



Minnesota Vehicle Title and Registration System

June 2020 Quarterly Review

June 2020

Financial Audit Division

OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MINNESOTA

Financial Audit Division

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June 2020

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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 May 29, 2020. Our last project report was issued on March 11, 2020. 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 legacy motor vehicle systems. 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, Minnesota IT Services, and FAST Enterprises staff while performing this quarterly review.

Sincerely,

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 an initial launch by the end of calendar year 2020. The law also required full implementation of VTRS and a complete decommissioning of MNLARS and the legacy motor vehicle systems 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. Upon completion of the VTRS implementation project, the state will have accomplished what was the original vision for MNLARS—a single, unified driver and vehicle system—now collectively known as Minnesota Drive or MNDRIVE.

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 and the legacy motor vehicle systems. 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 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.

OLA intends to carry forward and update risks from previous quarters, unless we believe the agencies have sufficiently minimized those risks. We will incorporate newly identified risks, so that each new quarterly report will represent the current condition.

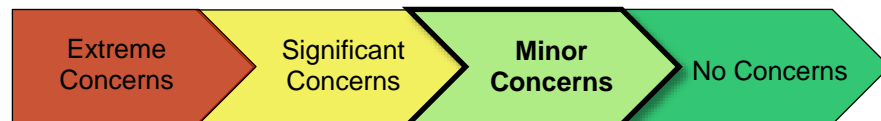
¹ *Laws of Minnesota* 2019, First Special Session, chapter 3, art. 2, sec. 35.

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

Conclusions

Despite the COVID-19 pandemic and the Governor's stay-at-home order, the VTRS implementation project moved forward this quarter with little disruption. In order to adapt and continue working through these events, the VTRS project team transitioned to a remote work model. In some respects, the effects of COVID-19 included unexpected benefits, such as the delayed enforcement of REAL ID and the opportunity to reduce the "in progress" title work queue, providing more help to the project than harm. Overall, we believe that the project remains on track to meet the timelines established in law.

However, as discussed in this report, OLA remains concerned that migrating data with known integrity issues from MNLARS to VTRS will continue to pose challenges for the project. Additionally, while the risk has been reduced since last quarter, limited staffing resources may place strain on key project personnel.



Our review found two risks and/or concerns that currently do not have complete mitigation strategies:

RISK 1: Moving data from MNLARS to VTRS could be challenging due to existing data integrity issues.

RISK 2: Limited staffing resources may place further strain on key project personnel.

June 2020 Quarterly Review

Project Status

The VTRS project team adapted to working remotely throughout the COVID-19 pandemic. With less operational work, project personnel and deputy registrars were able to focus more on project deliverables, bringing mostly positive benefits to the project. The VTRS project continues to be on track to meet the planned implementation dates, within the defined project budget.

COVID-19 Impact

Remote Work

The COVID-19 pandemic forced employees around the world to reevaluate the way that they worked. The VTRS project was no exception to this, and the team was forced to adapt by implementing a remote work strategy.

The transition to working remotely functioned particularly well this quarter due to the nature of the project's current configuration and development phase, in which project members focused on developing, configuring, and verifying system components. Remote work likely would have been more challenging and caused disruption during earlier project phases, which relied heavily on in-person meetings and discussions in order to define and document system specifications and processes.

OLA surveyed project team members to gauge the impact that remote work has had on the project. While some team members (20 percent) cited minor delays in completing work, most (80 percent) stated that no delays had occurred due to working remotely. Despite some staff citing minor delays, all staff who responded indicated that they believed the project was still on track for the November 16, 2020 rollout.

Business Testing Phase

The *Business Testing* phase, where testers execute scenarios in order to validate that system functionality is working appropriately, began ahead of schedule. Due to increased availability of testers because of COVID-19 office closures, the project was able to utilize DPS business staff and 11 deputy registrar testers from around the state. Altogether, the team has executed more than 2,000 testing scenarios and identified minimal defects. An additional seven deputy registrar testers participated in remote conversion verification testing. These testers examined MNLARS data that had been converted into VTRS to identify and correct any issues. However, with deputy registrar offices reopening and an expected demand for REAL ID, the project managers have warned that they anticipate less testing support from deputy registrar offices in the coming months.

Remote Online Training

Due to the ongoing need to maintain social distancing, the project modified its training approach to support fully online remote training. These trainings will include learning content that is both self-paced and virtual classroom-based.

While remote online training offers many benefits over traditional classroom-based training, this model may pose some challenges to deputy registrars. Online learning not only requires access to a computer and internet connectivity, learners should also have a quiet environment that is free from distractions and conducive to learning. Deputy registrars, particularly smaller offices, may not have adequate space or equipment to provide a proper learning environment for their staff. Allowing staff to train from home could introduce other complications for deputy registrars. DPS and FAST are exploring additional ways in which to supplement the online training.

Work Queue Reduction of Vehicle Title Applications

DPS took advantage of the temporary lull in incoming applications from deputy registrars to significantly reduce the number of title applications in the work queue. As discussed in our previous quarterly report, the number of “in progress” titles at the time of cutover from MNLARS to the new VTRS poses a project risk as those titles must be converted and then specially processed by DPS staff. DPS reduced the title application work queue from approximately 103,000 on March 29, 2020, to just over 7,500 on May 17, 2020. While the agency has made substantial progress in mitigating this risk, DPS must continue to ensure that they do not fall behind as deputy registrar offices reopen, demand for REAL ID resumes, and the state enters the traditionally busy summer months. We discuss this risk further under Risk 2.

Project Plan

The FAST project plan defines major project deliverables and a basic timeline for each project phase. In accordance with the FAST contract, the successful completion of these phases are requirements for scheduled payments. The *Base Configuration* phase of the project was completed in early April. In this phase, FAST completed the setup and configuration of approximately 75 system functions. Additionally, as discussed in the previous section, the project got an early start on business user testing due to the availability of deputy registrar testers during the Governor’s stay-at-home order. Project leaders also anticipate beginning training ahead of schedule, allowing for additional time for stakeholders to learn the system.

The project’s independent validation and verification vendor (IV&V) completed their second quarterly review of the project, citing improvements in the risks identified last quarter. One particular area of improvement was the inclusion of organizational change management within the project, as recommended by the IV&V vendor. OLA concurred with the IV&V vendor’s assessment of the project and their recommendations.

Our previous quarterly reports discussed the risk that, “New legislative requirements could impact the ability to complete the VTRS project on time and within the budget.”³ While the Legislature could introduce new requirements at any time, we believe that this risk has been largely mitigated due to the passage of legislation that changes how registration taxes are calculated.⁴ These changes are similar to the recommendations of the Vehicle Registration Task Force, and were not considered overly complex for FAST to code within the system.⁵

Overall, the project remains on track to meet its two major milestones:

- **November 16, 2020 – VTRS Rollout I:** Serving as the MNLARS replacement, this rollout stage includes vehicle title and registration, dealer management, dealer electronic vehicle titling and registration, fleet management, vehicle permits, and imaging.
- **October 1, 2021 – VTRS Rollout II:** This rollout stage includes functionality for the International Fuel Tax Agreement (IFTA) and the International Registration Plan (IRP) for the trucking industry.

Project Budget

The Legislature provided \$52,669,000 in a one-time appropriation for the development and implementation of VTRS.⁶ As of May 29, 2020, project expenditure totaled approximately \$13.5 million of the appropriation.

The most significant expenditures this quarter were \$3.1 million in contractually obligated payments to FAST for completing the *Base Configuration* phase. Total project payments to FAST, as of May 29, 2020, were approximately \$11.9 million, with 10 percent being retained until successful completion of VTRS. Per the contract, additional payments of \$6.5 million are expected in June for the completion of the *Testing Preparation* phase. An additional payment of \$7.6 million, along with half of the 10 percent retainage, is due by the end of the calendar year – upon the formal acceptance of the first rollout of the VTRS system.

Overall, current forecasts show the project remaining under budget for the remainder of the fiscal year. Expenditures for technology costs—such as hardware, software, or other technical infrastructure expenses—remained unusually low, with the project having spent only approximately 1.3 percent, or \$24,000, as of May 11, 2020, of the \$1.9 million budget for the fiscal year. Discussions with MNIT and DPS leadership revealed that budgeting assumptions were based on significant hardware and software purchase requirements in order to support VTRS. However, the agencies and FAST

³ Office of the Legislative Auditor, Financial Audit Division, *Minnesota Vehicle Title and Registration System – March 2020 Quarterly Review* (St. Paul, 2020), 7, <https://www.auditor.leg.state.mn.us/fad/pdf/fad20-03.pdf>.

⁴ *Laws of Minnesota* 2020, chapter 74, art. 2, sec. 1.

⁵ State of Minnesota, *Vehicle Registration Task Force - Report to the Legislature* (St. Paul, February 24, 2020), <https://www.lcc.leg.mn/vrtf/vrtf-final-report-2-24-2020.pdf>.

⁶ *Laws of Minnesota* 2019, First Special Session, chapter 3, art. 1, sec. 4, subd. 4(c).

were able to leverage the existing FAST Driver System hosting environment, with minimal augmentation and expense. As included in the original technology costs budget, DPS and MNIT plan to improve the resiliency of the full MNDRIVE system, ensuring high system availability for all stakeholders. However, expenses for these improvements are expected in future fiscal years.

Due to VTRS Rollout II scheduled for October 2021, and with project funding from the VTRS appropriation being available through the end of fiscal year 2022, DPS must budget for those expected project costs. However, the project currently provides very little information on estimated expenditures beyond June 30, 2021.

We encourage DPS and MNIT to revisit its budget assumptions, especially for the technology category, and to begin developing the fiscal year 2022 budget details.

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: Moving data from MNLARS to VTRS could be challenging due to existing data integrity issues.
- RISK 2: Limited staffing resources may place further strain on key project personnel.

Stakeholder Engagement

DPS continues to foster stakeholder input.

Throughout the months of April and May, VTRS project stakeholder engagement moved online. DPS started holding weekly update teleconference calls with deputy registrars, which provided an open communication channel between DPS Driver and Vehicle Services leadership and the deputy registrars. During these calls, DPS leadership provided a short situation update for their respective areas, and then took questions from the deputy registrars. These calls were well attended, enabling DPS to communicate regularly with members of the deputy registrar community. Although the focus was on operations, the MNDRIVE program director provided weekly updates on project progress and took questions.

DPS continued engaging with representatives from the law enforcement community, establishing a sounding board for the project to gain feedback and buy-in from law enforcement regarding driver and vehicle data and other potential system changes. The group reviewed and provided feedback on proposed changes to the temporary vehicle permit format and its display location, a change that was later passed into law.⁷

⁷ *Laws of Minnesota* 2020, chapter 100, sec. 4.

As previously discussed, the *Business Testing* phase, which utilizes deputy registrars, also began this quarter. This is an important component to the success of the project, as the deputy registrars know their business processes best and their satisfaction with the system is central to its success. Project leadership told us that after the initial wave of business testing from the deputy registrars, they are experiencing less engagement than desired. In some instances, deputy registrars simply cannot provide a testing resource to the project and maintain their normal office operations. The project will continue to utilize its core deputy registrar team members for its remaining testing. However, the more deputy registrars who participate in testing, the more likely the system will meet their needs.

With COVID-19 pandemic restrictions in place, DPS and FAST have been hindered from providing *Test Drive* and *Explore* events. In lieu of these in-person events, the project should consider hosting additional virtual demos of the system. This would provide DPS with an opportunity to foster additional stakeholder engagement, while serving as a test run and way to increase user familiarity with the system prior to training.

MNLARS and Legacy Systems Decommissioning

MNIT has improved their decommissioning plans for MNLARS and the legacy systems.

The Legislature directed DPS and MNIT to fully decommission MNLARS and the remaining legacy systems by the fall of 2021. Work this quarter has improved the decommissioning plans, which now include tasks and the time allotted for them. MNIT is working with DPS finance to develop budget estimates based on these tasks. DPS and MNIT informed us that costs for MNIT staff performing the decommissioning tasks should not impact the VTRS project budget, as they are planning to bill those costs to the operations IT budget. OLA will continue to monitor the decommissioning planning activities.



Risks and Concerns

To conduct our review, OLA interviewed representatives from DPS, MNIT, FAST, deputy registrars, and the Minnesota Automobile Dealers Association. We attended DPS stakeholder meetings and calls. We also reviewed project documents, including project risk logs and mitigation strategies. Finally, we discussed project risks with the vendor that was selected to perform the statutorily required external risk assessment. Based on this work, OLA identified two 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 items discussed in this section are risks that we believe need a more thorough assessment and/or mitigation strategy.

RISK 1: Moving data from MNLARS to VTRS could be challenging due to existing data integrity issues.

This risk is carried forward from our last quarterly report.

Converting data from one system to another is always a difficult part of a development project. Previous OLA audits pointed out problems with MNLARS data, including inaccuracies in vehicle base values and title deficiency flags. 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. It is important that incorrect data in MNLARS be fixed prior to or during conversion in order to prevent data integrity issues in the new VTRS. The VTRS data conversion team and deputy registrar testers have made progress in testing the conversion, however OLA continues to track this as an area of risk given the work that still needs to be done to migrate data with known integrity issues. The conversion team is developing a reconciliation report, which should provide metrics in the future regarding the status and accuracy of the data conversion.

Recent changes in law now allow for some data error corrections. As noted in our last quarterly report, the Vehicle Registration Task Force had put forth a recommendation to eliminate legislation commonly referred to as the “hold harmless” provision, which restricted DPS from charging a higher registration tax than was paid in the past for the vehicle.⁸ As enacted, DPS now has authority to adjust the registration tax for a vehicle in order to correct errors or omissions that lead to incorrect registration tax amounts.⁹ However, the agency must notify the vehicle owner when making these corrections.

⁸ *Minnesota Statutes* 2019, 168.013, subd. 1a(j).

⁹ *Laws of Minnesota* 2020, chapter 74, art. 2, sec. 2.

RISK 2: Limited staffing resources may place further strain on key project personnel.

This risk is carried forward from our last quarterly report.

Although DPS has taken actions to balance staffing resources between project deliverables and day-to-day operational activities, the agency must continue to be flexible and dynamic to ensure that three undertakings do not place undue strain on project resources.

REAL ID¹⁰

The United States Department of Homeland Security delayed the REAL ID enforcement deadline to October 1, 2021.¹¹ This provides DPS with one more year to provide Minnesotans with REAL ID compliant driver licenses and identification cards before they are required to board a commercial aircraft and access certain federal facilities. In late March, the Legislature also provided DPS with \$2.4 million to hire temporary staffing resources in order to reduce the turnaround time for driver licenses and identification cards to 45 days. This money is available until January 31, 2021, well before the new REAL ID enforcement deadline. COVID-19 presents an additional challenge for DPS, as transactions for Minnesotans applying for REAL ID and Enhanced Driver Licenses must be performed in person, due to requirements for document verification, vision screening, and photographs. DPS has told us that they are developing methods to minimize the time spent in person at a driver license agent's office.

Vehicle Title Work “In Progress”

DPS has made significant progress reducing the amount of “in progress” vehicle title applications. Between March 29, 2020, and May 17, 2020, DPS reduced the title application work queue from approximately 103,000 to just over 7,500. However, on May 11, 2020, DPS had nearly 40,000 title applications that were awaiting scanning before they could be added to the title application work queue. Due to the Governor's stay-at-home order, scanning of incoming documents had been temporarily suspended. As these new titles and corresponding work received from deputy registrars get scanned and added to the work queue, DPS must ensure that they remain caught up. With deputy registrars resuming services and the traditionally busy summer months approaching, DPS must continue to balance its staffing needs to process both REAL ID applications and vehicle title applications, while also testing and training on the new VTRS.

¹⁰ The REAL ID Act of 2005—Title II, Division B of the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005, Public Law 109-13, 119 Stat. 231, 302 (May 11, 2005) (codified as 49 *U.S. Code*, 30301).

¹¹ 6 *CFR*, secs. 37.5(b) and (c).

Credit Card Terminals

The manufacturer who produces the credit card terminals utilized by deputy registrars and driver license agents recently announced that they will no longer support the terminals. As a result, compliance with Payment Card Industry (PCI) Security Standards for the terminals will expire on April 30, 2021, indicating that the state has until then to replace the devices. Because the selection and implementation of new devices will require the staff time of DPS, MNIT, deputy registrars and driver license agents, DPS must ensure that this effort does not detract or consume resources from the VTRS project.

Risk Response from Agencies

OLA discussed the risks within this report with both DPS and MNIT. We have not asked the agencies to prepare a written formal response to these risks, as the project is ongoing and dynamic. The agencies may incorporate some details on risk mitigation strategies within their quarterly reports or during testimony at Driver and Vehicle Systems Oversight Committee meetings.



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