

Information Network of Kansas Board Meeting Minutes

September 2019 Board Meeting September 5, 2019

Opening

A meeting of the INK Board was called to order at 10:00 a.m. on Thursday, September 5, 2019 at 700 SW Harrison, 2nd Floor Conference Room, Topeka, Kansas by Chair Aaron Kite, representing the Kansas Bar Association, with the following members present:

Mark Burghart, Secretary of Revenue

Secretary of Administration and Executive Branch Chief Information Technology Officer, DeAngela Burns-Wallace

Deputy Secretary Patty Clark, representing the Secretary of Commerce

Doug Gaumer, representing the Kansas Bankers Association (Vice Chair) (*by phone: 10:20am – 11:04am*)

Lucas Goff, representing the Kansas Association of Counties (Board Secretary)

Secretary of State Scott Schwab

Glen Yancey, representing the Executive Branch Chief Executive Technology Officer

Gregg Wamsley, representing the Kansas Library Association (Board Treasurer)

Others Present

John Yeary, Chief Counsel, Department of Administration (and Board Counsel, INK); Duncan Friend, Information Network of Kansas; Nolan Jones, Ashley Gordon, and James Adams - Kansas Information Consortium, LLC.

Initial Introductions

Chairman Kite began the meeting by noting that a new member, the Secretary of Administration, had joined the meeting today and asked for those in attendance to share introductions. Secretary DeAngela Burns-Wallace, as part of her introduction, noted that Glen Yancey would continue to serve as her delegate to the Board. She wanted to attend today's meeting to get a sense of what happens at the meetings and meet the members.

Consent Agenda

The consent agenda for the meeting included the draft August 1, 2019 INK Board meeting minutes, the August 2019 INK Network Manager report, along with a Dickinson County request for an online service (*AppEngine*) that will collect data and allow government constituents to pay for government agency services using credit cards; and a request from the Kansas Secretary of State to increase the fee charged for sale of Corporation Data file from \$1,000/month to \$5,000/month and a one-time data file containing all records from \$7,500 to \$20,000 to be implemented October 1, 2019.

Action Taken: Yancey moved to approve with the consent agenda, seconded by Burghart. There was no further discussion. The motion was unanimously approved.

Regular Agenda

Regular Business

1) Final 2018 Financial and Agreed Upon Procedures Audits

Kite introduced Karen Linn, Managing Director, Berberich Trahan & Co., P.A. to provide an overview of the audit process and results. Linn began by stating that she understood that the draft audit – it was still in draft form – had been gone over at the previous meeting of the Board. Her intent at this meeting was to provide, from her perspective, the results and conclusions from the audit. She began by discussing the Report to the Board of Directors, outlining the auditors' responsibilities and their objective of determining whether or not the financial reports contain a material misstatement. She described what they reviewed, including processes, internal controls, documentation of transactions, etc. They would bring any unusual or out of the ordinary transactions to the attention of the Board, but there were none. They were able to issue an unmodified opinion which is says that in their opinion the financial statements are free of material misstatement. Also, there were no adjustments required – this is a positive conclusion, indicating that the financials that are being presented throughout the year are representative of the financials presented in the audit report. They also had no other issues to report with the audit and had great cooperation.

She then addressed the agreed-upon-procedures audit and that the process did not result in any findings. She then offered to entertain questions. Friend added that it was similar to what they did in the past. Kite asked when the final reports would be produced and Linn confirmed that once this draft was accepted by the Board, it would be considered final and they would issue the final version upon receipt of the management letter discussed earlier from the Board Chair and Executive Director. Friend noted that if there were questions, and they couldn't be answered today, a phone conference could be convened. However, there was a subsequent process where, upon acceptance by the Board, the final reports were turned into the state for use in the Comprehensive Annual Financial Report and there were upcoming deadlines for that.

Action Taken: Secretary Schwab moved to accept the results of the audit, minus any grammatical corrections that may be found later, and to be approved and signed by the Board with final signature by the Chair. Motion seconded by Clark. The motion was unanimously approved.

Action Taken: Secretary Schwab moved to accept the results of the agreed-upon-procedures audit. Motion seconded by Clark. The motion was unanimously approved.

Note: Friend confirmed with Gaumer that he was present by phone and voted yes for both motions.

2) 2nd Quarter Financial Reports for Approval and 2019 Revenue Discussion

Friend directed the members to the location of the financial reports in the packet. Friend noted that the agenda item was really combined – to review and approve the financial reports, but also to talk about the outlook for revenue for the remainder of 2019. Friend noted that he had been through the financial reports in some depth at a previous meeting, but he was not sure everyone was there. At some point soon, he noted that he wanted to do a larger presentation that addressed how the accounting / cash flow works with the Board. He walked briefly through the financial reports, explaining the statements.

He then addressed the report showing contribution to net revenue. He explained that he lobbied for when he was a representative to the Board but did not work for INK. The rationale was that the previous financials would show, for example, a large amount of revenue coming into INK for a particular service, but then just

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as large an amount going back out to the agency. So, it seemed important to distinguish not just the diversity of sources of the top line revenue, but the diversity of their contribution to the bottom line – and that’s what this report attempts to do.

Friend continued that it was a little thrown off in places, which is going to go back to the conversations he wanted to have at the end of the meeting about strategic planning and going back to review some of the practices he inherited and maybe didn’t always keep up as well as he should. He highlighted the situation with the negative variance that actually just represented a standing practice of a fee collected on driver history records that was distributed to the Highway Patrol. He continued, walking through a brief highlight of the major customers and their contributions. He noted the change in WebTags and the funds that would be going away for District Court Record search that would be part of a discussion shortly. About 20% of the bottom line comes from the Court record sales. He noted that the account titles were chosen by INK, also something he had inherited, and he didn’t know that they were as descriptive as they could be, so he would seek to review them. He also pointed out the contribution from KanPay – around 24% - and that was part of the discussion at the last meeting in the attachment where Ashley Gordon presented on that and that the Board does make a considerable portion of its bottom line now from credit card processing for agencies, counties – actually hundreds of government organizations. He closed this portion by talking about the grant expenditure information.

Financial Reports: Supplementation Information. He then drew the Board’s attention to the Supplemental Information portion of the report. He said he didn’t want to distract people about this, but it is something he’d like to talk about in the strategic planning portion of the meeting – he wasn’t sure everyone would get to stay for that. He stated that this report is an attempt to give some actionable information to management. He expressed disappointment in his own work here, as in the time he had done this prior to becoming Executive Director, he had talked with Nolan and Ashley and sat down and walked through this, and they are seeing this due to a variety of things, whether it be changes in accounts during the year that aren’t updated on this end. But you’re seeing large variances in some items against their budgets which has to do with the way they budget revenue vs that required by INK reporting and how things are managed at the corporate level vs locally here. But, to him, this report should be able to help the Board, to answer the question of “How’re we doing on revenue?” And, while the numbers are accurate – he would stand by that – but yet the budget that they are being set against is not kept current and he doesn’t think it really reflects what it should. It’s a significant issue, but not one he believes distorts INK’s financials, it probably distorts our ability to completely understand changes in our revenue flow that could either be good – or something that we need to worry about.

Friend explained further that what happens is that the budget for KIC is established with their financial services out of NIC corporate. So, the history of how this has worked ever since Kansas took back over the portal is that all the money comes through INK. So, they present a budget – it is approved by the Board and comes through this meeting – but that is only at a high-level. But the history that he has inherited that has been traditionally done is probably a 10,000-line service code budget that basically goes into every service – like, INK serves 105 counties with District Court record search, and the revenue for each is then broken down to be budgeted at that level. It is then mapped to a general ledger accounts on the INK side, but we roll things up so we’re not presenting a 10,000-line budget, but the detail on that is sent to us every month. It is something that is inherited, and he doesn’t mean for this to be pejorative, but while they have gone over it before to make sure they don’t have any large issues, he has not devoted the time, or really had the time previously, to really work with their corporate, and KIC, and the INK accountants to make sure that when that budget comes through, in total, is OK – but their method for budgeting is not necessarily the same as we use, so they have to translate into different services.

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Yancey responded, summarizing what he understood. On the revenue side, the figures are accurate – Friend agreed. Jones explained that there was a different in complexity between the budgets, it made it difficult because the budget was at a higher level. They can track it back, but they may not have a budget for a service of expected revenue at that low a level. Yancey asked if it was that it was close, but Friend hadn't had the time to match it up completely. Friend said he wanted to put it into context that, up until this year, this was only like half his job. Big picture, Friend responded that nobody wanted to see these large variances and he thinks it's an issue, the case is that in our state, on December 1, KIC provides an 10,000-line spreadsheet, and Friend transforms it to send it to the accountants to upload it. Their method for doing that is - our state is the only state that does it this way – he noted that Jones was nodding – and that is for a very conscious reason, so that we have control over the franchise and we know what money we make and where the budgets are. But, because we're an exception - their accountants are excellent and the audit was fine – that when the previous Network Manager left, he was involved in it a lot, but it's not really being accounted for the way we do. So, for example, if you're planning to collect \$345 in ACH at the service level in Cowley County next year as a budget, they budget for that at some other level, like counties overall. So, they use those breakouts at the detail level and, guess what, they don't always turn out to be too accurate. At a rolled-up level, you would expect them to be more accurate, and this is what Friend had tried to understand. They had a meeting and went through each one to try to understand why we do have some large variances. It happens for a variety of reasons, like a change that happens in the middle of the year – is it a rolling budget that we adjust as the year goes on, or just set at the beginning of the year?

We dealt with that, but Friend thinks that for this budget cycle, which will be due in December, we have to get with INK accountants – by the way, he noted, their long term accountant had just retired – and work with both KIC and NIC, because critically, this is the only way we can really understand if we are on budget with services – is a particular service to drop off and we didn't expect it. We pay them to watch that themselves, but what we end up having is large variances that we don't explain when I present the reports. Friend said this wasn't really its own agenda item, but if the Board was going to be approving the reports, that is only the financials, it is not the supplemental information, which is stated in the beginning of the report.

He deferred to Yancey who restated “What you are really saying is that we can't rely on the variances in the supplemental information” to which Friend responded “Yes, and it's a significant problem.” He then asked Friend to recap his plan to attack that. Friend said that his plan was to work with INK's accountants, KIC and NIC as they come into a new budget cycle. Yancey continued that obviously the variance needs to be a meaningful number in terms of projecting revenues going forward. Friend responded that yes, and the core for it to be meaningful is that the budget number needs to be meaningful, and in their case, they don't budget that way anywhere else to that level of detail, so he has to either work out a new level of detail and work with the finance committee or whoever, or find a way to translate it to be meaningful that works.

Schwab asked when Friend might have that resolved. Friend responded that this next month, as they talked about strategic planning, he wanted to begin an operational review to go through a number of these things, so we would want to have that completed in for the new budget due in December (about 90 days), so we can see how that works beginning with reporting in January.

Wamsley confirmed this had been the issue all along, that we didn't report the same way, but it doesn't affect the actual financial reports, so it isn't something that should affect the approval.

Action Taken: Wamsley moved to approve the 2nd Quarter 2019 Financial Reports. Seconded by Schwab. No further discussion. The motion was unanimously approved.

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Issues Impacting Revenue Outlook. Before beginning the next agenda item, Friend noted that to complete the topic, he wanted to point out the revenue item that was also part of the agenda item. It came up as a question at the last Board meeting. Even though he had talked about managing the cash flow, since last April, there is a service that INK no longer provides – Deputy Secretary Clark brought this up – that’s cut in significantly to our bottom line. Prior to that, the Uniform Commercial Code system had been taken back inside the Secretary of State’s office, which was a further loss. Now, what we see upcoming is that the Judicial Branch is moving to make court record access free, and that is currently revenue of roughly about \$1.6MM together, 15% of that to the Board, that we will be losing. Also, that is split 50/50 with the counties, so they also will be losing \$1.6MM in aggregate in the next year or so.

So, he wanted to start with the part he had committed to at the last meeting – Gaumer is on the phone and this was also his request – was that he was going to go back and talk about the WebTags piece of this. But, Friend had said at the time that he would try to understand the numbers, but that he also wanted to go by and talk with Secretary Burghart on this. He stated that he did do that, but deferred to the Secretary as to whether he had any comments about that.

Secretary Burghart responded that they are looking at all the contracts at the Department of Revenue, including the relationship with PayIt, and trying to sort out some of the history of that relationship. And, he had also talked with some of the counties and some of the biggest users of this application online, and there had also been some performance problems. He also had his folks in the Division of Vehicles looking at the numbers and the projection that Friend had come up with was actually pretty close. This transition had occurred in early 2018 (Friend thought April) and he was not sure why. His understanding from the counties was that they worked with INK at the time. So, they are going to review it, like all the contracts, to determine what’s in the best interests of the department, the state, and the users.

Friend noted that he knew Gaumer on the phone and Clark had been involved in that and he didn’t know if they had anything to add. Clark said that she knew it was in good hands – it had been very perplexing when she had stumbled on what had happened. Secretary Burghart noted that there are a number of agencies that are using the firm.

INK Model and State Collaboration / Reinvestment of Revenue Received. Friend noted that when he had portrayed in the material he provided the Secretary that he thought was important to emphasize to the Board was the difference in the business model: How the use of both the money that is received by this board and the money that is shared with their partner are controlled by this board through use of the Business Plan – which no charge apps they are doing, which apps they are doing for agencies, all that is controlled through the Board, through Friend, and through our process via input from the private sector, the county, the legal community and other user groups represented on the Board. So, as a total, all the money that comes through ultimately is controlled here as a state board as far as how it’s used strategically. Another thing when they get to the item on strategic planning is that this needs to be complementary to the strategic direction of the state so that we’re not working at cross purposes.

Judicial Branch Project Impact on future Revenue. Friend then asked if Jones wanted to talk a little about Judicial. Jones said that he did. They had met with them last year where they were informed – it was not statutory – that the Office of Judicial Administration wanted to begin to provide court information at no charge. It is not yet clear how this is going to play out. They are going to use a phased approach to implementation, taking groups of courts and will be a multi-year project. We are still figuring this out, but it appears they are taking the position that once they roll out in a county, they are cutting off all the access to the historical records as well as all new records. That means no more revenue for us nor the counties as it is a 50/50 split of the fee.

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So it is going to be a significant impact for the counties and he's not sure if they're aware of the impact or not. As they see these roll out and get better clarity about whether they want the historical records out there or to have them immediately shut down, that's about \$1.6MM that will be going away.

Friend added that there are more issues with serving the legacy data that have come up – there are things like expungements that occur in the current world that need to be reflected in the new world that need to be reflected in the old world. So, for the rest of the courts, they want us to keep it up as we are the only access to it. But, as we go forward, our choice is do we take that API and try to provide the service here at INK for the fee, even though they do for free. That is not really an option due to the changes that need to be reflected in that data. There are also some new what he would call privacy by obscurity rules that in the future are no longer to be reflected online, they have to be obtained at the county office.

So, what will happen is that bit-by-bit this will be shut off, or the other choice for the Board is to say “well, we'd like you to continue to provide access to those records – a) at \$2 even though it's free through Judicial, which doesn't seem likely, or b) for free”. In the latter case, we would be subsidizing the cost of doing that from other fees, even though Judicial was offering it for free, and just sort of duplicate what they do through at API. So, the decision that needs to be made here in the near-term is that we're likely to take down the five counties that just rolled out because we don't have the API and can't be providing legacy records. Or, we decide that we want to be a provider for judicial records statewide for free statewide. The general feeling to start is that we're going to have to subsidize it and are also adding a layer of potential complication just by duplicating it – although it's an API so not that bad. So, it is freedom of information, but from an existing source, so we're likely to look to just take down the system as it rolls out.

It's a question for the Board. Yancey asked if that was a companion services to other services the legal community uses that helps drive hits to other paid services. Friend responded that this was also a question he had asked Jones. Jones indicated that, no, not directly. He talked about the possibility of bulk records – Friend responded that there was a Judicial policy against bulk distribution. All things considered, why not go direct source that is providing it for free at Judicial.

Schwab responded that the reason that was not going to happen was through habitual buying. If it they continued to charge, it would taper down. Especially if it is coming in a format that is more advantageous for them. Jones stated that was a valid point, which would lead them to a point to see if they could come to an agreement with OJA on an API and access. Judicial wants an NDA signed with their vendor before they could get access to that. Yancey responded that Schwab makes a good point, in that if someone had built their own system that relied on a format in which INK was providing the data, then they may continue to pay for a service – yes, it is a cost, but they would continue to pay. This also speaks to an opportunity to talk with the customer to find out how they would like to use the data and maybe we would find out that maybe it didn't offer some features or wasn't as convenient.

Jones said they would take that as an action item to go back and look at the API. Friend agreed but wanted to emphasize to the Board that this revenue is going away and that at the moment, they can't take expungements, so the data that's out there now can't be left up. Unless we can come up with this immediately, Judicial's expectation is that we can't offer it for the counties that have just left. Then, if want to come back up with a strategy of continuing to provide it, we could do so. He feels like we need the Board's approval to take a service down. Jones says his position is that if the agency wants it down, they will take it down. Gordon pointed out that the contracts are with the counties. To be technical, each county would have to give notice to take it down. To continue updating the records, OJA would just have to send a file that would indicate the expungements.

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Kite said that he felt the Board needed to decide how important it was to them to monetize the production of records. Yancey asked if the money went back to the Judicial Administrator – Jones indicated no, Goff said the OJA paid for personnel, but the rest of the court expenses were paid by the counties.

Friend said since the contracts were with the counties, they would go back and talk with them, and then it would be just a contractual matter with them to take it down, so no board action would be necessary.

Action Taken: None.

3) Finance Committee: Board Investment Status / Plan

Friend noted that they had been asked to go out and make some investments. He explained what had occurred and where and what investments had been made. The issue was that he had stepped out to receive the lunch being delivered when this was approved and going back to look at the motion, they Board had approved him to go make the investments, but the Investment Plan required to be approved by policy has one other important component and that is the grant pool amount. While throughout all the deliberations over several meetings, the members have always agreed and consented to the pool being \$720,000, but the new Investment Policy the Board approved requires it to be approved as part of the Investment Plan as part of the annual judgement. So, even though we are in September, we really need the formal motion to approve that as our grant pool, then the regular process should kick in as part of approving that as part of the budget when we do that next year.

Action Taken: Yancey made the motion to approve \$720,000 as the grant pool for the remainder of the year. The motion was seconded by Kite and approved unanimously. There was no further discussion.

4) Public / Agency / Legislative Relations Update

Friend said this could be done quickly to catch up time. Friend said he had attended the State UAS (drone) planning task force and had a follow up meeting w/Bob Brock scheduled. He also met with Eric Davis the State Chief Information Technology Architect about integrating INK more into the state's planning, giving him an overview of INK's history and talked about the three-year IT plan, as well as how INK has been instrumental in helping to fund the state's Information Management Plan the last couple times it has been done. Finally, he has been working with Deb Miller at KU on an initiative that involves some other people that could have some upside for INK, although it is still preliminary. Jones then said that they have been talking with the agencies – Insurance Department is interested in a website, and also looking at simplifying their payment processing. Another one is the scrap metal project. There are some moving targets on that thing – they are readjusting how they want to do that and at some point they will need to come back to the board to discuss some changes they potentially want made to that project, but they are still in the discovery phase.

Action Taken: None

5) Network Manager Report

Jones addressed work on the Nursing Alexa app, that they'd completed the work on one for KDOR for motor vehicles and motor cycles for the practice test. Then, the members discussed the Government Experience Award – the announcement was still under embargo by the Center for Digital Government, but that the State had taken #5 in the nation for that award. Secretary Burns-Wallace planned to attend.

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2019 Portal Disaster Recovery Exercise

James Adams, the KIC Director of Technology discussed the most recent Disaster Recovery exercise. *(A copy of the presentation is attached)*

Portal Security Overview (Executive Session) - This item was tabled until the next meeting due to time constraints.

(Secretary Burns-Wallace departed the meeting at 11:50 AM)

6) FY 2019 Avamar Contract

Friend explained the history of the contract and that it was being billed in arrears by OITS for the previous year. The members decided that they would table the contract but approved the invoice for Friend to pay. Friend also noted that they were no longer performing this services for INK as they'd stopped hosting the box and how we were going to move to the new escrow approach. And, Yeary has reviewed the agreement.

Action taken: Schwab moved to pay the invoice and table the contract. Yancey seconded. No further discussion. Motion passed unanimously.

7) Department of Commerce Grant Proposal

Clark explained that the grant proposal is in process. They have completed the mapping project, but it is clear from what the map does – and doesn't – say, it's clear that the state is lacking services in some areas. This next step with the new grant will use some of that information, but they should have more next time on that. Kite asked some questions about how 5G played into this and Clark discussed what the issues were that were revealed on the map about how services is defined. She noted that Friend had sat in on the meeting as part of the closeout of the grant and one of the things that was learned was that the FCC was going to step into mapping, so perhaps the definitions would be more consistent.

Action Taken: None.

8) 2019 Business Plan Status Update

Jones noted that he had added the scrap metal project to the Business Plan and discussed that with the Board.

Action Taken: None.

9) Strategic Planning – Next Steps

Friend recognized that they had limited time to wrap up and he just wanted to reiterate that they were getting into the 90 day window to develop the business plan, so they were going to start reviewing operations and build off the six items from the statute that Gaumer had emphasized at the last meeting and that Friend had presented previously. Clark asked whether there was going to be anything in the marketing in the plan – both Friend and Jones emphasized that there would be. She continued, noting that it was her observation that – for example – she had not been aware they could have come to INK to have a website hosted and many other agencies may not understand that either. Friend said that they needed to come to an agreement internally about that and with the Board as well. Yancey said agencies also have challenges in organizing information and so they go out to hire companies to help with information architecture. That is something INK needs to market if they offer those services. Kite also emphasized that websites need to indicate INK is providing a role in that. Jones noted that they had begun making those changes now.

New Business: Friend noted that he had continued to work with recruiting Board members.

Adjournment: The meeting adjourned at 12:10 pm.