



KANSAS LEGISLATIVE
DIVISION *of*
POST AUDIT

A Limited-Scope Performance Audit Report Presented to the Legislative Post Audit Committee

Evaluating SOFTwarfare, LLC’s Use of Building a Stronger Economy (BASE) 1.0 Grant Funding

February 2025

Report Number: L-25-003

Introduction

Senator Tory Marie Blew requested this limited-scope audit, which was authorized by the Legislative Post Audit Committee at its September 10, 2024 meeting.

Objectives, Scope, & Methodology

Our audit objective was to answer the following question:

1. Did SOFTwarfare, LLC spend BASE 1.0 grant funding in alignment with its grant award?

The scope of our work included reviewing detailed documentation such as receipts and invoices for SOFTwarfare's BASE 1.0 grant expenditures and matching contributions from July 1, 2022 through September 30, 2024. SOFTwarfare's grant project is not complete, so this audit is limited to the information that was available at the time of our work.

We calculated the amount of SOFTwarfare's grant expenditures and matching contributions by calendar year quarter and category. We then compared SOFTwarfare's grant spending and matching contributions to the requirements in their award agreement with the Kansas Department of Commerce. We evaluated if the spending met the contractual requirements. The agreement includes a variety of requirements, but this audit focused solely on the ones related to how and when SOFTwarfare was allowed to use grant and matching funds.

More specific details about the scope of our work and the methods we used are included throughout the report as appropriate.

Important Disclosures

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Overall, we believe the evidence obtained provides a reasonable basis for our findings and conclusions based on those audit objectives.

Audit standards require us to report limitations on the reliability or validity of our evidence. In this audit, we relied on the detailed documentation SOFTwarfare provided to us. We intended to compare that documentation to the Department of Commerce's quarterly records on SOFTwarfare's spending. We saw evidence the department received quarterly reports from SOFTwarfare for the 9 calendar year quarters we expected to see. However, Commerce officials only provided spending totals for the first 3 quarters of the contract period. This limited our ability to compare our spending calculations to the department's official records to ensure the detailed documentation SOFTwarfare provided to us during the audit was

complete. Given the limited scope of this audit, we did not review the department's grant oversight process.

Our audit reports and podcasts are available on our website www.kslpa.gov.

SOFTwarfare, LLC spent BASE 1.0 grant funds on items generally allowed in its grant award, but it did not spend all funds within 2 years as the original contract required.

Background

The Building a Stronger Economy 1.0 grant program (or BASE 1.0 grant program) awarded almost \$100 million in federal funds to Kansas businesses for infrastructure development.

- The Strengthening People and Revitalizing Kansas Executive Committee created the BASE 1.0 grant program in December 2021. It used federal American Rescue Plan Act (ARPA) pandemic funds to help with infrastructure development associated with economic development projects. This funding was open to a variety of entities for projects that were delayed or slowed because of the COVID-19 pandemic. These entities included local governments, economic development organizations, community foundations, and nonprofits. It also included private developers, commercial property owners, main street programs, local water districts, and tribes in Kansas.
- Recipients of BASE 1.0 grant funding could use it for a variety of purposes. These purposes included projects to develop or renovate business parks, parking facilities, industrial offices, and infrastructure such as water and utilities. Recipients were required to complete these construction projects within 2 years of signing a grant agreement. They were also required to provide at least 25% in matching funds toward the project.
- The Kansas Department of Commerce administered the BASE 1.0 grant program. The department was responsible for reviewing applications and selecting award recipients. It also was responsible for monitoring recipients' grant spending and performance.
- Commerce accepted applications for the BASE 1.0 grant program from January 31, 2022 to February 28, 2022. The department ultimately awarded \$99 million in funding to 35 recipients by April 13, 2022.
- Commerce also administered a second round of BASE grant funding called the BASE 2.0 grant program. That program accepted applications from January 3, 2023 to January 31, 2023. Commerce awarded an additional \$50 million in federal funds through the BASE 2.0 grant program. This audit does not include a review of BASE 2.0 grants. It is limited to a single recipient of the BASE 1.0 grant program.

The Department of Commerce reviewed applications to the BASE 1.0 grant program and determined which businesses would receive funding.

- Department staff used a standardized rubric and their discretion to score and select awardees for the BASE 1.0 grant program. Staff told us their review process consisted of 3 main steps:
 - Eligibility review: Commerce used a third-party vendor, Witt O'Brien's, to review applications for the BASE 1.0 grant to ensure they were eligible for the award. According to officials, this included checking for basic requirements like matching funds and that each applicant submitted no more than 3 project applications.
 - Application scoring: Commerce staff told us 2 department staff members reviewed each application independently using a standardized scoring rubric. The rubric allowed a maximum of 155 points for each application based on 10 criteria. These criteria included things like the project's description and scope, funding need, budget, business and marketing plans, and letters of support. Staff said the 2 reviewers' total scores were averaged to calculate each applicant's final score.
 - Final selection: Staff said the Secretary of Commerce used his discretion to select the applicants that received a BASE 1.0 grant award. They said the secretary considered the application scores and other factors such as geographic location, project type, and amount of funding requested when making the final award selections. Staff told us the secretary reviewed applications on a continuous basis, as applications were reviewed and scored. They said the department did not have a minimum threshold for applicants' scores needed to receive funding.
- We did not evaluate the department's overall eligibility, application, and selection process in this audit. Instead, that process is the objective of a separate limited-scope audit by Legislative Post Audit. Additional information about the department's process to review and approve grant applications will be described in that audit.

The Department of Commerce awarded SOFTwarfare a BASE 1.0 grant in April 2022 to build a data center in Great Bend, Kansas.

- SOFTwarfare is a cybersecurity and software manufacturing company headquartered in Prairie Village, Kansas. It was founded in 2017. The company develops products to help clients secure access to sensitive technology, networks, and devices and to meet regulatory requirements. For example, SOFTwarfare's two primary products are biometric multifactor authentication software and software that enables integration with application programming interfaces (or APIs). SOFTwarfare officials told us the company serves clients in a variety of sectors, including private businesses, government agencies, and defense contractors. As of December 2024, they reported

having about 40 total employees between its Prairie Village location and remote workers in a few other states.

- SOFTwarfare's application to the BASE 1.0 grant program was dated February 28, 2022. Commerce staff gave the application 140 points (the average of the 2 reviewers' scores) out of the 155 points possible. We did not review other award recipients in this audit so we don't know how SOFTwarfare's application score compared to other grant applications. We also couldn't evaluate when Commerce staff scored SOFTwarfare's application because the program Commerce used to do the scoring did not retain the review dates.
- The department announced awardees for the BASE 1.0 grant program on April 13, 2022. Among other recipients, Commerce awarded SOFTwarfare \$3 million in grant funds to develop a new data center in Great Bend. The total project cost was estimated at \$4 million and the award called for SOFTwarfare to provide 25% matching funds (\$1 million). SOFTwarfare officials described their long-term plans for the Great Bend project as having two main components:
 - A modular data center: This was the focus of SOFTwarfare's grant application. According to the application, the data center would house a series of computer servers to allow SOFTwarfare's clients to access their biometric software. It also would allow the company to increase its capacity to provide software services to their customers. The application also described how the data center would create new jobs needed to build the facility, maintain the data center's infrastructure, and develop and facilitate software delivery using the servers.
 - An educational cybersecurity range: This wasn't part of the company's grant application, but SOFTwarfare officials told us is part of their long-term plans for the Great Bend facility. The hands-on cybersecurity simulation unit would be used to educate local K-12 students on cybersecurity topics through activities like mock hacking. Officials said their long-term goal is to help train young people in the area to be future cybersecurity professionals. They told us the cybersecurity simulation range also would create new jobs for cybersecurity-trained staff, but that these plans are still being developed.

SOFTwarfare, LLC's BASE 1.0 Grant Expenditures

SOFTwarfare's grant agreement allowed them to use grant funds for construction and equipment costs and matching funds for permitting, inspection, and administrative costs.

- Commerce and SOFTwarfare signed a grant agreement on July 6, 2022. Commerce then distributed \$3 million in grant funding to SOFTwarfare in 2 installments. They provided half of the total grant award (or \$1.5 million) to

SOFTwarfare on July 15, 2022. They provided the remaining \$1.5 million on January 12, 2023.

- The grant agreement included numerous conditions SOFTwarfare was required to meet. In this audit, we focused only on the requirements for how and when SOFTwarfare was allowed to spend grant funds and matching contributions.
 - The award agreement allowed SOFTwarfare to spend the \$3 million in grant funds to purchase land, construct a building, and equip it with plumbing, HVAC, and data center components. The agreement also allowed SOFTwarfare to spend grant funds on a solar power system to provide backup power to the data center. SOFTwarfare was required to spend all grant funds by July 6, 2024, 2 years after the agreement was signed.
 - The agreement required SOFTwarfare to spend matching contributions to pay for a portion of the costs to purchase land, insurance, building permits, and inspection fees. SOFTwarfare was required to contribute at least 25% of the total project costs in matching funds, or \$1 million of the estimated \$4 million in total project costs. The agreement allowed SOFTwarfare to spend matching funds on administrative costs such as payroll, utilities, and a few miscellaneous design and survey fees. We couldn't evaluate specific limits on certain types of matching expenses because the project and its associated spending weren't complete at the time we did our work.
- The agreement also included estimated timelines for when the major expenses would be incurred. For example, the award agreement estimated SOFTwarfare would buy land and order data center equipment in the second, third, and fourth quarters of calendar year 2022. The agreement estimated the building would be constructed in the first two quarters of calendar year 2023 and a solar power system would be installed in the second quarter of calendar year 2023.

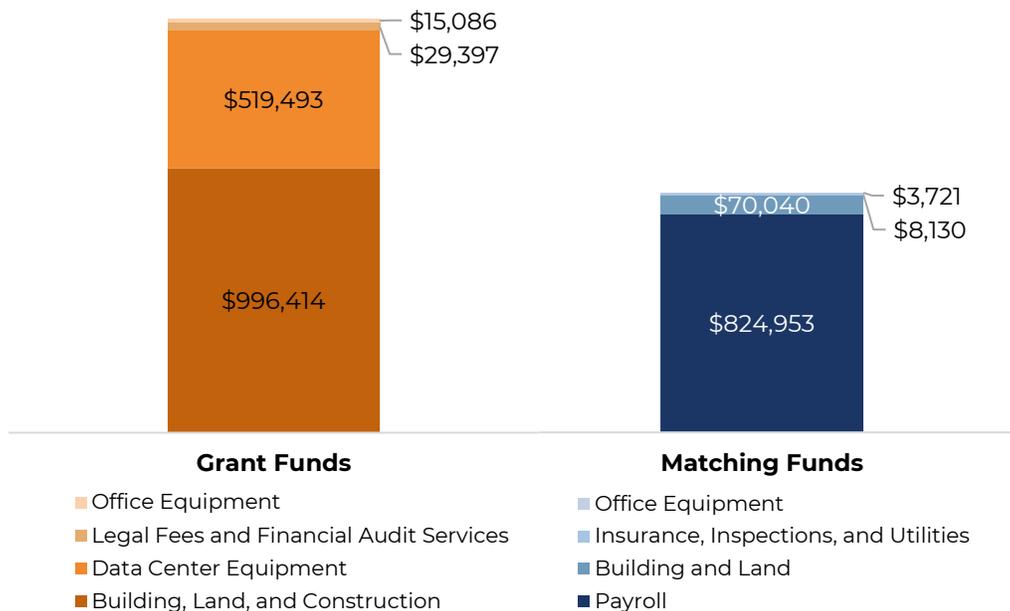
As of September 30, 2024, SOFTwarfare spent grant funds on the types of items allowed in the award agreement.

- We reviewed receipts, invoices, credit card statements, and other spending documents to determine how and when SOFTwarfare spent its grant funds. SOFTwarfare's project to build a data center in Great Bend was still ongoing at the time of our work. Therefore, the spending documentation we reviewed included SOFTwarfare's expenditures through September 30, 2024. This was the most recent quarter of data available at the time of our audit. We discuss SOFTwarfare's spending extending past the contractual deadline of July 6, 2024 later in the report.
- The amounts in this report are Legislative Post Audit's calculations based on the spending documents SOFTwarfare provided. We could not confirm the

documents were complete or that the totals matched the Department of Commerce’s official records. That’s because the department couldn’t provide them. The department collected reports from SOFTwarfare for each quarter, but only the first three quarters of the contract period included spending totals. We did not evaluate Commerce’s oversight processes for monitoring grant recipients as part of this audit.

- As of September 30, 2024, SOFTwarfare had spent \$1.56 million (52%) of their \$3 million grant award on costs associated with the Great Bend data center. **Figure 1** shows the amount of grant and matching funds SOFTwarfare spent by expenditure type.

Figure 1. As of September 30, 2024, SOFTwarfare spent most of its grant funds on land and building costs and most of its matching funds on payroll costs.



Source: LPA analysis of SOFTwarfare spending documentation through 9/30/24 (audited).

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- As the figure shows, SOFTwarfare spent the largest amount of grant funds on building, land, and construction costs. The company used:
 - Nearly \$1 million (64%) of grant funds to buy land with an existing building in Great Bend and to renovate it. This included the escrow deposit and property tax costs for the building and costs to improve insulation and flooring.
 - \$519,493 (33%) of grant funds to purchase equipment needed for the data center. This included costs to buy data boxes that will eventually house the servers for the data center. Data boxes are essentially international

shipping containers that help ensure the data servers are kept in the proper environmental conditions, including temperature and moisture levels.

- \$29,397 (2%) of grant funds to pay for legal fees and financial audit services.
- \$15,086 (1%) of grant funds to pay for office equipment such as computers, chairs, and building cameras.
- We went to Great Bend and saw the data center project in December 2024. At that time, we toured the warehouse and attached office space and observed many of the items shown in the spending documentation. For example, we saw the building insulation and floors, a data box for servers, and the plumbing, cooling, and fire suppression systems. We also toured the office space and saw that it included office equipment like desks, chairs, and computers. However, we did not verify that those items were the specific ones shown in the spending documentation because of the limited scope of this audit.

Some of these expenditures differed significantly from the specifics in the award agreement but Commerce staff accepted the deviations.

- We noted several differences between the expenditures the grant agreement allowed and SOFTwarfare’s actual spending. For example, the award agreement reflected SOFTwarfare’s initial plans to purchase land, construct a new building, and install a solar power system as a backup energy source. However, SOFTwarfare ended up purchasing an existing building instead of constructing one. This significantly changed the amount the company spent on certain expense categories compared to the original plans in the agreement. They also hadn’t yet purchased or installed a redundant power source, but SOFTwarfare officials told us they were no longer pursuing solar power because of supply chain delays.
- Even though SOFTwarfare’s actual expenditures were different than the agreement envisioned, they appeared to reasonably align with the contract’s overall purpose of building a data center. Further, we saw evidence that SOFTwarfare regularly communicated these changes to Commerce staff through its quarterly report process. Commerce required BASE 1.0 grant recipients to provide spending documentation and other supplemental documents showing their use of grant and matching funds.
- Commerce staff approved SOFTwarfare’s spending as aligning with contractual requirements by accepting SOFTwarfare’s quarterly reports (which included detailed spending documentation) through September 30, 2024.
- Although SOFTwarfare’s spending appeared to generally align with the overall purpose of the grant award, the changes in their development plan also likely

resulted in significantly different economic effects than SOFTwarfare described in its initial application. For example, buying an existing building rather than constructing a new building likely created fewer temporary construction jobs. However, neither the grant nor the award agreement included job creation or capital investment requirements.

As of September 30, 2024, SOFTwarfare also spent matching contributions on the types of items allowed in the award agreement.

- We reviewed receipts, invoices, credit card statements, and other spending documents to determine how and when SOFTwarfare spent its matching contributions through September 30, 2024.
- As of September 30, 2024, SOFTwarfare had spent \$907,000 in matching contributions for the Great Bend data center. The agreement required SOFTwarfare to provide 25% matching funds (or an estimated \$1 million). As **Figure 1** shows, SOFTwarfare spent the largest amount of matching funds on payroll. The company used:
 - \$824,953 (91%) of matching funds for salaries or payroll expenses associated with developing the Great Bend location. It included costs for staff to meet with contractors, order equipment, and work with Commerce staff on grant reporting.
 - The largest portion of the matching funds for payroll expenses (\$700,000 or 85%) was for staff salaries from January 2019 to April 2022. This was before the grant award was made. SOFTwarfare officials told us these staff developed the software that will be served by the Great Bend data center.
 - We could not verify details about these pre-award staffing expenses because detailed supporting documentation was not available. For example, we could not verify that the listed staff worked on activities for the Great Bend data center or the portion of their time they spent on those activities. However, Commerce approved this expense as an allowable use of matching contributions upfront and included it in the award agreement as an allowable category.
 - \$70,040 (8%) of matching funds to pay for a portion of the building and land costs.
 - \$8,130 (1%) of matching funds to pay for insurance, inspections, and utilities. This included costs to complete property inspections, HVAC and sewer inspections, and land surveys as part of the land and building purchase. It also included costs to provide gas and electric utilities to the data center.

- \$3,721 (less than 1%) of matching funds to pay for office equipment. This included costs for a computer and computer equipment.

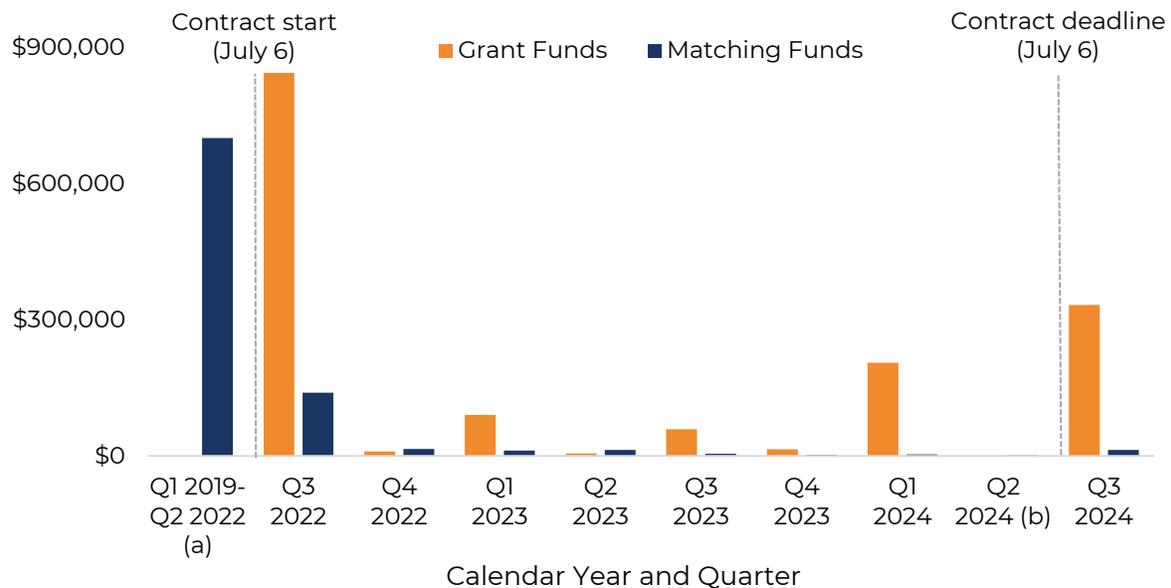
Some of the matching fund expenses also differed from the specifics in the award agreement but Commerce staff accepted the deviations.

- We noted some differences between the matching expenditures the grant agreement allowed and SOFTwarfare's actual spending. For example, the award agreement reflected SOFTwarfare's initial plans to use matching funds to pay for architectural designs and construction plans needed to construct a building. However, SOFTwarfare didn't have design and planning costs because they purchased an existing building. The company instead spent more matching funds on insurance, inspections, and utilities than the agreement planned.
- Even though SOFTwarfare's actual expenditures of matching funds were different than the agreement envisioned, they appeared to reasonably align with the contract's overall purpose of establishing a data center.
- Commerce staff approved SOFTwarfare's matching contributions as meeting requirements by accepting SOFTwarfare's quarterly reports through September 30, 2024.

SOFTwarfare didn't spend all the grant funds by July 6, 2024 as the contract required and Commerce officials did not proactively adjust the deadline.

- The award agreement required SOFTwarfare to spend all grant funds by July 6, 2024 and submit a final report by October 31, 2024.
- As of June 30, 2024, SOFTwarfare had spent \$1.23 million of its grant funds (meaning \$1.77 million remained). **Figure 2** shows the amount of grant and matching funds SOFTwarfare spent by quarter. As the figure shows, SOFTwarfare spent most of the grant funds soon after receiving the grant award. Spending trailed off during 2023 and much of 2024. According to SOFTwarfare and Commerce officials, SOFTwarfare was still developing the Great Bend data center and had grant funds remaining to be spent as of January 2025. However, the contractual deadline for spending had passed.
- SOFTwarfare recognized that its project was behind schedule. They requested two extensions to the July 6, 2024 deadline via email. They initially requested an extension on August 10, 2024 and the second on December 2, 2024. However, those requests were made after the initial deadline passed.
- Commerce officials did not provide an official response to SOFTwarfare's initial request made in August 2024. However, the contracting agency overseeing the remaining BASE 1.0 grant recipients (Witt O'Brien's) granted the second request on December 2, 2024. Witt O'Brien's approved delaying the deadline for grant spending to June 30, 2025 via email. Commerce and SOFTwarfare executed a revised contract with a June 30, 2025 deadline on January 23, 2025.

Figure 2. SOFTwarfare spent most of its grant and matching funds in the first quarter after receiving the BASE 1.0 grant.



(a) SOFTwarfare incurred these matching fund expenses between January 1, 2019 and April 19, 2022.

(b) SOFTwarfare spent almost \$1,300 in grant funds in the second quarter of 2024.

Source: LPA analysis of SOFTwarfare spending documentation through 9/30/24 (audited).

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Commerce officials told us they allowed SOFTwarfare’s spending to extend past the contractual deadline because it’s common for economic development projects to take longer than originally planned.

- In this case, they said SOFTwarfare officials had regularly communicated with department staff about changes to and delays in their development plans, especially if supply chain issues contributed to the delays. Finally, Commerce officials told us their interpretation of federal rules allows companies to spend BASE 1.0 grant funds through December 31, 2026. They said they view that deadline as the most important.
- However, not enforcing or proactively managing the contract timelines diminishes the purpose of the award agreement. By not amending contractual deadlines before they pass, it makes it more difficult for the department to hold grant recipients accountable to deadlines and to enforce associated penalties such as clawbacks.
- According to SOFTwarfare officials the last major expense to finalize the project is the installation of a redundant energy source. They told us they have shifted from looking at solar power to other energy sources. They also said they plan to install additional data boxes to house more servers, but the

spending for those boxes and associated servers will not use BASE 1.0 grant funds.

- As of December 2024, SOFTwarfare had not hired any staff in Great Bend and was still making plans for how many staff the facility would need. SOFTwarfare officials told us they dedicated two staff to manage the company's hiring plans at the Great Bend facility for implementation in 2025. The grant and award agreement did not specify the number of staff SOFTwarfare was required to hire or when.

Recommendations

We did not make any recommendations for this audit.

Potential Issues for Further Consideration

We identified one issue that might be worth evaluating in more detail, but because of the limited scope of the audit, we did not have time to fully develop the issue. Although we had unresolved questions about the following issue, more audit work would be needed to determine whether it's an actual problem.

1. We had questions about the Department of Commerce's oversight processes for monitoring BASE 1.0 grant recipients' ongoing progress. Based on our work in this audit, it appears Commerce changed its reporting process over time and transitioned duties across multiple staff. It also ultimately delegated grant monitoring to an outside contractor, Witt O'Brien's. Current Commerce officials could not readily provide information about things like cumulative and quarterly spending totals or the detailed steps for how and who completed quarterly reports.

Agency Response

On January 21, 2025 we provided the draft audit report to the Department of Commerce and SOFTwarfare, LLC. Their responses are below. SOFTwarfare officials generally agreed with our findings and conclusions. Commerce officials expressed concerns about 3 findings. We carefully reviewed the information Commerce officials provided but did not change our findings or conclusions for the following reasons:

- **The agency contends that we did not reasonably understand why SOFTwarfare's spending deviated from the original award agreement.** We did not evaluate the reasons SOFTwarfare's grant and matching fund

spending deviated from the original award agreement. However, we described how the company's spending deviated from the agreement because we think it's important to developing a full and accurate picture of the company's grant spending. The audit did not identify problems with those deviations.

- **The agency contends that we did not reasonably understand deviations from the original timelines in the award agreement.** In line with the audit question, we determined SOFTwarfare did not spend the funds within the original contract timeline. We did not evaluate the reasons why given the limited scope of the audit, but we believe the report provides sufficient context.
- **The agency contends that we incorrectly concluded the award agreement was problematic because it didn't include job creation or capital investment requirements.** We did not conclude the award agreement was flawed by not including job creation or capital investment requirements. We described that those weren't requirements of the BASE 1.0 grant or SOFTwarfare's award agreement to provide context for why SOFTwarfare's lack of hiring at the Great Bend location didn't violate the agreement.

Department of Commerce Response

January 28, 2025

Legislative Post Auditor
Ms. Chris Clarke
800 SW Jackson, Suite 1200
Topeka, KS 66612

Dear Ms. Chris Clarke:

The Department of Commerce (Commerce) has reviewed the Performance Audit Report titled, "Evaluating SOFTwarfare, LLC's Use of Building a Stronger Economy (BASE) 1.0 Grant Funding". BASE 1.0 was created from American Rescue Plan Act (ARPA) funding, allocated by the Strengthening People and Revitalizing Kansas (SPARK) Executive Committee, to address infrastructure and economic development needs that were delayed or slowed due to COVID-19 in an effort to expand the state's base of businesses and residents.

Commerce has concerns over the audit's inability to reasonably understand deviations from originally identified expenses and timelines in this grant. The audit also flags the grant agreement for not including job creation and capital investment despite the fact those are not criteria for the BASE grant program or specific grant goals identified in SOFTwarfare's grant application. Furthermore, Commerce has concerns with the audit's questions regarding our oversight process. LPA's concluding statement on page 13 in the audit is also outside the scope of the audit and speculative.

Most importantly, the audit fails to focus on the following key points:

- SOFTwarfare is in full compliance with its grant agreement.
- SOFTwarfare has established a place of business in Great Bend.
- SOFTwarfare is in the process of hiring local staff and has staff from other operations rotating through until local staff is hired.
- SOFTwarfare had a successful grant that is in line with the BASE program.

BASE 1.0

Thirty-five applicants were awarded funding in BASE 1.0 including SOFTwarfare. The SOFTwarfare project is a great example of an economic development opportunity in rural Kansas. This project's purpose was to design and operate a modular micro data center that provides trusted cybersecurity authentication and integration solutions and to help diversify the economy of Great Bend, Barton County and the region. The company's model is to support Kansas manufacturing corporations in meeting new government required standards for cybersecurity. The company continues to be compliant with the grant agreement, communicates regularly with both Commerce staff and consultants and is making great progress on their project. On October 24, 2024, SOFTwarfare had an official ribbon cutting ceremony in Great Bend and has hired staff dedicated to this operation.

Deviations in Expenses

Relatively minor deviations in spending identified by the audit are standard in any grant program, but especially for programs that include large awards with significant capital investment projects. There are many project details that can change from the time the grant application is submitted, to the grant award being executed and the grantee receiving funding, including:

- Increases or decreases in the cost of materials,
- Shifts in the market,
- Changes in real estate, and
- Availability of services and products.

Due to these factors, grantees are permitted some programmatic discretion in implementing their overall project, though budget deviations greater than 10% from one budget category need prior approval by Commerce. The decision to construct a new building versus acquiring an existing building (like in SOFTwarfare's situation) is best made by the business, rather than by a state agency, especially given supply chain and inflationary pressures that are unique to the cybersecurity sector.

Deviations in Timelines

Much like deviations in expenses, changes in the timeline occur regularly when administering grants. These differences are not problematic, because there is regular and continuous communication regarding the project between the grantees, Commerce staff and consultants. Additionally, a grantee is allowed to continue their project pending a no-cost extension if the grantee is compliant with reporting and in regular communication with Commerce. This was the case with SOFTwarfare. It has been our practice to amend the grant agreement to show the

timeline extension. However, we will not ask a grantee to stop their project until the paperwork is completed because pausing a construction project *costs a business money*. Putting a pause on the project is not beneficial for the grantee or Commerce and could have negative impacts on the project and hinder the grantee's ability to complete a project.

Ultimately, these deviations in expenses and timelines were not out of the ordinary; were not material; and did not cause problems with federal or state compliance. SOFTwarfare has continued to make progress on the project and remains in alignment with their stated project goal.

Grant Agreement Requirements

The audit mentions, several times, requirements that were not included in the grant agreement, including any job creation or capital investment metrics. While many of our economic development programs require job creation or capital investment, the BASE grant did not. The purpose of the BASE program was to address economic development opportunities and build long-term infrastructure in sectors - like cybersecurity - as part of a strategy to strengthen the Kansas economy. Furthermore, SOFTwarfare's grant application did not identify a specific number of employees they would hire or by when. It also did not identify a total capital investment amount. Their programmatic purpose was the development of a cybersecurity facility in a rural community, which diversifies the economy of one region and provides new, higher paying job opportunities for residents.

We believe this audit shows that SOFTwarfare has performed exceptionally well and is in alignment with their original BASE application. Commerce will continue to work diligently with all BASE 1.0 grantees, including SOFTwarfare, to ensure their projects stay true to their purpose and accomplish their goals.

Sincerely,

David C. Toland
Lt. Governor and Secretary

SOFTwarfare Response

Dear Ms. Rottinghaus:

SOFTwarfare® expresses its appreciation for the opportunity to respond to the audit report relating to our use of Building a Stronger Economy (BASE) 1.0 Grant Funding. We fully recognize the critical importance of ensuring that grant funding is allocated and utilized responsibly, and in accordance with its stated objectives.

SOFTwarfare is a Kansas based leader in cybersecurity software manufacturing with commercial and public sector clients, specializing in authentication and integration solutions. SOFTwarfare is the global leader in Zero Trust Identity®. Our flagship products are BioThenticate®, a passwordless biometric multi-factor authentication (MFA) solution, and PangaeAPI®, an integration platform as a service (iPaaS) for

securing API integrations. SOFTwarfare secures authentication and access to highly sensitive operational technology, networks, and devices, helping customers across industries and the Department of Defense meet regulatory compliance initiatives, such as the Cybersecurity Maturity Model Certification (CMMC) requirements.

The BASE grant has been pivotal in developing a vital asset for Kansas: the Trusted Cyber Security Identity Cloud for Kansas Manufacturers in Great Bend. This infrastructure enhances the cybersecurity readiness of our manufacturing sector and protects the state's economic stability and essential infrastructure. It will pay dividends by providing infrastructure development and aiding workforce development with high-paying jobs for the rural economy.

We commend the Department of Commerce for its decision to facilitate grant programs like BASE and its unwavering support to grantees. These continued efforts, in conjunction with initiatives such as the Angel Investor Tax Credit program, are essential for driving innovation and economic development within the state, especially for businesses like ours.

We are gratified that the audit report was completed without recommendations. We have been and continue to be firmly committed to the grant's requirements relating to fiscal management and we believe that it is our responsibility to maximize the impact of this funding and to deliver a robust, secure solution that will benefit Kansas manufacturers and the broader state economy.

Thank you again for your commitment to accountability and transparency. We value our partnership with the state of Kansas and look forward to our continued collaboration in advancing its economic and technological future.

Respectfully,

Wyatt Cobb
Chief Executive Officer
SOFTwarfare