

Information Network of Kansas Board Meeting Minutes

June 2020 INK Board Meeting June 4, 2020

Opening

A meeting of the INK Board was called to order via teleconference at 10:05 a.m. on Thursday, June 4, 2020 by Secretary of Revenue Mark Burghart with the following members present:

Jennifer Cook, representing the Secretary of State
Doug Gaumer, representing the Kansas Bankers Association (*joined call at 10:08 a.m.*)
Lucas Goff, representing the Kansas Association of Counties (*joined call at 10:24 a.m.*)
Jim Haugh, representing the Secretary of Commerce
Gregg Wamsley, representing the Kansas Library Association
Glen Yancey, representing the Executive Branch Chief Executive Technology Officer

Others Present

Leslie Moore, Kansas Bureau of Investigation; Tim Shultz, Board Counsel (Goodell, Stratton, Edmonds & Palmer); Duncan Friend, Information Network of Kansas; Suzie Schmitz, Payit, LLC; Nolan Jones, Ashley Gordon, and James Adams of the Kansas Information Consortium, LLC.

Consent Agenda

The consent agenda for the meeting listed draft minutes for the March 5, 2020 regular INK Board meeting, the March 13, 2020 special INK Board meeting, and the May 7, 2020 regular INK Board meeting, along with the May 2020 Network Manager Report. It also included contracts for approval for KanPay Counter services (a fee service) for Geary County RWD #4 and Jefferson County Fire District #11.

Action Taken: Cook moved to approve the items on the Consent Agenda except for the March 5 and March 13 minutes which were not yet available. Yancey seconded the motion. No discussion. Approved unanimously.

Regular Agenda

1) KBI Scrap Metal Project Update

Jones and Moore provided an update on the progress of the implementation of the KBI Scrap Metal Project as go-live was imminent and it appeared they would be able to make that date. Jones confirmed that KIC was within the hours budgeted for the project. They discussed overcoming collaboration challenges introduced by the pandemic by using Zoom and the status of significant parts of the application such as the scrap metal dealer screens which had been tested and were ready to go, and administrative screens that were being finalized. The only parts remaining were ones scheduled to be implemented after go-live. Moore added that the KIC team had been great to work with and highly responsive. She added that Director Thompson had asked her to convey his thanks to the KIC team and the Board for how well the project has gone. Jones thanked her and returned the compliment.

Secretary Burghart asked Moore if there had been any legislation before the Legislature recently about the project. Moore responded that there had been legislation passed that removed the requirement for the scrap metal dealers to take photos of vehicles the seller was driving to bring the scrap to the yard. They had treated all of the photos as optional in building the application, so they left it as optional and no changes

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were being made as a result. Gaumer recognized Moore's work and noted that it may have been asked before, but he wanted to know how the KBI was going to measure success of the project.

Moore responded that they were dependent on a lot of things for the project's success. The scrap metal dealers needed to register with the Attorney General, for example, and she understood they would be required to re-register. At this point, there had been some negativity from the scrap yards, so at this point, if they get anything into the database it will be considered a success. They know that there's at least 75 scrap metal dealers so they are eager to see the outcome. Gaumer followed up saying that it appeared at this point it was more a question of participation than "conviction rates" or whatever the right term might be.

Friend noted that, as he recalled, one of the pieces of public information that was going to come out of this was an annual report on the program from the Attorney General that was mandated by the legislation. To Gaumer's point, there would be a case where the results of using the system would be reported out. Moore confirmed that was the case, that the KBI was required to report back up to the Attorney General about the different kinds of scrap, how many scrap metal dealers are reporting into it – but that database doesn't necessarily hold convictions or other results of things pursued as a result of that.

Secretary Burghart closed the agenda item after hearing no other questions and thanked both Moore and Jones, saying it was nice to hear about a good outcome on the project.

Action Taken: None.

2) Status of INK Operations re: Pandemic

Secretary Burghart recognized Friend to discuss this item. Friend explained that this was just a placeholder to ensure the Board members had a mental picture of any impacts or changes to INK operations occurring as part of the pandemic. One of the primary ones was that he had been working from home for awhile and anticipated continuing to do so as his wife had a kidney transplant the day before and was going to be on immunosuppressant drugs going forward. Jones explained that KIC personnel had also been working from home, using a lot of Zoom meetings to collaborate remotely. They also have extended their lease in their current location until the end of the year – they have been there 20 years – and are evaluating whether or not to continue there longer term. Secretary Burghart asked Friend to extend their best wishes to his wife on her recovery. Friend thanked the Secretary and Board and told them things had been going very well and he had a lot to be thankful for himself.

Action Taken: None.

3) Network Manager Report

Jones talked about the work they had been doing, including continuing to finish up on the KBI Scrap Metal project, upgrading software used to host agency websites, and preparing for the annual disaster recovery exercise. They also received a request late yesterday from the Governor's office to set up a new online service to allow groups to apply for some assistance they had received from the federal government with regard to mask distribution. Secretary Burghart asked a question of Jones about the special legislative session currently going on and whether or not he saw any effect on what was being discussed on what INK was doing now with the Governor's office.

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Jones responded that they had not shared anything with him. Some of the services had been taken down just because they had completed what they were created for. He continued that they had been watching the legislation very closely as one of the bills that was vetoed allowed for counties to take payments on installment, so they had met last week with some county treasurer representatives last week. Friend added that he had been in touch with Kate Davis, the Governor's legislative liaison and she indicated she had not heard anything as it relates to potential INK projects / opportunities either.

Friend noted that the internal guidance to state employees still emphasized a component of working from home, some of the technology meetings had moved online as well. Secretary Burghart noted that there had been a transition to more work-from-home at his agency.

Action Taken: None.

4) Approval of 4th Quarter 2019 INK Financial Reports

Friend noted that the reports had been on the agenda for the last meeting but he had gotten it out at the last minute, so the Chair had deferred it to this month's agenda. Friend explained that the delay had primarily been in researching and validating the "additional information" section of the reports. He noted that the financial audit was currently in process and that INK had always had the equivalent of what used to be called an "unqualified opinion" and he expected to be the same this year. He continued that while he was completely comfortable with the integrity of the information presented in the financial statements, there is additional information presented for management purposes that has to do with budgeted revenue, so that the Board can see whether INK is on track there. There has always been sort of a mismatch – the totals agree, but how they divide out the buckets in the budget at KIC/NIC for services and how that is done at INK aren't always identical. This year, despite COVID and other things, he had as a goal to address this and remedy it. So, it had taken some time and he was still working on it with the INK accountants and Gordon and Jones, along with NIC. He had received these in March, then there had been the "eight straight board meetings" related to the Governor's office grant. Thus, it was late coming out at the last meeting – he had been over it there and was happy to do that again today. He had also sent a copy to Gaumer who has assumed the Treasurer duties as Vice-chair. Friend then went over the financial reports again briefly, also explaining the model for revenue flow. He closed by noting that these financials for calendar year 2019 are the ones that are currently under audit so there should be results to the Board in July/August timeframe.

Secretary Burghart asked about the Judicial Branch and noted that just over \$2 million dollar had come in during the previous year, but he knew that they were planning on doing something different with their records and wondered when that transition was taking place, when they would no longer be using INK. Friend agreed that this service did produce significant revenue and that they had performed some analysis to determine if they were able to offer some alternatives. The justices had always had an interest in trying to make the information freely available w/o charge. In Kansas, there is also a rule that prevents bulk purchasing of court records, something that's not true in every state. Also, the Office of Judicial Administration does not receive part of the fees charged for this service. This was by way of background for those members that might not be familiar. Now, as part of the rollout of a new system, they have decided to start providing those records free as it is rolled out by area. He deferred to Jones on status – Judicial did want INK to continue to provide service in areas before they cut over, so KIC had done some projections for the revenue loss over the year. There is a question about whether the project has been delayed due to the pandemic.

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Jones said that “track one” had occurred last June, the next was planned for June 2020 and it may well have been delayed due to COVID. The next track would have been in September 2020. Friend noted that INK is seeing the reduction in revenue for that first phase. The status of the INK response is that Jones has done a compare / contrast between their system and the existing INK one. Judicial’ s vendor is requiring a non-disclosure agreement to provide a file layout for the interface to be signed by KIC/NIC, which has caused some complications as INK is normally the one who is the contracting party. Friend has also talked with Yeary and Jones has talked to his NIC counsel about it. Jones noted that the loss of the fee is also a big impact on counties.

Secretary Burghart asked if there were additional questions by members. Seeing none, he noted that the agenda indicated an approval might be required on this item. He stated that he was not sure approving the financial reports was necessarily required. He thought the board could have the minutes reflect that they were received and that the members had reviewed them. Since they are unaudited statements, they would hold an approval pending the audit of this period of time if that was okay with the members. Friend deferred to the Secretary indicating he was much more knowledgeable about these matters. He had been following the procedure he had inherited about what had been done previously. If that was the Board’s pleasure he was happy to defer to them. Secretary Burghart continued that the minutes should reflect that they received the reports and reviewed them and had their questions answered and that they will approve the financials once the audit has been completed. Friend agreed to do so.

Cook then asked about reduction for the Highway Patrol. Friend responded that this went directly to the issues he was addressing with regard to the method of presentation. What is happening is that when a driver record is sold to a business partner / customer, a fee associated with that is paid, the majority of which goes to Department of Revenue, then some goes to INK, then there is an amount that by statute goes to the Highway Patrol. The way it is presented, the revenue is shown and then the Highway Patrol share is shown as netted off and provided to them. This actually occurs during the audit when confirmations are sent out – Gordon is very familiar with this – as they ask Revenue to confirm it but the money is actually being provided directly to Highway Patrol. In a nutshell, it is money going to them but is being presented as a negative and he feels like that could be a little misleading.

Action Taken: None.

5) INK Administrative Update (*Finance / Investment Status, Board Counsel, Financial Audit*)

Friend began this agenda item by discussing the investment item. The finance committee had been delegated the decision to decide what to do with the proceeds of a CD that had been invested at CoreFirst. He thanked the committee for convening and said that they gave him the direction to go to CoreFirst and move that to a Public Funds money market account when it came due. This has been accomplished and it pays 75 basis points in interest. The intent was to keep the money liquid, not a time deposit, given uncertainty related to COVID going forward. The other thing that there had been some concern early in the pandemic that some banks might be under stress as a result of the pandemic and that perhaps some diversification would be good. The idea was to possibly to redeploy the CD at Kaw Valley into a money market it when it came due, but that I would investigate taking the checking from Kaw Valley and consolidate it at CoreFirst. He has been talking with CoreFirst about that and they indicate they are trying to get a good rate for that or figure out how the public funds money market could do that. He has had some exchanges with CoreFirst and is looking to close that out as soon as he can.

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Friend then moved to introduce Tim Shultz on the call from the firm Goodell, Stratton, Edmonds, and Palmer. Friend had been asked by the Board to work with their firm and go through the engagement letter process to engage them as Board Counsel. He didn't believe John Yearly was the one on the call, but Mr. Shultz was on the call. He is a partner that had taken on some of the portfolio of the previous INK Board Counsel, Phil Elwood, when he had retired. Yearly had reviewed the engagement letter before he had departed, and Friend had also shared a copy with Kite. He noted that there was a copy of the engagement letter in the packet today. He continued that he would turn it over to Shultz to introduce himself and leave it to the Secretary as to how he wanted to address the discussion and this agenda item.

Secretary Burghart welcomed Shultz and asked if he had any comments he wanted to make. Shultz responded by thanking the Board for considering his firm and expressed that they were excited to work with the Information Network of Kansas again.

Secretary Burghart asked Friend to confirm if any action was necessary on the engagement letter with Counsel as he recalled that Friend had been authorized at the last meeting to move forward with engaging counsel. Friend replied that he may have taken Kite's motion to be to bring the engagement letter back for approval, so he may have misunderstood that, but if it was the Board's pleasure for him to go ahead and get it signed. He just wants to make sure everyone is on the page – he was happy to move forward. Certainly everyone had seen it and Counsel had approved it.

Friend then addressed the existing 2020 budget for legal expenses for the Board, noting that it had been set at \$5,000 when the counsel was from Department of Administration, and that office had never actually charged for its services. It seemed like that this budget would need to be increased for work by the Board's new counsel as it reflected only about 17 hours of work at the engaged rate. Friend said that when he had discussed this with Kite – noting he was paraphrasing and that Kite was not in attendance – he thought we should bring it forward as is without changing the budget, with the understanding that there would likely be some more work ahead and it would need to be revisited with the Board. When Friend had talked with Yearly, he'd indicated that while it might be only a few hours a month when only attending board meetings and some miscellaneous work, when they got into some of the more significant contract work in projects – cloud negotiation, the KDOR contract, and escrow – it would grow. Friend stated that he would move forward and execute the agreement based on the Board's previous direction.

Action Taken: None.

6) Governor's COVID-19 Grant Status

Friend stated that in a brief nutshell, Kate Davis had indicated she didn't at present see more projects coming up other than what had been discussed; the Governor's office is starting to move forward on payment and reimbursement from the grants – some he is reimbursing, others they are asking for direct payment; and he noted that he was working with Davis as she indicated she was still looking into a response to Cook's question at a previous meeting about how the CivicPlus procurement had been conducted.

Action Taken: None.

New Business

- 1) New business – Confirm July 2 meeting date (4th of July holiday)

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Action Taken: The board took no action and left the date of the next meeting as the 2nd of July.

New Business

There was no new business.

Action Taken: Gaumer moved to adjourn. Wamsley seconded. No discussion. Approved unanimously.

The meeting adjourned at 11:20 a.m.