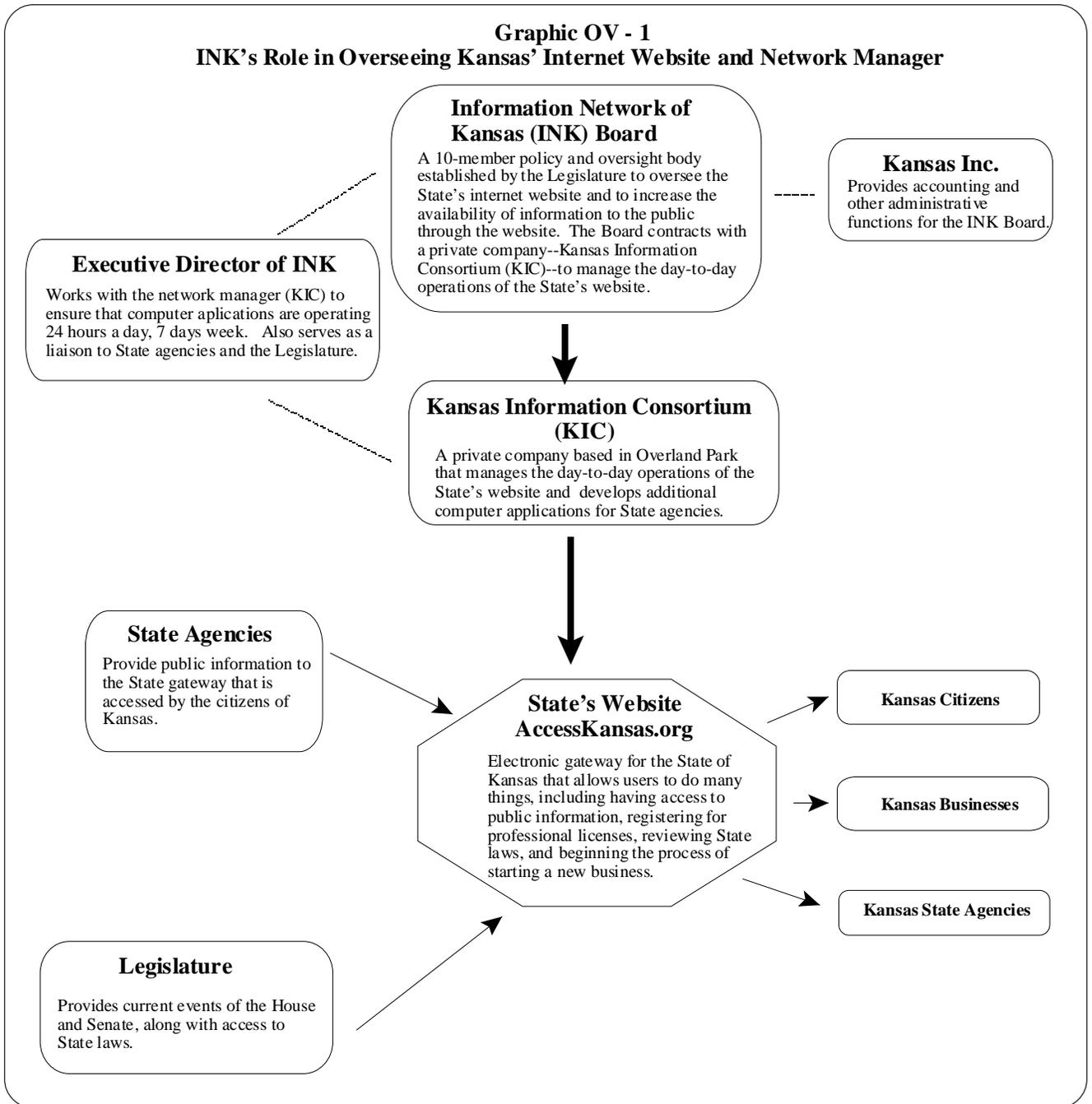
***In 1990, the Kansas Legislature Created The Information Network of Kansas (INK)***

INK's purpose is to provide citizens electronic access to public information through a centralized electronic information system. It is governed by a 10-member board of directors consisting of the Secretary of State, the President of Kansas Inc., 2 cabinet-level secretaries, a member of the Kansas Bar Association, 3 members of associations that use INK, a member from the Kansas Public Libraries Association, and the Director of the Division of Information Systems and Communications—who serves as a non-voting member.

**In December 1991, the INK Board entered into a contract with the Kansas Information Consortium—a company located in Overland Park—to serve as a network manager.** The company's task was to develop, operate, maintain, and expand the electronic network. This contract and the subsequent expansion of the Internet led to creation of the State's web portal. Kansas' official website is available at <http://www.accesskansas.org>.

The screenshot displays the 'accessKansas' website interface. At the top, a banner reads 'The Official Web Site of the State of Kansas' and 'accessKansas A SERVICE OF THE INFORMATION NETWORK OF KANSAS, INC.'. Below the banner are navigation links: 'State Phone Directory', 'Site Map', 'Online Services', 'Help Center', and 'State Employees'. A search bar is visible on the left. The main content area is titled 'Home > Site Map' and features a 'Site Map' section with various categories and sub-links. The categories listed on the left include 'Online Services', 'Living in Kansas', 'Learning in Kansas', 'Operating a Business in Kansas', 'Working in Kansas', 'Recreation & Travel in Kansas', 'Kansas Government', 'Kansas Facts & History', and 'K-12 Education'. The sub-links under 'Site Map' include 'Home', 'State Phone Directory', 'Calendar', 'Online Services', 'Site Map', 'Help Center', 'Living in Kansas', 'Citizens & Community', 'Health & Social Welfare', 'Records & Statistics', 'Cars & Transportation', 'Land & Environment', 'Taxes', 'Housing', 'Utilities', 'Learning in Kansas', 'K-12 Education', 'Higher Education', 'Education Boards', 'Learning Quest Educational Savings Program', 'Educational Technology', 'Libraries', 'Historical Societies', 'Operating a Business in Kansas', 'General Business Information', 'Employer Resources', 'Resources by Profession', 'Laws & Regulations', 'State Procurement & Vendor Information', 'Economic Development', 'Working in Kansas', 'Resources by Profession', 'Employment & Training Opportunities', 'Employee Rights', 'Recreation & Travel in Kansas', 'Recreation & Sports', 'The Arts', 'Festivals', 'Tourist Destinations', 'Highways', 'Government', 'Governor', 'Elected Officials', 'Judicial Branch', 'Legislative Branch', 'State Agencies, Boards & Commissions', 'State Associations', 'State Committees', 'Kansas Laws & Legal Services', 'Kansas Law Enforcement', 'Kansas Courts & Corrections', 'Emergency Management', 'Voting & Elections', 'Cities', 'Counties', and 'Kansas Facts & History', 'History', 'Genealogy Resources', and 'Weather'.

Through this portal, Kansas citizens and businesses can access a wide variety of public information. Graphic OV-1 illustrates how this system works.



Many different types of information can be accessed free of charge through the AccessKansas website. Some examples of free services include the ability to:

- listen to meetings of the Kansas House and Senate
- check highway conditions

- verify the license status of physicians
- obtain tourism information
- view legal opinions rendered by the Attorney General

Certain other services require the user to pay a transaction fee to get the requested information. For example:

- people can get a copy of their drivers license record on-line for a fee of \$5. Of that amount, \$3.95 is divided between the Department of Revenue and the Kansas Highway Patrol. The remaining \$1.05 is split between INK and Kansas Information Consortium.
- people can subscribe to the *KANSAS!* magazine on-line. The subscription price of \$15 is paid to the Department of Commerce and Housing, and \$1 from every subscription is split between INK and Kansas Information Consortium.

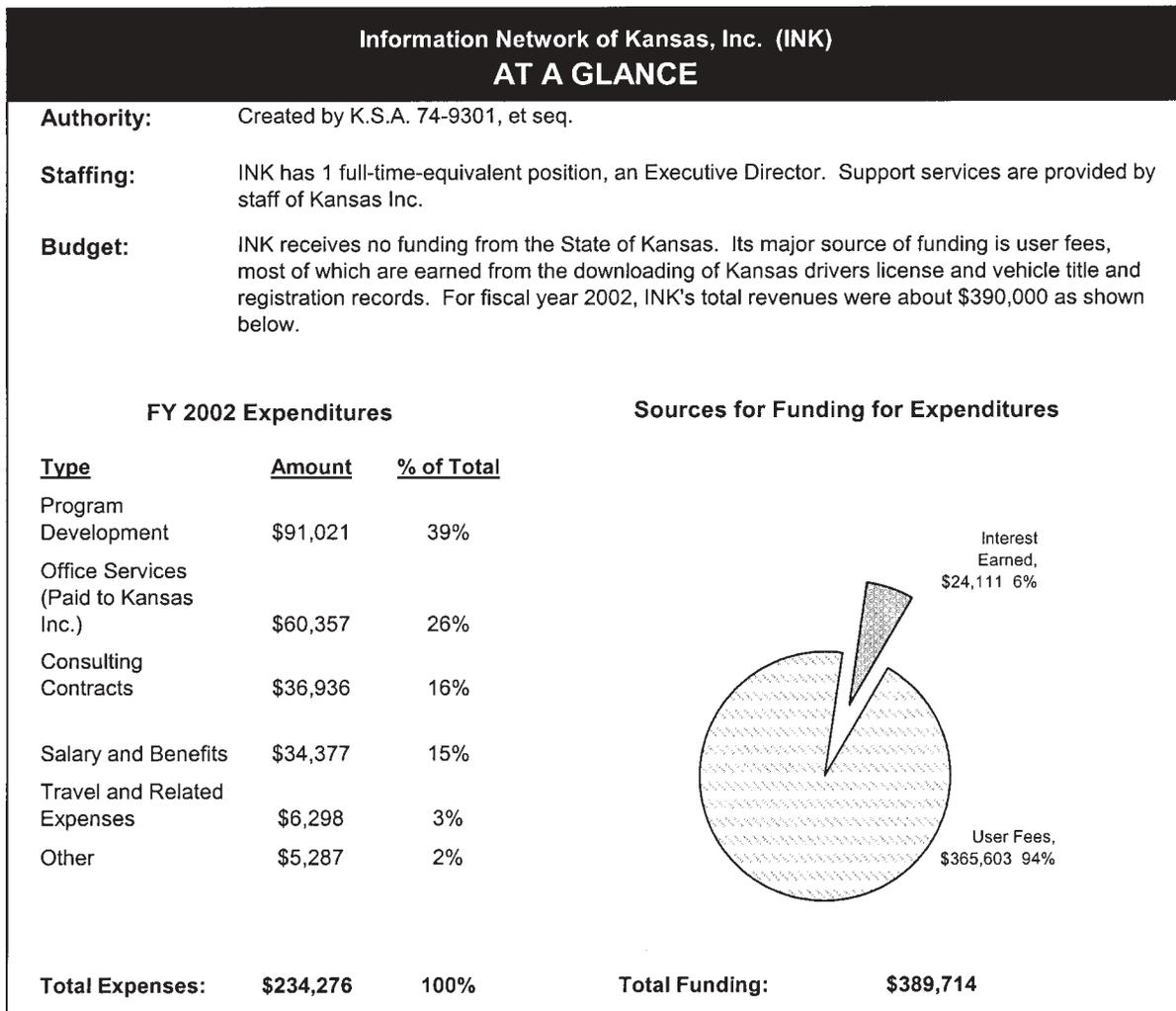
**INK and Kansas Information Consortium have recently entered into a new 3-year contract that will expire on December 31, 2005.** Through this contract, the company is required to:

- be responsible for all aspects of network maintenance, including the acquisition, installation, testing, and operation of all computer hardware and software to operate the network
- be responsible for all network reliability, data protection, and network security
- develop new computer applications for State agencies desiring to make certain information available to the public through their agency's home web page
- submit various productivity reports to the INK Board

**The INK Board is responsible for overseeing the operation of Kansas' electronic network.** In this regard, the INK Board monitors the actions of Kansas Information Consortium to ensure that it is fulfilling the terms of its contract.

For many years, the INK Board operated without any staff of its own, although Kansas Inc. supplied staff to perform functions such as accounting and keeping minutes of Board meetings. In March 2002, the INK Board hired an Executive Director. Current and former members of the Board told us that the job of overseeing the contractor had become too big, and that there was a definite need to hire someone who could do the following:

- perform the day-to-day oversight of the contractor (which includes tasks like reviewing contractor reports, discussing work priorities with the contractor, and working to resolve problems)
- work as a liaison with State agencies
- promote e-commerce and e-government opportunities for the State
- work with the INK Board as necessary to ensure effective oversight of the contractor



Source: Financial Statements and Report of Independent Certified Public Accountants, Fiscal Year Ended June 30, 2002.

## Question 1: How Much Money Is Being Generated by the Information Network of Kansas' Contract With the Kansas Information Consortium, and Is That Money Being Used in Accordance With State Law?

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During the past 5 years, the INK Board has received about \$1.3 million as its share of user fees from the operation of the State's website. In addition, it has received \$128,000 in interest earnings. During that time INK has spent \$482,000, the largest portion of which has been paid to Kansas Inc. for rent and as a reimbursement for other expenses incurred. INK's expenditures appear to conform with the broad purposes outlined in the statutes that created the Board. In addition, the Board has set aside \$437,000 for specific projects aimed at enhancing the State's ability to provide e-government services, and \$300,000 for contingency purposes. These and other findings are discussed in the sections below.

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### *During the Past 5 Years, The INK Board Has Received About \$1.3 Million From Its Contract With the Kansas Information Consortium*

Most of the information available through the Kansas website is accessible to users at no charge. However, for certain types of records and other transactions—such as obtaining a hunting license—there is a charge. Each time a fee is collected, the money is split in accordance with contractual terms between 3 entities:

- the applicable State agency
- Kansas Information Consortium, the company that manages the Kansas website
- INK

The INK Board has hired a certified public accounting firm to verify that the Kansas Information Consortium remitted the correct amounts to INK. We reviewed the last 3 reports, which showed that there were only small inaccuracies in the amounts paid to INK, and that the appropriate payment adjustments were made.

Table I-1 shows INK's total revenues for the past 5 fiscal years. As the table shows, revenues earned from the operation of the State portal have been about \$1.3 million, and interest earnings have totaled \$128,000.

**INK's new contract with Kansas Information Consortium will change the way revenues and expenses are accounted for.** One of the major changes included in the new 3-year contract between INK and Kansas Information Consortium was a stipulation that all moneys received by the network manager would be deposited into accounts maintained by INK, rather than by the network manager. INK's Executive Director told us this change was made to allow

**Table I-1  
Summary of INK Financial Information  
Fiscal Years Ended June 30, 1998 to 2002**

INK Revenues							
Revenue Source	1998	1999	2000	2001	2002	% change from 1998 to 2002	Total Revenue 1998-2002
Payments from Kansas Information Consortium	\$145,674	\$184,590	\$297,716	\$280,005	\$365,603	151.0%	\$1,273,588
Interest Earned	\$14,184	\$16,010	\$27,317	\$46,413	\$24,111	70.0%	\$128,035
<b>Total</b>	<b>\$159,858</b>	<b>\$200,600</b>	<b>\$325,033</b>	<b>\$326,418</b>	<b>\$389,714</b>	<b>143.8%</b>	<b>\$1,401,623</b>
INK Expenses							
Expenditure Category	1998	1999	2000	2001	2002	% change from 1998 to 2002	Total Expenses 1998-2002
Program Development	\$6,780	\$24,258	\$0	\$0	\$91,021 (1)	1242.5%	\$122,059
Contract Office Services and Fees	\$12,216	\$33,271	\$28,421	\$59,512	\$60,357 (2)	394.1%	\$193,777
Professional & Consulting Contracts	\$5,444	\$13,246	\$21,376	\$11,737	\$36,936 (3)	578.5%	\$88,739
Salary and Benefits	\$0	\$0	\$0	\$0	\$34,377 (4)	n/a	\$34,377
Registration & Other Travel	\$211	\$977	\$114	\$2,018	\$2,346	1011.8%	\$5,666
Printing and Advertising	\$275	\$280	\$158	\$6,613	\$2,182	693.5%	\$9,508
Mileage	\$1,695	\$2,101	\$2,103	\$2,309	\$2,181	28.7%	\$10,389
Hospitality and meetings	\$1,555	\$499	\$1,108	\$1,991	\$1,874	20.5%	\$7,027
Meals and Lodging	\$589	\$753	\$471	\$620	\$1,279	117.1%	\$3,712
Office Supplies	\$382	\$32	\$342	\$97	\$927	142.7%	\$1,780
Airfare	\$256	\$93	\$300	\$243	\$492	92.2%	\$1,384
Rents	\$0	\$0	\$0	\$0	\$222	n/a	\$222
Telephone	\$32	\$19	\$0	\$25	\$59	84.4%	\$135
Depreciation	\$1,221	\$1,234	\$85	\$65	\$23	-98.1%	\$2,628
Postage	\$0	\$172	\$0	\$0	\$0	n/a	\$172
<b>Total</b>	<b>\$30,656</b>	<b>\$76,935</b>	<b>\$54,478</b>	<b>\$85,230</b>	<b>\$234,276</b>	<b>664.2%</b>	<b>\$481,575</b>
INK Equity							
Category	1998	1999	2000	2001	2002	% change from 1998 to 2002	
Retained earnings ending balance	\$417,010	\$540,675	\$811,230	\$1,052,418	\$1,207,856	189.6%	
Designated	n/a	n/a	n/a	\$607,814	\$611,899		
Undesignated	n/a	n/a	n/a	\$444,604	\$595,957		

**Source:** Financial Statements and Report of Information Network of Kansas, Inc., 1999-2002, Wendling, Noe, Nelson & Johnson LLC

(1) Expenditures from set aside funds for programs as approved by the INK Board.

(2) Mostly paid to Kansas Inc as a reimbursement for staff time, rent, office supplies, etc. Since April 2001, the monthly amount has been \$5,000.

(3) Much of the FY 2002 expense was related to hiring the Executive Director and developing an RFP for the new network manager contract.

(4) Expenses paid for approximately last 3 months of fiscal year due to hiring of Executive Director in March 2002.

INK, rather than the network manager, to have complete control over all payments received through the operation of the State's website.

A financial audit of Kansas Information Consortium for the year ended December 31, 2001, showed that it took in more than \$7.5 million, and paid out almost \$5 million of that amount to State agencies as their share of the fees collected. In the future, this revenue and corresponding expense will be reflected in INK's financial statements, rather than the network manager's financial statements.

Another major change in the new contract was to simplify the way in which moneys are shared between INK and the network manager. The new contract provides that, after required payments are made to State agencies, the remaining moneys will be split—with INK retaining 15% of the net revenue and the network manager receiving 85% of the net revenue. According to INK Board members we spoke with, this change is intended to be revenue neutral. In this audit, we didn't attempt to determine whether the new contract terms will be revenue neutral.

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***Over the Past 5 years,  
INK's Annual  
Expenditures  
Have Increased from  
about \$31,000 to  
about \$234,000***

INK spent a total of about \$482,000 between fiscal years 1998 and 2002. Table I-1 shows a breakdown of INK's expenditures for these 5 years.

As the table shows, expenditures increased from about \$85,000 in 2001 to about \$234,000 in 2002. Several factors account for this significant increase. In fiscal year 2002, INK incurred the following expenses:

- *program development:* INK paid more than \$18,000 for computer hardware and software for the Kansas Board of Nursing to allow nurses to register on-line, and it paid more than \$47,000 for items related to the development of the Kansas Business Center project. It also incurred additional expenses for the Digital Signature Program and DASC grant. (More information about the last 3 projects is provided in Table I-2 on page 10 of this report.)
- *salaries and benefits:* The INK Board hired an Executive Director in March 2002, at an annual salary of \$95,000. The expenditure amount of \$34,000 for salaries and benefits reflects costs incurred for a period of about 3 months; this cost will be significantly higher in the future.

- *professional and consulting contracts:* The INK Board spent about \$17,000 on attorney fees for work related to hiring the Executive Director, legal opinions about whether Board members could appoint an alternate to attend meetings on their behalf, and expenses related to the development of the request for proposal for a new network manager. It also spent about \$8,000 for a consultant to help design the request for proposal and to evaluate responses.

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***Much of the Money the INK Board Has Accumulated Since Its Inception Has Been Designated for Special Projects—3 of Which Haven’t Started Yet***

INK’s January 2003 balance sheet showed an equity balance of \$1.1 million, nearly all of which was cash. Of that amount, the INK Board had designated about \$732,000 for specific projects, leaving an uncommitted balance of about \$421,000. As of March 31, 2003, the designated amount has increased to about \$737,000. Table I-2 describes each project and shows the amount committed to that project.

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***The Expenditures the INK Board Has Made to Date Generally Conform To State Law***

Kansas law doesn’t place restrictions on the types of expenditures INK can make. The law states that INK will provide electronic access to agencies’ public information through a gateway service, and that it will provide appropriate oversight of any network manager. Through our reviews of expenditure records and audit reports, and through discussions with INK Board members, we found that INK’s expenditures include basic operating costs like telephone and rent, costs for other items such as consulting services and travel expenses related to attending board meetings or conventions, and costs for specific projects that generally appear to be designed to enhance the State’s e-government activities, like those described in Table I-2. None of these types of costs are inconsistent with Kansas law.

**We didn’t assess whether planned expenditures represent the best use of available moneys.** As table I-2 shows, much of the nearly \$737,000 in excess funds that the Board has set aside has been earmarked for contingencies or for projects that haven’t yet gotten under way. The descriptions of these programs generally appear to conform to the law, but the law is so broad that any project relating to the Internet or the maintenance and use of the State’s website would conform.

Assessing whether these projects represented the “best” opportunities for using INK’s cash reserves to expand electronic government in Kansas was beyond the scope of this audit. However, several projects—such as the one that will allow parents to develop an understanding of information technology applications used at schools, and the one that offers monetary awards for

**Table I-2  
INK Equity Reserve Accounts  
As of March 2003**

Program Name	Description	March 2003 Reserve Amounts
Network Infrastructure Program	<p>Funds set aside to purchase computer hardware from Kansas Information Consortium should that company become unable to perform its contractual duties as the network manager for the Kansas website.</p> <p>No money has yet been spent.</p>	\$300,000
Verisign Contract	<p>Money set aside to fund a 3-year contract with Verisign to begin establishing an electronic transaction environment that will allow vendors and State officials to sign electronic documents - such as contracts - in a legally binding manner. This would allow the State to conduct business over the Internet. This contract resulted from the Digital Signature Program, the last item discussed in this table.</p> <p>No money has yet been spent.</p>	\$206,000
Education Development Program	<p>Money set aside to develop and distribute software that will allow parents to develop an understanding of information technology applications used at schools. Funds are anticipated to be spent after the KAN-ED network is designed.</p> <p>No money has yet been spent.</p>	\$90,000
DASC Grant	<p>Seed money allocated to the Kansas Geological Surveys' Data Access Support Center (DASC) located at the University of Kansas. The funds are used to develop Geographic Information System (mapping) computer applications to work with other programs such as the KBI Registered Offenders Program. For example, under this program a user can access a map that shows the user's own address and the address of any registered offenders in the area.</p> <p>Amount spent to-date: \$16,210.</p>	\$58,790
Awards Programs	<p>A program to fund awards to State, counties, or cities for work in promoting information technology. The number and amount of awards will be determined by the INK Board.</p> <p>No money has yet been spent.</p>	\$50,000
Kansas Business Center Project	<p>Funds allocated to the Secretary of State's Office for a project that allows the public to register a new business electronically. The public also will have access to forms and services for creating and maintaining a business in Kansas.</p> <p>Amount spent to-date: \$29,362.</p>	\$20,638
Digital Signature Program	<p>In 2000, following the passage of House Bill 2879 (known as the Uniform Electronic Transactions Act), the INK Board funded research which led to the issuance of a request for proposal for a vendor to develop a computerized system that allows users to electronically sign documents. The research also assisted the Secretary of State's Office in evaluating bid responses.</p> <p>Amount spent to-date: \$38,526. Amount transferred to Verisign Contract: \$50,000.</p>	\$11,474
Total		\$736,902

employees—raised questions in our minds as to whether these were the types of projects the Legislature intended to be funded.

Determining whether the Board has funded the most worthy projects would have involved a detailed review both of the projects that have been funded and of any proposals that have been turned down. Board members we talked with told us they've funded almost every project a State agency has brought to them.

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***The INK Board  
May Not Be Complying  
With Kansas' Open  
Meetings Act***

Between January 1, 2001 and January 31, 2003, the INK Board held 27 meetings. In 12 of those meetings it went into executive session. According to Board minutes, items discussed during these executives sessions included employment of INK's Executive Director and matters involving the selection of a network manager. Through our review, we identified 2 items which indicate potential non-compliance with existing Kansas law, as described below:

1. According to the Board's minutes, the Board went into executive session in February 2002 to discuss the development of the request for proposal for the new network manager contract. Generally routine business discussions such as this don't qualify as reasons for executive sessions under the Act.
2. K.S.A. 75-4319 specifies that any motion to recess for a closed or executive meeting shall include a statement of the justification for closing the meeting. Further, a 1991 Attorney General opinion specifically states that a "motion for executive session should contain subject *and* justification statement, which are not the same thing." Our review of Board minutes found that in all instances, the minutes didn't contain justification for going into executive session.

***Recommendation***

To help ensure compliance with Kansas' Open Meetings Act:

- a. before going into executive session, the INK Board should make sure that any topics to be discussed qualify for executive session under Kansas law.
- b. INK's Executive Director should work with INK's legal counsel to develop appropriate language regarding motions for the INK Board to go into executive session, and should ensure that those motions are accurately recorded in Board minutes. Those motions should contain clear statements of both subject *and* justification.

## Question 2: How Does the Administrative Structure Kansas Has Established for Oversight and Operation of its Electronic Information Network Compare with Other States?

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States operate and oversee their web portals in a variety of ways. Of the states we contacted, 4 have given decision-making responsibility to an independent board—like Kansas does—and 2 have delegated this responsibility to information technology staff in state agencies. Kansas has the most staff assigned to oversight activities, and INK's Executive Director's salary is higher than the salaries earned by comparable employees in other states. We evaluated 4 options for overseeing the contract with the network manager: keeping the function at INK, moving it to Kansas Inc., and 2 options involving DISC. There are pros and cons to each, but none of the possible administrative structures stood out to us as being significantly better than another. These and other findings are discussed in the sections that follow.

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### *Kansas Oversees Its Website Development With a 10-Member Board, An Executive Director, And Support Staff Provided by Kansas Inc.*

The main duties of the 10-member INK Board are

- to advise the Secretary of Administration, Division of Information Systems and Communications (DISC), and other State agencies about providing State data to Kansas citizens and businesses
- to seek advice from various groups who are knowledgeable about networking, electronic mail, public information access, gateway services and the like
- to develop charges for services provided to subscribers based on the cost of providing those services

To accomplish these tasks, the Board meets once a month. Board minutes show some of the more routine activities of the Board include:

- reviewing INK's monthly expense reports and other financial reports
- reviewing the network manager's monthly reports which contain information about the status of current projects and downtime of the State's website
- reviewing and approving service requests from State agencies to have the network manager develop programs that allow the agencies to electronically provide information to the public
- awarding grants to State agencies to help them participate in e-government, such as a grant awarded to the Board of Nursing for a new computer system to handle on-line registration by nurses

- discussing other issues such as being the repository for information about citizens wanting to be placed on the State’s “no call” list, the hiring of the Executive Director, the development of a request for proposal for a new network manager, and the ultimate selection of the network manager.

Based on our review of Board minutes and interviews of Board members, it appears that the INK Board is actively involved in overseeing the network manager and the State’s website. We noted that 8 out of 10 Board members or their proxies attended more than 80% of the 27 meetings held since January 2001. In late 2002, the Attorney General issued 3 opinions concluding that the Secretary of State, Secretary of Revenue, Secretary of Transportation, and Director of DISC all could be represented by a proxy.

To help it perform these and other tasks, the INK Board hired an Executive Director in March 2002. The Executive Director’s most common duties include:

- meeting with officials from the company that manages the network to discuss current project status, service requests, and any problems that have developed
- discussing website-related issues with officials from State agencies, and relaying that information to the network manager
- attending various legislative and other committee meetings to stay abreast of e-government initiatives
- reviewing performance data submitted by the network manager
- preparing documents for the monthly INK Board meetings, which include detailed information regarding the service requests made by State agencies

In addition, the Director of Operations for Kansas Inc., works up to 3 days a week on INK matters. Kansas Inc. also provides INK with office space, a separate telephone line, copier services, and other administrative assistance. Board records show that the INK Board agreed to pay Kansas Inc., \$5,000 a month beginning in April 2001 for this assistance.

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***Other States Operate and Oversee Their Web Portals in a Variety of Ways***

To determine how Kansas’ oversight structure compared with other states, we contacted officials in Arkansas, Idaho, Montana, Nebraska, Oklahoma, and Tennessee. Like Kansas, these states have private companies serving as the web managers, all of which are owned by National Information Consortium, Inc., the parent of the company that provides web management services for Kansas.

**Table II-1  
 Comparison of States Administrative Structures**

Characteristic	Kansas	Nebraska	Arkansas	Idaho	Tennessee	Oklahoma	Montana
Who has primary responsibility for oversight of the network manager contract?	Information Network of Kansas Board	Nebraska State Records Board	Information Network of Arkansas Board	Access Idaho Steering Committee	Portal Advisory Committee	Office of State Finance	Department of Administration
if primary oversight is a state agency, does that agency have an advisory board?						Yes (Internet Applications Review Board)	Yes (Electronic Government Advisory Council)
<b>Oversight Body's Primary Duties:</b>							
Gives final approval of fees to be charged	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Approves proposals for new computer applications	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Prioritizes the work of the network manager	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Reviews network manager productivity reports	Yes	No	Yes	Yes	Yes	Yes	Yes
Does long-range planning	Yes	No	No	Yes	Yes	Yes	Yes
<b>Board Members:</b>							
How many members are on the board, whether oversight or advisory?	10	12	12	6	6	7	14
Where do the members come from – i.e., who do they represent?	4 state employees, President of Kansas, Inc. and 5 members representing user associations	6 state employees and 6 members representing user associations	6 state employees and 6 members representing user associations	6 state employees	6 state employees	5 state employees and 2 members related to state government	10 state employees, 2 legislators, and 2 members representing user associations

<b>Board Staff:</b>							
How many FTE does this state have performing the day-to-day oversight tasks?	2 people designated 100% (INK Exec. Dir.) and 60% (Kansas Inc staff) of time = 1.6 FTE	2 people designated 20% of time = .4 FTE	None	.5	1.0	2 people designated 100% and 10% of time = 1.1 FTE	.6
What is the salary for <b>the primary person</b> performing the oversight work?	\$95,000 x 1.0 FTE = \$95,000	\$67,000 x .2 FTE = \$13,400	not applicable	\$50,000 x .5 FTE = \$25,000	range = \$50,000 to \$60,000	range = \$32,434 to \$54,058  x 1.0 FTE = \$32,434 to \$54,058	range = \$67,000 to \$111,500  x .6 FTE = \$40,200 to \$66,900
Who do these employees work for?	The Board	Secretary of State's Office	not applicable	Department of Administration	Department of Finance & Administration	Office of State Finance	Department of Administration
<b>Staff Primary Duties:</b>							
Liaison with other state agencies	Yes	Yes	not applicable	Yes	Yes	Yes	Yes
Day-to-day oversight of network manager	Yes	Yes	not applicable	Yes	Yes	Yes	Yes
Prepare materials for Board meetings	Yes	Yes	not applicable	Yes	Yes	Yes	Yes
<b>Portal Operations Began:</b>							
When did the state begin to contract with the network manager?	Dec. 1991	1995	1997	2000	2000	2001	2001
When did the State's portal open? (1)	Jan. 1996	Mar. 1995	Aug. 1997	May 2000	Oct. 2000	Nov. 2001	May 2001
(1) This is the date the State's official website opened. In Kansas, electronic information was available as early as 1992. Electronic information may have been available earlier in other states as well.							
Source: LPA survey of other states							

We learned that each state contracts for somewhat different web services. For example, Montana has contracted out only development and maintenance of computer revenue-generating applications, such as the purchase of fishing and hunting licenses. Also, 2 of its major state agencies—the Department of Transportation and the Department of Health—maintain their own website and electronic data. Within the time available for this audit we weren't able to develop a full understanding of all these differences or how they might affect the amount and type of oversight each state provides.

Information we gathered in our review of other states is contained in Table II-1 on page 14. That information showed the following patterns:

- **4 of the other states we contacted (Nebraska, Arkansas, Idaho, and Tennessee) have independent boards not located within a state agency that oversee their portal operations.** This is similar to what Kansas has established.
- **When oversight is placed with an independent board, most often it appears to be a board with a single focus.** Like Kansas, Arkansas, Idaho, and Tennessee all have boards whose single purpose is the oversight and development of their web portals. The Nebraska State Records Board appears to have a somewhat broader charge.
- **2 states (Oklahoma and Montana) placed primary contract oversight responsibility within a State agency and provided an advisory board.** All decisions in these states are made by one state employee, rather than an independent board.
- **When oversight is placed within a state agency (Oklahoma and Montana), it tends to be the agency responsible for information technology in the state.**
- **Staff for other states' decision-making boards were always located within other state agencies, and the level of staff support provided and the associated costs varied considerably.** Unlike Kansas, none of the boards in the other states we contacted employed their own staff. Most were staffed by employees in departments of finance or administration. The only exception was Nebraska, where the Secretary of State's Office staffs the board. Kansas had the highest staffing level for

its oversight board at 1.6 full-time-equivalent employees. At \$95,000 a year, it also had the highest paid employee providing oversight.

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***Several Options Exist for  
Overseeing the Operation  
And Development of  
Kansas' Web Portal***

In addition to the current administrative structure, we identified 3 other possible administrative structures for overseeing the operations and development of Kansas' website. Two options came from reviewing other states' oversight structures. The third option has been proposed in Senate Bill 261, which as of April 4<sup>th</sup> had passed the Senate and been referred to the House Appropriations Committee.

Senate Bill 261 would abolish the INK Board, transfer all its powers, duties, functions, and employees to Kansas Inc., and increase Kansas Inc.'s Board from 17 to 20 members. The 3 new members would represent the telecommunications industry, the Adjutant General, and the Director of DISC.

The options we considered—ranked from the least change to the current administrative structure to the most change—are spelled out below.

- Option 1:** Leave the oversight and administrative structure unchanged.
- Option 2:** Keep the INK Board as it is, but transfer the Board's staff to DISC (similar to 4 other states)
- Option 3:** Transfer the oversight function to DISC employees, and make the INK Board an advisory board (similar to 2 other states)
- Option 4:** Eliminate the INK Board and transfer the oversight function to Kansas Inc. (proposed in SB 261)

The potential advantages and disadvantages we saw for each option are presented in Table II-2 on page 18.

**None of the administrative structures we reviewed stood out as being significantly better than another.** Any of these structures could be made to work well, as long as the oversight body has a clear charge and understanding of its role in overseeing the network manager and enhancing the State's role in developing e-government.

**Table II-2  
Options for Overseeing the Contract with the Network Manager for the State's Website**

<b>Options for Oversight Structure</b>	<b>Potential Advantages Of Each Option</b>	<b>Potential Disadvantages Of Each Option</b>
<p><b>Option 1:</b></p> <p><b>No change: Keep the INK Board and staff intact, and continue to have Kansas Inc. staff provide support services</b></p>	<p>The INK Board knows the history of the website's development and has experience with the network manager and the contract. It has handled oversight of the contractor for the State since 1991.</p> <p>The INK Board has a single focus and can concentrate its efforts solely on issues related to enhancing e-government.</p> <p>The Board's current staff are experienced with the issues.</p> <p>The approval and prioritization of web development projects requested by State agencies would remain outside the control of a State agency.</p>	<p>Staffing and operating costs may be somewhat higher than under Options 2 and 3.</p>
<p><b>Option 2:</b></p> <p><b>Keep the INK Board intact, but move the Board's staff to DISC</b></p> <p>(Similar to the structures in Nebraska, Arkansas, Idaho, and Tennessee)</p>	<p>This option would have all the same potential advantages listed above for keeping oversight with the INK Board.</p> <p>Staffing costs might be able to be reduced by having DISC absorb the duties currently performed by Kansas Inc. staff, or by compensating INK's Executive Director within DISC's salary structure.</p> <p>Operating costs, such as rent and telephone expense, might be able to be reduced.</p> <p>As an employee of DISC, the person performing the functions of the current executive director would be able to better tap into the resources that DISC has to offer.</p>	<p>Kansas Inc. would lose the payments it receives from INK for salary reimbursements, rent, and other operating costs— approximately \$60,000 per year.</p> <p>If INK's Executive Director is brought in at his current salary, it potentially could cause some problems within DISC regarding salary equity issues.</p>

<p><b>Option 3:</b></p> <p><b>Make the INK Board advisory, and transfer its decision-making responsibility and staffing to DISC</b></p> <p>(Similar to the structures in Oklahoma and Montana)</p>	<p>DISC has extensive knowledge of the State's technology infrastructure and opportunities for enhancing the delivery of government services on-line. DISC currently oversees contracts with technology vendors.</p> <p>As an employee of DISC, the person performing the functions of the current executive director would be able to better tap into the resources that DISC has to offer.</p> <p>As mentioned under Option 2, some operating and salary costs might be able to be reduced.</p> <p>Might speed up the decision-making process because decisions could be made daily by DISC staff, whereas the Board makes decisions only at its monthly meetings.</p>	<p>Having DISC staff make decisions about other agencies' Internet plans could diminish the effectiveness of the independent governance model. DISC staff also cautioned that having the Department of Administration set priorities for the contractor regarding work orders for all other Kansas agencies could cause conflicts with other agencies.</p> <p>If there was significant turnover of Board members, the new Board might have a steep learning curve before it would be up to speed on all the issues involved.</p> <p>Kansas Inc. would lose the payments it receives from INK for salary reimbursements, rent, and other operating costs— approximately \$60,000 per year.</p>
<p><b>Option 4:</b></p> <p><b>Eliminate the INK Board, and transfer all its responsibilities and staff to Kansas Inc.</b></p>	<p>The Kansas Inc. Board may have a broader view of economic development and could possibly better tie together e-government initiatives with other economic development ideas.</p> <p>Kansas Inc. staff already are performing certain functions like accounting and helping with INK Board meetings and minutes.</p> <p>The approval of web development projects requested by State agencies would be outside the control of a State agency.</p>	<p>Because of its broader range of responsibilities, Kansas Inc. may not be able to devote as much time as is currently being devoted to oversight and development of the State's website. In addition, time devoted to web oversight could take away from Kansas Inc.'s other areas of responsibility.</p> <p>Kansas Inc. Board members may have a steep learning curve before they would be up to speed on all the issues involved.</p> <p>The Kansas Inc. Board would need to meet more frequently so that decision-making isn't slowed. Currently, Kansas Inc. meets quarterly, while the INK Board meets monthly.</p> <p>Staffing and operating costs may be somewhat higher than under Options 2 and 3. In addition, there could be some salary equity issues to be resolved.</p>

**Conclusion** The administrative structure that is “best” for Kansas depends on what the Legislature’s goals are. Maintaining an independent INK Board (Options 1 and 2) probably provides the highest level of independence and focus on development of the State’s website. Option 2 maintains that independence and focus while adding the potential advantage of reducing salary and operating costs. Option 2 also is like the administrative structures we saw in most other states we reviewed. But like all of the alternatives, Option 2 also has its drawbacks. Option 3 reduces the level of independence, but has the potential advantage of reducing salary and operating costs. Option 4 loses the institutional memory of the INK Board, but that could be offset by potentially enhancing the website’s role in economic development. Also, it would place the oversight responsibility with a board that has other duties and responsibilities, but decisions would be made by an independent board, rather than a State agency.

If the Legislature is interested in changing the administrative structure for overseeing development of the State’s website, it will need to review the advantages and disadvantages listed in Table II-2 and decide which goals it most wants to achieve, and which structure is most likely to accomplish those goals.

## **APPENDIX A**

### **Scope Statement**

This appendix contains the scope statement that was authorized by the Chair of the Legislative Post Audit Committee on March 10, 2003. This audit was requested by Senator Kerr and the Senate Ways and Means Committee.

## SCOPE STATEMENT

### **Information Network of Kansas: Reviewing Its Revenues, Expenditures, and Administrative Structure**

The 1990 Legislature created a public instrumentality known as the Information Network of Kansas Inc. (INK) to provide the public with electronic access to non-confidential government information, and to explore ways to expand public access to such information. INK is governed by a 10-member board consisting of the President of Kansas Inc., the Secretary of State, the heads of two executive agencies appointed by the Governor, a member of the Kansas Bar Association, three members from associations that use INK, one member from the Kansas Public Libraries Association, and the director of DISC. In addition to serving in an advisory capacity to the Secretary of Administration and other State agencies, the INK Board is responsible for hiring a network manager whose function is to manage the day-to-day operation and expansion of the gateway and network.

The INK board has hired Kansas Information Consortium (KIC) to manage the day-to-day operations of Kansas' network. KIC generates revenues through transaction fees it charges to network users. INK receives a portion of KIC's revenues and net profits. The balance sheet for INK as of January 2003, showed more than \$1.1 million in assets, most of which was cash.

Legislators have raised questions about how much money is being generated by INK's contract with KIC and how that has grown over time, what that money is being used for, and whether there is a better administrative structure for overseeing and operating the State's electronic information network. A performance audit in this area would address the following questions:

- 1. How much money is being generated by the Information Network of Kansas' contract with the Kansas Information Consortium, and is that money being used in accordance with the statutes?** To answer this question, we would review contracts between the INK board and Kansas Information Consortium. We would review the financial reports and accounting records of INK to determine how much money has been received from those contracts. We also would review the statutes to determine what the acceptable uses of moneys received by the INK board are, and review the Board's use of money to determine whether it appears to conform to the statutes. As part of this question we also would look at board minutes to determine whether the Board members are actively participating in oversight through their attendance at board meetings.
- 2. How does the administrative structure Kansas has established for oversight and operation of its electronic information network compare with other states?** To answer this question, we would look at the number and types of employees the INK board has hired, and whether their compensation seems appropriate for the duties they've been assigned. In addition, we would contact a sample of other states that operate electronic information networks and gather information about their staffing and compensation levels, staff duties, and oversight arrangements to compare with Kansas. We also would consider whether there are existing agencies such as DISC that might be able to absorb duties performed by INK's staff without the need to add employees.

**Estimated completion time: 100 hours**

## **APPENDIX B**

### **Agency Response**

On April 14 we provided copies of the draft audit report to the Information Network of Kansas, Kansas Inc., and the Division of Information Systems and Communications. Only the Information Network of Kansas provided a written response. Its response is included as this Appendix. After reviewing the response, we made some minor clarifications to the draft audit that didn't affect any of our findings or conclusions.



Barbara Hinton  
Legislative Post Auditor  
Topeka, Kansas 66612



April 18, 2003

Dear Ms. Hinton,

I wish to thank you and your staff for the opportunity to review the draft audit report entitled "Information Network of Kansas: Reviewing its Revenues, Expenditures, and Administrative Structure". I am the Chair of the INK Board of Directors. My background is from the private sector insurance industry. Over the past several years, I have enjoyed representing private sector interests on the INK Board and I know first-hand the value of the private sector and government partnership created to direct and provide oversight for the INK operations. The 1991 statute, which created INK, truly reflects Kansas' traditional values for open and easy-to-use access to government information and services for businesses and citizens.

INK Board members, our agency partners, our small staff, and Kansas Information Consortium, Inc have all contributed greatly to the success of our State's portal. The portal has received many national awards from universities, public as well as private sector associations, magazines, and national rating agencies. As your report accurately shows, the portal generates over \$8.2 million yearly in gross revenues and provides over 300 state of the art applications/services to businesses and citizens. Many of these applications and services are free to users of the network. Most significant, the INK network is the port of entry to over 380,000 web pages. The INK network portal also provides at no charge, e-mail accounts to legislators, direct electronic access to state as well as local units of government, and a host of applications that reduce the cost of government and directly reduce the cost of doing business with government in Kansas. The Kansas Business Center (opening and sustaining a business in Kansas), the e-Trucking portal (transporting goods in Kansas), access to court records and professional licensing applications are only a few of the many examples of how the portal benefits businesses and citizens of Kansas every day.

Your audit is thorough and your staff demonstrated high professional standards, also the audit draft I reviewed was very well written. The auditors did a remarkable job understanding the fundamental operations of INK in such a short time. In reviewing the audit, I noted only a few areas that merit clarification.

On page 6 of the audit, the draft states that, "in recent years the Board has hired a certified public accounting firm to verify that Kansas Information Consortium, Inc remitted the correct amounts to INK." More correctly, INK has used the services of public accounting firms for auditing from the very beginning.

On page 8, the draft mentions that the auditors did not "attempt to determine if the new contract terms would be revenue neutral." The Board made every attempt to sustain

the favorable revenue flow to INK from the portal. We reviewed in painful detail the formulas used in the 1991 INK/KIC contract and compared the formulas to a much simplified percentage revenue share formula that appears in the current contract.

On page 11, the audit discusses the Board's executive session held on February 22, 2002. The report mentions that the auditors would like more information about why the executive session was called. I attended this meeting and I recall that the session was called to discuss the Board's desire to re-bid the network. The discussion included items that would appear in the RFP and would be a part of the final contract negotiations. The Board was concerned that the information discussed would directly benefit KIC, who was in attendance at the meeting, and would provide an unfair advantage over other bidders who were not in attendance. We felt that the decision to go into executive session would be in the best interests of the State and that State procurement laws may be violated if we allowed KIC an advantage over other prospective bidders.

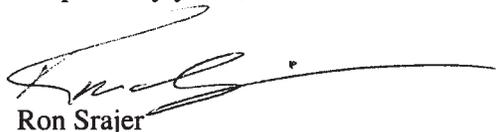
Also, on page 11, the audit recommends that Board motions for executive session include the justification and subject of the executive session. We have adopted your recommendation in full. INK legal counsel has reviewed language from the open meetings statute that stipulates the justification, subject and duration before entering into executive session and that language was used at the April 2002 Board meeting.

On page 12, there is a discussion of INK staffing. The draft audit shows that INK has 1.6 FTE consisting of an INK Executive Director (1.0 FTE) and Kansas, Inc. clerical/administrative support staff (0.6 FTE). I believe the INK Board would seriously consider reducing the Kansas Inc. staff support. Our Executive Director has taken over many of the administrative functions that were previously provided by Kansas Inc. The Kansas Inc. FTE staffing level is scheduled for INK Board discussion in May.

Finally, on page 17, the draft audit presents four options for governing the portal. I believe the option most beneficial to the continued development of the portal would be option 1. As the audit reflects, this option is the best for directing further development of the portal. I also believe Option 2 would be of interest to the Board. Under this option the INK Executive Director would transfer to DISC and the Board would be in a position to reduce, if not eliminate the need for Kansas Inc. staffing.

In closing, thank you very much for the opportunity to review the draft audit. Again, let me acknowledge that your staff did an excellent job in a very short period of time. Please let me know if I can provide any additional information.

Respectfully yours,



**Ron Srajer**  
**Information Network of Kansas Inc.**  
Board of Directors, Chair  
**Insurance Management Associates of KS**  
Vice President of Business Development