Minnesota Vehicle Title and Registration System

December 2019 Quarterly Review

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Financial Audit Division

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Policymakers, bond rating agencies, and other decision makers need accurate and trustworthy financial information. To fulfill this need, the Financial Audit Division allocates a significant portion of its resources to conduct financial statement audits. These required audits include an annual audit of the State of Minnesota's financial statements and an annual audit of major federal program expenditures. The division also conducts annual financial statement audits of the three public pension systems. The primary objective of financial statement audits is to assess whether public financial reports are fairly presented.

The Financial Audit Division conducts some discretionary audits; selected to provide timely and useful information to policymakers. Discretionary audits may focus on entire government entities, or on certain programs managed by those entities. Input from policymakers is the driving factor in the selection of discretionary audits.

The Office of the Legislative Auditor (OLA) also has a Program Evaluation Division. The Program Evaluation Division's mission is to determine the degree to which state agencies and programs are accomplishing their goals and objectives and utilizing resources efficiently.

OLA also conducts special reviews in response to allegations and other concerns brought to the attention of the Legislative Auditor. The Legislative Auditor conducts a preliminary assessment in response to each request for a special review and decides what additional action will be taken by OLA.

For more information about OLA and to access its reports, go to: www.auditor.leg.state.mn.us.

December 10, 2019

Members
Legislative Audit Commission

Members
Driver and Vehicle Systems Oversight Committee

John Harrington, Commissioner
Department of Public Safety

Tarek Tomes, Commissioner and State Chief Information Officer
Minnesota IT Services

This report represents the results of the Office of the Legislative Auditor's quarterly review of the
Vehicle Title and Registration System (VTRS) project through November 15, 2019. The objectives
of this review were to actively monitor and report on VTRS in accordance with *Laws of Minnesota*
2019, First Special Session, chapter 3, art. 2, sec. 32. The law requires our office to review the
VTRS project implementation, stakeholder engagement, and decommissioning of the MNLARS
legacy system. For each of these areas, the law requires our office to identify any concerns or risks
that could jeopardize the project.

This review was conducted by Mark Mathison (IT Audit Director) and Joe Sass (IT Audit
Coordinator).

We received the full cooperation of the Department of Public Safety and Minnesota IT Services staff
while performing this quarterly review.

Sincerely,

Christopher Buse
Deputy Legislative Auditor

Mark Mathison
IT Audit Director

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Report Summary

The 2019 Legislature directed the Department of Public Safety (DPS) and Minnesota IT Services (MNIT) to replace Minnesota's Licensing and Registration System (MNLARS) with a vendor-produced software application, following the recommendations of the *Independent Expert Review of MNLARS*.[1] The law outlined an aggressive project timeline for the new Vehicle Title and Registration System (VTRS), with a launch by the end of calendar year 2020. The law also required full implementation of VTRS and a complete decommissioning of MNLARS by the fall of 2021.

The Legislature defined DPS as the owner of VTRS and made the agency responsible for the final decisions on functionality. MNIT is the technical lead on the project and is responsible for the final decisions on the implementation of technology products, services, and staffing. DPS and MNIT awarded the VTRS contract to Fast Enterprises, LLC (FAST) on June 27, 2019, and signed a contract for both software and implementation services on August 7, 2019. FAST also supplied the state's driver licensing system, which went live on October 1, 2018.

The 2019 Legislature dissolved the MNLARS Steering Committee and created the Driver and Vehicle Systems Oversight Committee.[2] The new committee is responsible for overseeing the VTRS project and the decommissioning of MNLARS. The law requires DPS and MNIT to provide quarterly updates to the oversight committee. The law also requires the Office of the Legislative Auditor (OLA) to provide quarterly reviews on the project implementation, stakeholder engagement, and MNLARS decommissioning. For each of these areas, the law requires OLA to identify any concerns or risks that could jeopardize the project.

Complex computer system development projects are fraught with technical and nontechnical risks. As the project leaders, DPS and MNIT are responsible for continuously assessing risks and developing appropriate mitigation strategies. DPS and MNIT also are responsible for keeping the Driver and Vehicle Systems Oversight Committee apprised of both the project status and risks. In these quarterly reviews, OLA intends to assist the oversight committee by reporting on risks that do not have mitigation strategies that are commensurate with the underlying risks.

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[1] *Laws of Minnesota* 2019, First Special Session, chapter 3, art. 2, sec. 35.

[2] *Laws of Minnesota* 2019, First Special Session, chapter 3, art. 2, sec. 34.

Conclusions

DPS, MNIT, and FAST are on track to meet the project implementation deadlines in law. However, two proposed vehicle licensing and registration changes and data conversion uncertainties could put those dates in jeopardy. OLA also found that the intended decommissioning dates may be difficult to meet because those dates are too close to the final system implementation dates. Finally, OLA did not find any issues or concerns with current stakeholder engagement efforts.

Extreme Concerns	Significant Concerns	**Minor Concerns**	No Concerns
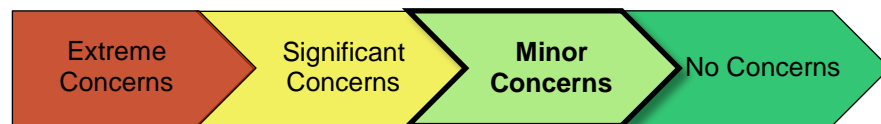
Our review found three risks and concerns that currently do not have complete mitigation strategies:

RISK 1: New legislative requirements could impact the ability to complete the VTRS project on time and within the budget.

RISK 2: Moving data from MNLARS to VTRS could be challenging due to existing data integrity issues.

RISK 3: Detailed decommissioning project timelines and budgets are still under development, but may not meet the intended target dates in state law.

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Project Status

The VTRS project is on track to meet the planned implementation dates, within the defined project budget.

Project Plan

The FAST project plan defines all project deliverables and a timeline for each project phase. FAST and DPS have met the initial deliverables of the project preparation phase. Of particular significance, MNIT and FAST set up the development and test software environments, which will serve as the basis for ongoing project work. Two MNIT developers also completed FAST developer training and will participate in the VTRS software implementation. This will help position MNIT to provide long-term maintenance and support of the system.

The project plan has two major milestones:

- **November 16, 2020 – Phase I Rollout**: Serving as the MNLARS replacement, this phase includes vehicle title and registration, dealer management, dealer electronic vehicle titling and registration, fleet management, vehicle permits, and imaging.

- **October 1, 2021 – Phase II Rollout**: This phase includes functionality for the International Fuel Tax Agreement and the International Registration Plan for the trucking industry.

Project Budget

The Legislature provided $52,669,000 for the development and implementation of VTRS.[3] As of November 15, 2019, DPS spent approximately $5 million of the appropriation. The most significant expenditures were for FAST licensing fees ($4 million) and software maintenance ($250,000). Additional expenditures were for DPS, MNIT, and contracted staff.

Current forecasts show the project to be under budget. However, costs for the decommissioning of MNLARS and the legacy vehicle systems are currently unknown. MNIT is expected to identify these costs by December 31, 2019, in accordance with the project schedule.

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[3] *Laws of Minnesota* 2019, First Special Session, chapter 3, art. 1, sec. 4, subd. 4 (c).

OLA identified two risks to meeting the current project timelines and budget. We discuss these items further in the *Risks and Concerns* section:

- RISK 1: New legislative requirements could impact the ability to complete the VTRS project on time and within the budget.

- RISK 2: Moving data from MNLARS to VTRS could be challenging due to existing data integrity issues.

Stakeholder Engagement

DPS has gone to great lengths to foster stakeholder input.

DPS developed a comprehensive communications plan that identifies stakeholder groups, communication needs, tools, and deliverables. DPS also added three deputy registrar subject matter experts (SME) to the project team, who regularly communicate project updates back to their constituents throughout the state. Members of the project team are hosting *Regional Demo Days*, local *Explore* events, and *Test Drive* office visits. These efforts will help stakeholders see the new system first-hand, ask questions, and, most importantly, provide early feedback that will help to guide the future stages of the project. DPS plans to add another deputy registrar SME and a representative from the Minnesota Automobile Dealers Association in a later project phase.

MNLARS and Legacy Systems Decommissioning

MNIT is now planning for the MNLARS and legacy systems decommissioning.

The Legislature directed DPS and MNIT to fully decommission MNLARS and the remaining legacy systems by the fall of 2021. Planning is in the early stages. However, MNIT has developed a management plan that outlines the major components and scope of the decommissioning work. Under the management plan, detailed decommissioning plans are due by December 31, 2019, and system-specific execution plans are due by June 1, 2020.

Because planning is still in the early stages, decommissioning will pose risks until more information is known about the specific legacy system decommissioning timelines and costs. We discuss this concern in more detail in the *Risks and Concerns* section.

- RISK 3: Detailed decommissioning project timelines and budgets are still under development, but may not meet the intended target dates in state law.

Risks and Concerns

To conduct our review, OLA interviewed representatives from DPS, MNIT, FAST, and deputy registrars. We also reviewed project documents, including project risk logs and mitigation strategies. Based on this work, OLA identified three risk areas that collectively pose a minor risk to the VTRS project.

It is important to note that DPS and MNIT are actively managing many technical and nontechnical project risks. The three discussed in this section are risks that need a more thorough assessment and mitigation strategy.

OLA expects that the project team will be able to mitigate these three risks once more detailed information is known. However, it will be crucial to address these risks in the early stages of the project. Particularly with the first risk in this section, scope changes made beyond the early stages of the project will hamper the team's ability to meet the aggressive timelines in law.

RISK 1: New legislative requirements could impact the ability to complete the VTRS project on time and within the budget.

The 2019 Legislature added two requirements in law that could increase the complexity and risk of the VTRS project. First, the Legislature added a requirement to research alternate ways to determine motor vehicle registration fees.[4] The Legislature also added a requirement to explore self-service licensing, title, and registration capabilities.[5] Each of these new requirements could have significant technical ramifications on a project that is already underway and has an aggressive implementation timeline. If enacted, any changes would also require a significant training program for people who will interact with VTRS.

Alternate Registration Methods and Fees

The 2019 Legislature established a Vehicle Registration Task Force to study alternate registration methods and fee structures. The law requires the task force to provide its recommendations by January 15, 2020. However, implementation of any alternate proposal would require legislative action since the current fee structures are codified in *Minnesota Statutes*.

FAST leaders said that a decision made by March 1, 2020, may not result in a VTRS project delay. OLA believes that it may be difficult to meet the deadlines in law if the Legislature chooses a new methodology that is difficult to implement, or one that phases in a new fee structure over time to avoid situations where citizens pay higher fees for the same vehicle.

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[4] *Laws of Minnesota* 2019, First Special Session, chapter 3, art. 2, sec. 38.

[5] *Laws of Minnesota* 2019, First Special Session, chapter 3, art. 2, sec. 37.

Self-service

The 2019 Legislature directed DPS to examine ways the vehicle and driver systems could include self-service options. DPS has been researching ways to satisfy this requirement. However, the law does not include a due date for DPS's report nor does it require implementation of self-service as part of the VTRS project. Rather, the law simply requires DPS to conduct research and report its findings to the Driver and Vehicle Systems Oversight Committee. Particularly given the alternate registration methods, the oversight committee will need to carefully consider whether adding self-service functionality adds too much risk to the VTRS project scope, timeline, and budget.

RISK 2: Moving data from MNLARS to VTRS could be challenging due to existing data integrity issues.

Previous OLA audits pointed out problems with MNLARS data, including inaccuracies in vehicle base values and title deficiency flags. OLA found that the FAST project director is aware of these data integrity issues and is developing migration processes to address them as part of the project plan. However, only a small subset of the existing data has been assessed by the project team for potential conversion issues.

Converting data from one system to another is always a difficult part of a development project. OLA will track this as a risky area given the work that still needs to be done to migrate data with known integrity issues.


RISK 3: Detailed decommissioning project timelines and budgets are still under development, but may not meet the intended target dates in state law.

The project plan to decommission MNLARS and the legacy systems is currently in the planning stages. MNIT expects to complete the decommissioning plan by December 31, 2019. Absent a formal plan, OLA had difficulty assessing whether the agencies will be able to meet the timelines in law or whether current resources are sufficient.

The Legislature directed MNIT to fully decommission MNLARS and the legacy systems by the fall of 2021. However, the schedule to complete all VTRS components extends to October 2021. OLA reviewed early drafts of the decommissioning plan and found that work extended to August 2022, well beyond the intended end date in state law.

OLA believes it may be difficult to meet a fall 2021 decommissioning date, given that development work will not be finished until October 2021. After completing the decommissioning plans, MNIT and DPS should work with the Driver and Vehicle Systems Oversight Committee to level set expectations, if necessary.
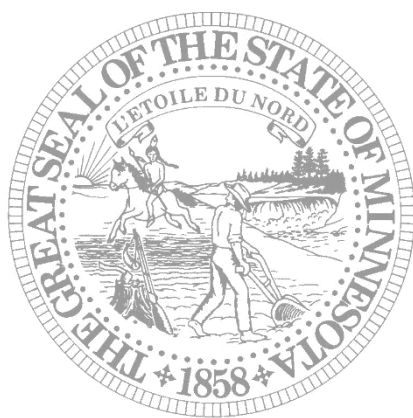
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