

Approved: March 14, 2012
Date

MINUTES OF THE SENATE COMMERCE COMMITTEE

The joint meeting of the Senate Commerce Committee and the House Commerce and Economic Development was called to order by Chairperson Susan Wagle at 12 noon on January 25, 2012, in the Old Supreme Court Chamber, Room 346-S at the Capitol.

All members were present except
Senator Jay Emler - excused

Committee staff present:

Ms. Margaret Cianciarulo, Committee Assistant
Mr. Reed Holwegner, Kansas Legislative Research Department
Mr. Jason Long, Office of the Revisor of Statutes
Mr. Chuck Reimer, Office of the Revisor of Statutes

Conferees appearing before the Committee:

Mr. James Snyder, BKD, LLPF Forensics and Valuation Services

Others attending:

See attached list.

Kansas Bioscience Authority Audit

Upon calling the meeting to order, Chairman Susan Wagle stated, after the Senate Commerce Committee delved into the operations of KBA last year, an audit was ordered. Senator Wagle wanted to share with the House Commerce and economic Development Committee the results of the Forensic Audit. She then recognized Mr. James Snyder, BKD, LLPF Forensics and Valuation, who is standing in for the lead forensic auditor, Ms. Woody-Coussens from BKD, and who would be giving the Committees a broad brush of the audit.

Mr. Snyder gave a brief history of BKD and stated he would like to cover 3 basic areas: the breadth and scope of their Forensic Audit; the review and oversight process for their findings and conclusions, and a summary of the Primary areas of report findings. A copy of his testimony is Attachment 1.

A copy of the following can be found in the office of Chairperson Wagle:

- A.) The Executive Summary (the green sheets)
- B.) The short version of the Forensic Audit dated January 28, 2012 containing
 - 1. A KBA prepared summary of the Forensic Audit Reports
 - 2. The full text of BKD's Forensic Audit Report

CONTINUATION SHEET

The joint meeting of the Senate Commerce Committee and the House Commerce and Economic Development Committee at 12 noon on January 25, 2012, in the Old Supreme Court Chamber, Room 346-S at the Capitol.

3. The full text of Meara Welch Browne's Forensic Audit Report

C.) The hard copy of the complete Forensic Audit Report including:

1. The Forensic Audit dated December 31, 2012 (gold sheets)
2. Exhibits (white sheets)
3. Forensic Audit Report regarding the financial commitments to CIBOR, Inc.

Also, the complete Audit Report can be accessed at <http://www.kansasbioauthority.org>.

Chairperson Wagle thanked Mr. Snyder and asked for questions from both Committees including:

- 1.) Their concerns: with altered documents (ex. Bonus or salary information where responses were varied and it became apparent the Committee could not rely on information received), and method of communication.
- 2.) Is the problem we have, structural issues with the KBA or unethical management with inadequate or non-existent oversight (Reference top of page 133.)
- 3.) Regarding Mr. Thornton's \$4700 reimbursement, is this a result of the Audit?
- 4.) What have you found as an Auditor as a result of this report, and what are his recommendations?

Discussion ensued concerning:

- 1.) The scope and breadth (ex. the 3-10 time line & the 30-day backup);
- 2.) The "J" drive (reference to page 103 and reciprocity of erasing the drive);
- 3.) The jobs created (ex. Quintille jobs) and where the money has gone (especially with the venture accelerator, non-substantive research costs, and overhead.);
- 4.) Conflict of interest (reference page 144 and 145.)