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**Auditors Complete Kansas Bioscience Authority Forensic Audits**

January 23, 2012 (OLATHE, Kan.) — The Kansas Bioscience Authority (KBA) today released the just-completed forensic audit of the KBA which was commissioned at the request of Gov. Sam Brownback in April 2011 and conducted by BKD, LLP, and Meara Welch Browne, PC. The full reports are available at [www.kansasbioauthority.org](http://www.kansasbioauthority.org).

KBA Board Chairman Dan Watkins said, "Overall the forensic audit affirms that the KBA's investment process is diligent and it makes no significant findings or exceptions related to KBA expenditures or conflicts of interest. The audit reports should clear the air regarding questions and allegations raised in the past year."

"With the release of this exhaustive review, Kansans can be confident the Kansas Bioscience Authority is a good steward of state resources," he added.

Sec. of Agriculture Dale Rodman was appointed by Gov. Brownback to establish the scope of this comprehensive audit and participate in the audit process. Based on this scope, the auditors examined all KBA expenditures and contractual arrangements since its inception in 2004, potential conflicts of interest, specific investments, as well as issues related to former KBA president and CEO Tom Thornton and other matters brought to BKD's attention.

BKD professionals spent 2,800 hours conducting the investigation, which culminated in a 203-page report, with an additional 600 pages of exhibits. Meara Welch Browne conducted a separate forensic audit of KBA interactions with the Center of Innovation for Biomaterials and Orthopaedic Research (CIBOR) as BKD serves as CIBOR's financial auditor. The cost of the audit services provided by BKD and Meara Welch Browne is projected to be \$960,000 through completion of the engagements.

The BKD report states, "To our knowledge, every person who expressed an interest in providing information regarding the KBA was provided an opportunity to present information." BKD interviewed 69 individuals during the investigation, including current and former KBA employees and board members, current and former lawmakers with knowledge pertaining to the KBA, and persons and companies doing business with the KBA.

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(page 2)

Watkins continued, “The KBA has made significant investments to establish bioscience as a core industry in the state, including supporting universities and companies that are creating high-paying jobs here. The audit explains how this work has been done—in most cases very well. The board intends to learn from the findings and take the organization to increased levels of performance and accountability.”

Watkins noted that the BKD report found that KBA operations are sound:

- The investment process and Investment Committee are thorough in their review of grants and investments (page 66);
- The KBA investment process is sufficiently diligent to prevent the improper approval of a grant or investment (page 66-67);
- No grants or investments to client companies were deemed inappropriate or in violation of KBA’s Conflict of Interest policy or the Kansas Economic Growth Act of 2004 (KEGA) which defines the parameters of the KBA (page 67);
- A thorough process was followed in establishing the Bioscience Growth Fund in seeking to provide Kansas bioscience companies access to venture capital (page 91);
- The level of documentation, organization and completeness of KBA files related to contracting with third parties improved over the years and most exceptions occurred in the early years of the KBA (page 132);
- There were no material adverse findings related to the numerous additional allegations made directly to BKD.

BKD identified several issues related to the leadership and activities of former KBA president and CEO Tom Thornton, who left the Authority in April 2011, including:

- Failure to communicate information to the board of directors regarding his personal relationship with KBA staff member Lindsay Holwick, whom he married in January 2011 (page 82);
- Removal of content from his KBA laptop computer after his resignation (page 100);
- Travel to interview for his current position in Cleveland, Ohio, on a plane ticket purchased by KBA (page 112);
- Personal use and gifting of a KBA-owned painting (page 110);
- Receipt of an inadvertent duplicate expense reimbursement (page 118) and an overpayment on car allowance (page 107).

The KBA demanded and Thornton has provided reimbursement to the Authority for the overpaid car allowance, duplicative expense reimbursement, cost of the plane ticket to Cleveland and cost of the KBA-owned painting, for a total of \$4,679.88.

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(Page 3)

The Meara Welch Browne report focused on KBA financial commitments to CIBOR and its fulfillment of those commitments. The report states, "...our forensic procedures did not identify any documents, records or correspondence where the KBA made or appeared to make a firm economic commitment of a \$20 million award to CIBOR. Additionally, no one we spoke with from CIBOR and its affiliates indicated that oral representations of a firm commitment of \$20 million were made directly to them."

In addition, the report states:

- Former CIBOR CEO John Moore understood the amount committed to CIBOR was \$4 million and not \$20 million (page 14);
- KBA Centers of Innovation were treated in an equitable fashion (page 21).

Watkins noted a strong foundation has been laid for the future of bioscience in Kansas. "The work of the Kansas legislative leaders who conceived of the Kansas Bioscience Authority in 2004 is now being emulated in states across the nation—including Missouri, New York, Wisconsin and Colorado—that are working to pass legislation similar to the Kansas Economic Growth Act of 2004 (KEGA). Kansas has a seven-year head start, and we need to maintain that advantage.

"The KBA looks forward to working collaboratively with our stakeholders throughout the state to continue to grow this promising sector of the economy," Watkins said.

*About the KBA*

The Kansas Bioscience Authority was created by the innovative Kansas Economic Growth Act of 2004 to accelerate growth in the promising bioscience sector. Funded by Kansas income taxes generated by bioscience jobs, Kansas Bioscience Authority investments help create high-paying jobs, fuel capital expenditures, spur outside grants, and encourage private capital investments in Kansas bioscience companies. The result of Kansas Bioscience Authority investments is high quality jobs today and for the next generation of Kansans, and bioscience discoveries and lifesaving cures that will improve lives around the world. To learn more, visit [www.kansasbioauthority.org](http://www.kansasbioauthority.org).

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