

A black and white photograph of the Minnesota State Capitol building, featuring its prominent dome and classical architectural details like columns and statues. The building is partially obscured by a large, dark blue diagonal shape that serves as a background for the text.

# Minnesota Department of Public Safety – Sales of Driver and Vehicle Records

## Internal Controls and Compliance Audit

August 2020

**Financial Audit Division**

**OFFICE OF THE LEGISLATIVE AUDITOR**

STATE OF MINNESOTA

## Financial Audit Division

The Financial Audit Division conducts 40 to 50 audits each year, focusing on government entities in the executive and judicial branches of state government. In addition, the division periodically audits metropolitan agencies, several “semi-state” organizations, and state-funded higher education institutions. Overall, the division has jurisdiction to audit approximately 180 departments, agencies, and other organizations.

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](http://www.auditor.leg.state.mn.us).



## OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MINNESOTA • James Nobles, Legislative Auditor

August 7, 2020

Members  
Legislative Audit Commission

Members  
Legislative Coordinating Commission  
Subcommittee on Data Practices

John Harrington, Commissioner  
Minnesota Department of Public Safety

This report presents the results of our internal controls and compliance audit of the Minnesota Department of Public Safety's sales of driver and vehicle records for the period July 2016 through February 2019. The objectives of this audit were to determine if the department had adequate internal controls over the sales of driver and vehicle records and complied with significant finance-related requirements.

This audit was conducted by Scott Tjomsland, CPA (Audit Director) and Gabrielle Johnson, CPA (Auditor-in-Charge) from March 2019 through August 2019. However, due to our required work on the state's financial statements and Federal Single Audit, we had to delay the completion of this audit report until July 2020.

We received the full cooperation of the department's staff while performing this audit.

Sincerely,

James R. Nobles  
Legislative Auditor

Scott Tjomsland, CPA  
Audit Director



---

# Table of Contents

---

	<u>Page</u>
Report Summary .....	1
Conclusions .....	1
Audit Overview .....	3
Background .....	3
Audit Scope, Objectives, Methodology, and Criteria .....	6
Bulk Data Sales .....	9
Service Agreements .....	9
Daily Bulk Data Files .....	13
Customized Bulk Data Requests .....	13
Collection of Fees .....	14
Individual Record Sales .....	21
Electronic Records .....	21
Printed Records .....	23
List of Recommendations .....	25
Agency Response .....	27



# Report Summary

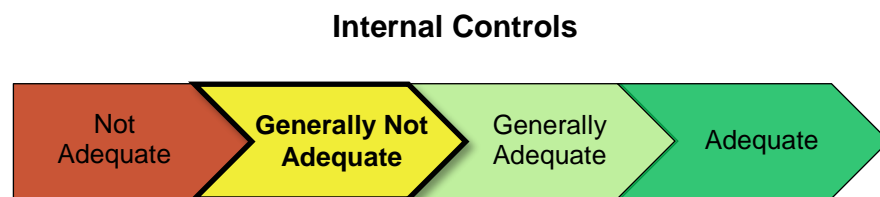
The Minnesota Department of Public Safety administers driver and vehicle services statewide for Minnesota residents. Federal law requires state departments to protect the personal information included in motor vehicle records, but it also requires the disclosure of that data for 1 of 14 permissible uses.<sup>1</sup> State law requires the department to disclose driver and vehicle records as required or permitted by federal law<sup>2</sup> and establishes the fees the department must charge for the sale of that data.<sup>3</sup> The data may be sold in bulk or by individual record.

The Office of the Legislative Auditor (OLA) conducted this audit to determine whether the Department of Public Safety had adequate internal controls and complied with significant finance-related legal requirements. The audit scope included sales of driver and vehicle records, including sales in bulk or by individual record. The period under examination was from July 1, 2016, through February 28, 2019.

## Conclusions

### Internal Controls

OLA found that the Department of Public Safety's internal controls were generally not adequate to ensure that it limited sales of driver and vehicle records to permissible uses under federal law, and collected and deposited fees in compliance with state law.



Specifically, this audit identified the following internal control weaknesses, discussed more thoroughly in the findings and recommendations in this report.

- Finding 1. The Department of Public Safety did not include the statutory requirement for independent audits in its service agreements with bulk data purchasers. (p. 10)
- Finding 2. The Department of Public Safety did not establish formal policies and procedures for reviewing audit reports and client lists submitted by bulk data purchasers. (p. 12)

<sup>1</sup> 18 U.S. Code, sec. 2721 (2018).

<sup>2</sup> *Minnesota Statutes* 2019, 171.12, subd. 7; and 168.346, subd. 1.

<sup>3</sup> *Minnesota Statutes* 2018, 168.327. The Legislature revised this statute to increase certain fees. Those increases took effect after the scope of this audit.

- Finding 3. The Department of Public Safety did not require purchasers of customized bulk vehicle records to obtain audits of its use of that data. (p. 14)
- Finding 4. The Department of Public Safety did not charge three of the eight purchasers correct fees for their bulk data purchases. (p. 16)
- Finding 5. The Department of Public Safety did not post some fees from the sale of driver and vehicle records to the correct funds and appropriation accounts. (p. 17)
- Finding 6. The Department of Public Safety did not adequately manage accounts receivable. (p. 19)

## Legal Compliance

OLA found that the Department of Public Safety generally complied with finance-related legal requirements related to the sale of driver and vehicle records.

### Legal Compliance



Specifically, this audit identified the following issues of noncompliance, discussed more thoroughly in the findings and recommendations in this report.

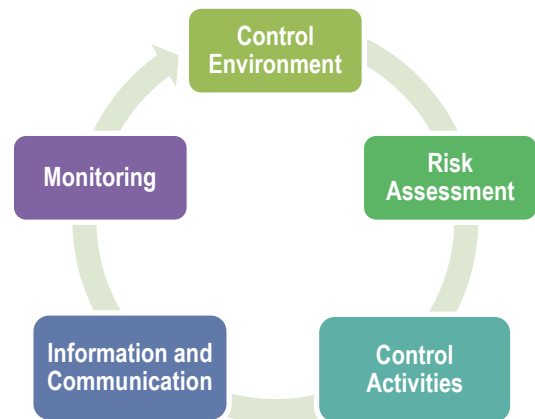
- Finding 1. The Department of Public Safety did not include the statutory requirement for independent audits in its service agreements with bulk data purchasers. (p. 10)
- Finding 3. The Department of Public Safety did not require purchasers of customized bulk vehicle records to obtain audits of its use of that data. (p. 14)
- Finding 4. The Department of Public Safety did not charge three of the eight purchasers correct fees for their bulk data purchases. (p. 16)
- Finding 5. The Department of Public Safety did not post some fees from the sale of driver and vehicle records to the correct funds and appropriation accounts. (p. 17)
- Finding 6. The Department of Public Safety did not adequately manage accounts receivable. (p. 19)
- Finding 7. The Department of Public Safety charged an additional fee for certain driver records that was not specifically authorized in state law. (p. 23)



# Audit Overview

This report presents the results of an internal controls and compliance audit of selected activities in the Minnesota Department of Public Safety. Management is responsible for establishing internal controls to safeguard assets and ensure compliance with applicable laws, regulations, and state policies.

A strong system of internal controls begins with management's philosophy, operating style, and commitment to ethical values. It also includes processes to continuously assess risks and implement control activities to mitigate risks. A successful internal controls system includes iterative processes to monitor and communicate the effectiveness of control activities.



## Background

The department's Driver and Vehicle Services Division administers driver and motor vehicle services statewide for Minnesota residents. The division's responsibilities include issuing driver's licenses, instruction permits, and state identification cards; registering motor vehicles; and maintaining motor vehicle title records.

In the mid-1990s, the federal government passed the Driver's Privacy Protection Act of 1994 (DPPA).<sup>4</sup> The DPPA establishes restrictions on access to and use of personal information included in motor vehicle records maintained by state departments of motor vehicles. It defines motor vehicle records as "any record that pertains to a motor vehicle operator's permit, motor vehicle title, motor vehicle registration, or identification card..."<sup>5</sup> The DPPA also defines personal information as "information that identifies an individual, including an individual's photograph, social security number, driver identification number, name, address (but not the 5-digit zip code), telephone number, and medical or disability information..."<sup>6</sup> It further defines highly restricted personal information as "an individual's photograph or image, social security number, [and] medical or disability information."<sup>7</sup>

<sup>4</sup> 18 U.S. Code, secs. 2721-2725 (2018).

<sup>5</sup> 18 U.S. Code, sec. 2725(1) (2018).

<sup>6</sup> 18 U.S. Code, sec. 2725(3) (2018).

<sup>7</sup> 18 U.S. Code, sec. 2725(4) (2018).

The DPPA requires state departments to protect the personal information included in motor vehicle records, but it also requires the disclosure of that data for 1 of 14 permissible uses. The DPPA restricts the disclosure of highly restricted personal information to one of four permissible uses, unless the subject of that data has provided express consent to disclose it for the other ten permissible uses.

Exhibit 1 displays the 14 permissible uses of personal information included in motor vehicle records.

---

## Exhibit 1: Permissible Uses of Personal Information Included in Motor Vehicle Records

For 10 of the 14 permissible uses, the personal information allowed to be disclosed **excludes** highly restricted data.

2. For use in connection with matters of motor vehicle or driver safety and theft; motor vehicle emissions; motor vehicle product alterations, recalls, or advisories; performance monitoring of motor vehicles, motor vehicle parts and dealers; motor vehicle market research activities, including survey research; and removal of non-owner records from the original owner records of motor vehicle manufacturers.
3. For use in the normal course of business by a legitimate business or its agents, employees, or contractors, but only – (A) to verify the accuracy of personal information submitted by the individual to the business or its agents, employees, or contractors; and (B) if such information as so submitted is not correct or is no longer correct, to obtain the correct information, but only for the purposes of preventing fraud by, pursuing legal remedies against, or recovering on a debt or security interest against, the individual.
5. For use in research activities, and for use in producing statistical reports, so long as the personal information is not published, redisclosed, or used to contact individuals.
7. For use in providing notice to the owners of towed or impounded vehicles.
8. For use by any licensed private investigative agency or licensed security service for any purpose permitted under this subsection.
10. For use in connection with the operation of private toll transportation facilities.
11. For any other use in response to requests for individual motor vehicle records if the State has obtained the express consent of the person to whom such personal information pertains.
12. For bulk distribution for surveys, marketing or solicitations if the State has obtained the express consent of the person to whom such personal information pertains.
13. For use by any requester; if the requester demonstrates it has obtained the written consent of the individual to whom the information pertains.
14. For any other use specifically authorized under the law of the State that holds the record, if such use is related to the operation of a motor vehicle or public safety.

For 4 of the 14 permissible uses, the personal information allowed to be disclosed **includes** highly restricted data.

1. For use by any government agency...in carrying out its functions, or any private person or entity acting on behalf of a Federal, State, or local agency in carrying out its functions.
4. For use in connection with any civil, criminal, administrative, or arbitral proceeding in any Federal, State, or local court or agency or before any self-regulatory body, including the service of process, investigation in anticipation of litigation, and the execution or enforcement of judgments and orders, or pursuant to an order of a Federal, State, or local court.
6. For use by any insurer or insurance support organization, or by a self-insured entity, or its agents, employees, or contractors, in connection with claims investigation activities, antifraud activities, rating or underwriting.
9. For use by an employer or its agent or insurer to obtain or verify information relating to a holder of a commercial driver's license that is required under chapter 313 of title 49.

NOTE: 18 U.S. Code, sec. 2725(4) (2018), defines highly restricted personal information as "an individual's photograph or image, social security number, [and] medical or disability information."

SOURCE: 18 U.S. Code, secs. 2721(a)(2) and (b) (2018). The permissible uses listed, including the numbers, are direct quotations from that law.

---

State law requires the department to treat driver's license, identification card, and motor vehicle registration data as provided by the DPPA.<sup>8</sup> State law also establishes additional restrictions on certain types of data. For example, state law restricts the use of photographs or electronically produced images obtained in the process of issuing drivers' licenses or identification cards to criminal justice agencies, public defenders, public authorities responsible for child support enforcement, and county medical examiners or coroners.<sup>9</sup> Similarly, state law restricts the use of vehicle registration information for lessees under a lease term of 180 days or more to law enforcement agencies; trade associations; federal, state, and local governmental units; and entities that notify lessees of automobile recalls.<sup>10</sup>

Finally, state law allows individuals to request that their address or both name and address be classified as "private data on individuals" due to safety concerns. Specifically,

- *Minnesota Statutes* 2019, 171.12, subd. 7(d), allows an applicant for a driver's license, instruction permit, or Minnesota identification card to request that the applicant's residence address be classified as "private data on individuals," and it requires the commissioner to grant the classification on receipt of a signed statement by the individual that the classification is required for the safety of the applicant or the applicant's family, if the statement also provides a valid, existing address where the applicant consents to receive service of process.
- *Minnesota Statutes* 2019, 168.346, subd. 3, allows the registered owner of a vehicle who is an individual to request, in writing, that the registered owner's residence address or name and residence address be classified as "private data on individuals" and that the commissioner shall grant the classification on receipt of a signed statement by the registered owner that the classification is required for the safety of the registered owner or the registered owner's family, if the statement also provides a valid, existing address where the registered owner consents to receive service of process.

Based on these laws, the department should not provide data it has classified as "private data on individuals" to companies that buy data in bulk or in individual records. Access to this data is restricted to law enforcement agencies, probation and parole agencies, and local units of government responsible for child support enforcement; it cannot be included in bulk or individual data transfers to any other entity.

In November 2018, the Office of the Legislative Auditor (OLA) received information indicating that the Department of Public Safety had provided data classified as "private data on individuals" under the provision noted above to three companies. In response to our inquiry, the department acknowledged that it had included private data in bulk data transfers to the companies. In a letter to OLA, the department said, "After the conversion to the new motor vehicle system known as MNLARS, names and addresses of these individuals were included in the bulk vehicle records and provided to the three

---

<sup>8</sup> *Minnesota Statutes* 2019, 171.12, subd. 7; and 168.346, subd. 1.

<sup>9</sup> *Minnesota Statutes* 2019, 171.07, subd. 1a.

<sup>10</sup> *Minnesota Statutes* 2019, 168.345, subd. 2.

companies....”<sup>11</sup> In addition to the letter, the department provided OLA with documents related to the release of private data, including information about actions the department had taken and would take in the future to prevent further transfers of private data. Having received and reviewed those documents and information to determine what occurred, why it occurred, and what actions the department took in response, we did not pursue the issue further in this audit.

State law also establishes the fees the department must charge for the sale of driver and vehicle records, which may be sold in bulk or by individual record.<sup>12</sup> Exhibit 2 shows the department’s receipts for the sale of driver and vehicle records for fiscal years 2017, 2018, and a portion of fiscal year 2019.

## Exhibit 2: Receipts for the Sale of Driver and Vehicle Records, Fiscal Years 2017-2019

	Fiscal Year			Total
	2017	2018	2019 <sup>a</sup>	
Total Receipts	\$4,254,280	\$4,628,385	\$2,160,980	\$11,043,645

<sup>a</sup> The audit scope included the portion of fiscal year 2019 from July 1, 2018, through February 28, 2019. Only that portion is shown in this table.

SOURCE: State of Minnesota’s accounting system.

## Audit Scope, Objectives, Methodology, and Criteria

We audited the Department of Public Safety’s internal controls and compliance with selected legal requirements for the sale of driver and vehicle records for the period from July 1, 2016, through February 28, 2019.

### Bulk Data Sales

We designed our work to address the following questions:

- Were the department’s internal controls adequate to ensure it limited bulk sales of driver and vehicle records to permissible uses under federal law, and collected and deposited fees in compliance with state law?
- Did the department limit bulk sales of driver and vehicle records to permissible uses under federal law, and collect and deposit fees in compliance with state law?

<sup>11</sup> Dawn Olson, Director, Driver and Vehicle Services, Department of Public Safety, letter to James R. Nobles, Legislative Auditor, December 10, 2018.

<sup>12</sup> *Minnesota Statutes* 2018, 168.327. The Legislature revised this statute to increase certain fees. Those increases took effect after the scope of this audit.

To answer these questions, we reviewed federal and state laws governing the disclosure of driver and vehicle data. In addition, we interviewed department staff with responsibilities related to bulk data sales. We also inspected all written agreements the department executed with bulk data purchasers. Finally, we tested all of the fees the department charged to and collected from bulk data purchasers.

## Individual Record Sales

We designed our work to address the following questions:

- Were the department's internal controls adequate to ensure it limited individual record sales of driver and vehicle data to either the subject of the data or another party for permissible uses under federal law, and collected and deposited fees in compliance with state law?
- Did the department limit individual record sales of driver and vehicle data to either the subject of the data or another party for permissible uses under federal law, and collect and deposit fees in compliance with state law?

To answer these questions, we reviewed federal and state laws governing the disclosure of driver and vehicle data. In addition, we interviewed department staff with responsibilities related to individual record sales. Finally, we tested samples of the fees the department charged to and collected from customers.

We conducted this performance audit in accordance with generally accepted government auditing standards.<sup>13</sup> Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. When sampling was used, we used a sampling method that complies with generally accepted government auditing standards and that supports our findings and conclusions. That method does not, however, allow us to project the results we obtained to the populations from which the samples were selected.

We assessed internal controls against the most recent edition of the internal control standards, published by the U.S. Government Accountability Office.<sup>14</sup> To identify legal compliance criteria for the activity we reviewed, we examined state and federal laws, state administrative rules, state contracts, and policies and procedures established by the departments of Management and Budget and Administration.

---

<sup>13</sup> Comptroller General of the United States, Government Accountability Office, *Government Auditing Standards* (Washington, DC, December 2011).

<sup>14</sup> Comptroller General of the United States, Government Accountability Office, *Standards for Internal Control in the Federal Government* (Washington, DC, September 2014). In September 2014, the State of Minnesota adopted these standards as its internal control framework for the executive branch.



# Bulk Data Sales

---

The department sells driver and vehicle records in bulk to a limited number of purchasers. During the audit scope, the department sold bulk driver records to five companies and bulk vehicle records to three companies. Six of those companies purchased data throughout the audit scope. One of the companies that purchased bulk driver records only purchased that data through September 2016, and one of the companies that purchased bulk vehicle records began purchasing that data in April 2018.

Federal law allows companies that purchase driver and vehicle records to resell those records to its clients, provided that the clients use those records for 1 of the 14 permissible uses specified in the law.<sup>15</sup> The law also requires companies that purchase and resell driver and vehicle records to maintain a list of each client, including the client's intended permissible use of the data, for a period of five years.<sup>16</sup>

## Service Agreements

---

The department executed written service agreements with bulk data purchasers that outlined the terms and conditions for the purchase of driver and vehicle records. The agreements included a section for the purchaser to specify for which of the 14 permissible uses it intended to use the data. The terms and conditions in the agreements included restrictions on the use of the data, with references to federal and state law. In addition, the terms and conditions included several requirements for purchasers:

- Purchasers must train their employees on the permissible use of the data.
- Purchasers must secure the data and notify the department within 24 hours of discovering a data breach.
- Purchasers must include language in contracts with clients for the resale of the data that specifies the permissible uses of the data and requires clients to secure the data. Purchasers must also arrange for biennial independent assessments of each client's procedures to ensure compliance with those requirements.
- Purchasers must agree to allow the department or an independent auditor selected by the department to audit compliance with the terms of the service agreements.
- Purchasers must maintain a list of each client it resold data to and the permissible use for which the client intended to use the data. The list must

---

<sup>15</sup> 18 U.S. Code, sec. 2721(c) (2018). The law specifies that data purchased for permissible uses 1-10 and 13-14 may be resold for any of those permissible uses. In addition, the law specifies that data purchased for permissible use 11 may be resold for any purpose. Finally, the law specifies that data purchased for permissible use 12 may only be resold for permissible use 12. See Exhibit 1 on page 4 for the 14 permissible uses.

<sup>16</sup> 18 U.S. Code, sec. 2721(c) (2018). The law excludes permissible use 11 from this requirement.

include all clients the purchaser resold data to for at least the past five years, and the purchaser must provide the list to the department upon request.

Finally, the terms and conditions in the agreements included consequences for violations of federal or state law, such as termination of the agreements and potential criminal and civil penalties.

---

## FINDING 1

### **The Department of Public Safety did not include the statutory requirement for independent audits in its service agreements with bulk data purchasers.**

---

The audit provision in service agreements the department executed with bulk data purchasers did not include the statutory audit requirement. State law **requires** each bulk data purchaser to “engage an independent professional organization to audit its uses of bulk data and its information technology security procedures, including the methods and practices employed in the processing and use of driver and vehicle services data.”<sup>17</sup> The law also requires the bulk data purchasers to submit the audit reports to both the department and the legislative auditor within 30 days of the audit report date, but does not specify the frequency of the audits.

The audit provision in the service agreements stated that the department, or an independent auditor selected by the department “**may** audit their records as to their performance under this agreement. The degree and conduct of any such audit, and the frequency of such audits, shall be at the sole discretion of [the department] and shall focus on compliance with the terms of this agreement.” One key difference is that the law **requires** an audit while the service agreement provision made it **optional**. In addition, the law requires the **purchaser** to initiate an audit with an independent auditor, while the service agreement provision allowed the **department** to either perform the audit itself or initiate an audit with an independent auditor. Finally, the service agreement provision did not reference the requirement stated in the law to submit audit reports to the department and the legislative auditor within 30 days of the audit report date.

Omitting the audit requirement from the service agreements prevented the department from setting clear expectations for those audits, reduced the department’s ability to enforce the audit requirement, and reduced the effectiveness of the department’s monitoring of bulk data purchasers. We found several inconsistencies with audit reports submitted by bulk data purchasers:

- The frequency of audits obtained by bulk data purchasers was inconsistent. Of the six companies that purchased bulk data throughout the audit scope, just two submitted audit reports for all three years. Three companies submitted audit reports for two of three years, and one submitted an audit report for just one year.

---

<sup>17</sup> *Minnesota Statutes* 2019, 168.327, subd. 6.



- Neither of the two audits submitted by one bulk data purchaser was the type of audit required by state law, since they did not specifically address the purchaser's use of the data.
- Bulk data purchasers did not always submit audit reports to the department within 30 days. Of the 13 audit reports bulk data purchasers submitted during the audit scope, the department received 8 of them more than 30 days after the audit report date. For those eight, the difference between the audit report date and the date the department received the report ranged from 32 to 654 days, including six that exceeded 100 days. In addition, bulk data purchasers did not submit any of the audit reports to the legislative auditor.

In August 2019, which was outside the scope of our audit, the department executed a new agreement with each bulk data purchaser that included a revised audit provision. That provision required the purchaser to:

Engage an independent third party to annually evaluate Purchaser's compliance with the DPPA and address any material deficiencies. The Purchaser shall submit a copy of the confidential independent third party report to DVS and the Office of the Legislative Auditor.

The revised audit provision resolved some of the deficiencies we found during our audit. Specifically, it **requires** the audits; requires the **purchaser** to initiate the audits with an independent auditor; requires the purchaser to submit audit reports to the department and the legislative auditor; and specifies the frequency of the audits. However, the provision does not include the requirement to submit audit reports to the department and legislative auditor within 30 days of the audit report date. In addition, the provision does not clearly indicate that the audits must address the purchaser's information technology security procedures. We noted that the provision does not cite the state statute that establishes the audit requirement. Including the statutory citation would ensure that purchasers are aware of all the audit elements required by state law.

---

## RECOMMENDATIONS

- **The Department of Public Safety should cite the state statute that establishes the audit requirement in the terms and conditions of service agreements with bulk data purchasers.**
  - **The Department of Public Safety should design and implement internal controls to ensure bulk data purchasers obtain audits that comply with state law, and submit the audits to the department and the Office of the Legislative Auditor within 30 days of the audit report date.**
-

---

**FINDING 2****The Department of Public Safety did not establish formal policies and procedures for reviewing audit reports and client lists submitted by bulk data purchasers.**

---

The department did not establish formal policies and procedures for the review of audit reports submitted by bulk data purchasers, including actions to take in response to audit findings. As discussed in Finding 1, state law requires bulk data purchasers to obtain audits and submit audit reports to the department. Of the 13 audit reports submitted to the department during the audit scope, 1 included a finding. The department did not have documentation of any actions taken in response to the finding. When we asked about the audit report, which the department received on November 27, 2017, department staff could not recall specific actions taken in response to the finding.

The audits are required to ensure bulk data purchasers use and secure the data in compliance with state and federal law. Audit findings indicate conditions that increase the risk of noncompliance. Based on the significance of audit findings, the department should consider whether to continue bulk data sales to the purchaser until it resolves those findings.

The department also did not establish formal policies and procedures to review client lists submitted by bulk data purchasers. Federal law requires companies that purchase and resell driver and vehicle records to maintain a client list, including the client's intended permissible use of the data, for a period of five years.<sup>18</sup> The service agreements included terms that required bulk data purchasers to submit client lists to the department upon request, and the department's practice was to request those lists each fiscal year. However, we found inconsistencies with the department's monitoring of bulk data purchasers' client lists:

- The department did not receive a client list from one of the two bulk data purchasers of vehicle records in fiscal year 2017, and did not receive a client list from either purchaser in fiscal year 2018. Department staff told us the department requested those client lists, but they did not have documentation of any actions taken when they did not receive the requested information.
- The department received client lists from each of the four bulk data purchasers of driver records in fiscal years 2017 and 2018. However, the client lists that two of those purchasers submitted did not indicate for which of the permissible uses each client intended to use the data. Department staff told us the department performed other procedures to determine whether the clients likely used the data for permissible uses, but they did not have any documentation of these "other procedures."

---

<sup>18</sup> 18 U.S. Code, sec. 2721(c) (2018).

If consistently performed, periodic reviews of bulk data purchasers' client lists can be an effective procedure to ensure bulk data purchasers use driver and vehicle data in compliance with state and federal law.

---

## RECOMMENDATION

**The Department of Public Safety should establish formal policies and procedures for reviewing audit reports and client lists submitted by bulk data purchasers.**

---

## Daily Bulk Data Files

---

The department creates two separate bulk data files each day: one with driver records and one with vehicle records. The department encrypts and securely transfers the daily data files to each bulk data purchaser. Those daily bulk data files contain all records that changed since the previous day. The department extracts driver records from the state's driver services computer system (FastDS), which was implemented in October 2018. The department extracts vehicle records from the state's vehicle services computer system (MNLARS), which was implemented in July 2017.

Prior to the implementation of FastDS and MNLARS, the department extracted both types of records from the state's previous driver and vehicle services mainframe computer system. Under this previous process, the department created the data files less frequently, usually biweekly. In addition, bulk data purchasers of driver records could select the specific records they wanted, rather than taking all records in the file.

The department designed an automated process to extract driver records from FastDS and the previous mainframe system for the bulk data files, which omitted photographs or images of individuals. The department also designed an automated process to extract vehicle records from MNLARS and the previous mainframe system for the bulk data files, which included vehicle registration data for lessees because each bulk data purchaser intended to use the data for automobile recalls. Finally, the department designed each automated process to omit the addresses, or both names and addresses for vehicle records, of individuals that requested them to be classified as private data.

## Customized Bulk Data Requests

---

The department occasionally sells bulk vehicle records based on customized requests for specific records. During the audit scope, the department sold bulk vehicle records to two purchasers based on customized requests. Instead of purchasing the daily bulk data files, the purchasers bought selected records with specific characteristics. One purchased vehicle records for vehicles with unpaid parking tickets, while the other purchased vehicle records for vehicles used at park and ride sites. The department executed written agreements with each purchaser that differed from the service agreements used for purchasers of the daily bulk data files, but that contained similar terms and conditions.

---

### FINDING 3

#### **The Department of Public Safety did not require purchasers of customized bulk vehicle records to obtain audits of its use of that data.**

---

The department did not require either of the two purchasers of customized bulk vehicle records to obtain the audits required by state law. The law states “each requester of bulk vehicle records shall engage an independent professional organization to audit its uses of bulk data and its information technology security procedures, including the methods and practices employed in the processing and use of driver and vehicle services data.”<sup>19</sup> However, the department did not include the audit requirement in the terms and conditions in the written agreements executed with the two purchasers.

Department staff told us they interpreted the audit requirement in the law as only applicable to purchasers of the daily bulk data files. However, the law defines bulk vehicle records as “a total of 1,000 or more vehicle title records and vehicle registration records.”<sup>20</sup> Every invoice for customized requests of bulk vehicle records from the two purchasers included over 1,000 vehicle records. In addition, the department charged the same fee rate for the customized requests that it charged for the daily bulk data files.

The audit requirement provides the department with an additional mechanism to monitor each bulk data purchaser’s use of vehicle records. Enforcing the audit requirement would provide a higher level of assurance that bulk data purchasers use and secure vehicle records in compliance with state and federal law.

---

### RECOMMENDATIONS

- **The Department of Public Safety should require purchasers of customized bulk vehicle records to obtain and submit audits in compliance with state law.**
  - **The Department of Public Safety should include the statutory audit requirement in the terms and conditions of written agreements with purchasers of customized bulk vehicle records.**
- 

## Collection of Fees

---

State law authorizes the fees the department can charge purchasers of bulk driver and vehicle records. The law required the department to establish a fee that did not exceed \$0.01 per record for purchases of both bulk driver records and bulk vehicle records.<sup>21</sup> During the audit scope, the department charged \$0.01 per record for each type of

---

<sup>19</sup> *Minnesota Statutes* 2019, 168.327, subd. 6.

<sup>20</sup> *Minnesota Statutes* 2019, 168.327, subd. 5(a).

<sup>21</sup> *Minnesota Statutes* 2018, 168.327, subds. 4(c) and 5(b). The Legislature revised this statute to increase the fee to \$0.02 per record, effective after the scope of this audit.

record. The law requires the department to establish an additional flat fee for bulk driver records that does not exceed \$3,680 per month.<sup>22</sup> During the audit scope, the department charged each purchaser of bulk driver records \$3,676.50 per month. We noted that the law established inconsistent fees for driver records versus vehicle records. Although the department's process to create daily bulk data files and transfer them to purchasers is essentially the same for each type of record, the law only establishes the additional flat fee for driver records.

State law requires the department to post the fees collected for the sale of bulk driver and vehicle records to certain appropriation accounts:

- For the \$0.01 per record fee for bulk driver records, the department must post 40 percent to the driver services operating account and 60 percent to the data security account, both in the special revenue fund.<sup>23</sup>
- The department must post the additional monthly fee for bulk driver records to the driver services operating account.<sup>24</sup>
- For the \$0.01 per record fee for bulk vehicle records, the department must post 40 percent to the vehicle services operating account and 60 percent to the data security account, both in the special revenue fund.<sup>25</sup>

The law appropriates the fees posted into the driver services and vehicle services operating accounts to the department. The law that established the data security account did not specifically appropriate the fees posted to it.<sup>26</sup>

Exhibit 3 shows the total fees the department collected during the audit scope for bulk driver and vehicle records.

---

<sup>22</sup> *Minnesota Statutes* 2019, 168.327, subd. 4(b).

<sup>23</sup> *Minnesota Statutes* 2018, 168.327, subd. 4(c). The Legislature revised this statute to change the distribution of fees collected to 20 percent into the driver services operating account, 30 percent into the data security account, and 50 percent into the driver and vehicle services technology account. This change was effective after the scope of this audit.

<sup>24</sup> *Minnesota Statutes* 2019, 168.327, subd. 4(b).

<sup>25</sup> *Minnesota Statutes* 2018, 168.327, subd. 5(c). The Legislature revised this statute to change the distribution of fees collected to 20 percent into the vehicle services operating account, 30 percent into the data security account, and 50 percent into the driver and vehicle services technology account. This change was effective after the scope of this audit.

<sup>26</sup> *Minnesota Statutes* 2019, 3.9741, subd. 5. The Legislature did not appropriate any money from the account, which was established in Fiscal Year 2015, until the 2019 First Special Session. Chapter 3, article 1, section 5, appropriated \$50,000 to the Legislative Auditor in both fiscal years 2020 and 2021 for monitoring the development and implementation of the vehicle title and registration system.

### Exhibit 3: Fees for Sales of Bulk Driver and Vehicle Records by Account, July 1, 2016, through February 28, 2019

Fees	Special Revenue Fund			Totals
	Driver Services Operating Account	Vehicle Services Operating Account	Data Security Account	
Driver Records – Monthly Fee	\$450,909	\$ 0	\$ 0	\$ 450,909
Driver Records – Per Record Fee	128,480	0	192,462	320,942
Vehicle Records – Per Record Fee	0	204,716	303,014	507,730
Totals	\$579,389	\$204,716	\$495,476	\$1,279,581

SOURCE: State of Minnesota's accounting system.

#### FINDING 4

#### The Department of Public Safety did not charge three of the eight purchasers correct fees for their bulk data purchases.

The department overcharged one purchaser of bulk driver records by \$1,018 and undercharged two purchasers of bulk vehicle records by \$503 each. State law authorized the department to charge a fee of \$0.01 per record for sales of bulk driver and vehicle records.<sup>27</sup> The law also required the department to post 40 percent of those fees to the driver services operating account (driver records) or the vehicle services operating account (vehicle records) and 60 percent to the data security account.<sup>28</sup>

For each purchaser, department staff made a manual error in creating the monthly invoice for a single month. For the overcharge, the department separated the fee to show the 40 percent portion for the driver services operating account and the 60 percent portion for the data security account, but used the entire fee amount instead of 60 percent for the data security account portion. For each undercharge, the department used the amount charged for the previous month, instead of the amount for the number of records during the invoiced month. As a result, the department undercollected \$402 for the vehicle services operating account and \$604 for the data security account. The department did not perform sufficient secondary reviews of the invoices to identify and correct the errors.

We reviewed all invoices during the audit scope for each bulk data purchaser and did not identify any other billing errors.

<sup>27</sup> *Minnesota Statutes* 2018, 168.327, subds. 4(c) and 5(b). The Legislature revised this statute to increase the fee to \$0.02 per record, effective after the scope of this audit.

<sup>28</sup> *Minnesota Statutes* 2018, 168.327, subds. 4(c) and 5(c). The Legislature revised this statute to change the distribution of fees collected to 20 percent into the driver services operating account or vehicle services operating account, as applicable, 30 percent into the data security account, and 50 percent into the driver and vehicle services technology account. This change was effective after the scope of this audit.

---

## RECOMMENDATIONS

- **The Department of Public Safety should refund \$1,018 from the data security account to the overcharged bulk data purchaser cited.**
  - **The Department of Public Safety should collect \$503 from both of the undercharged bulk data purchasers cited.**
  - **The Department of Public Safety should design and implement internal controls that include secondary reviews of invoices for bulk data sales sufficient to prevent billing errors.**
- 

---

## FINDING 5

### **The Department of Public Safety did not post some fees from the sale of driver and vehicle records to the correct funds and appropriation accounts.**

---

The department did not post some fees from the sale of bulk driver and vehicle records into the appropriation accounts required by state law. The law required the department to post 40 percent of those fees to the driver services operating account (driver records) or the vehicle services operating account (vehicle records) and 60 percent to the data security account.<sup>29</sup> We identified several errors:

- The department posted \$510 and \$1,806 to the driver services operating account and vehicle services operating account, respectively, that should have posted to the data security account. For half of the monthly invoices in one month, including one of four invoices for driver records and both invoices for vehicle records, the department incorrectly posted 60 percent to the driver services operating account and vehicle services operating account, as applicable, and 40 percent to the data security account. Department staff made manual errors in posting the fees, and the department did not perform sufficient secondary reviews to identify and correct the errors.
- The department posted \$61 to the vehicle services operating account that should have posted to the General Fund and \$546 to the data security account that should have posted to the driver services operating account. Department staff miscoded an invoice for the sale of accident reports as a sale of bulk vehicle records and posted the fees to appropriation accounts based on that miscoding. State law required the department to post 10 percent of the fees for accident report sales to the General Fund and 90 percent to the driver services operating account.<sup>30</sup>

---

<sup>29</sup> *Minnesota Statutes* 2018, 168.327, subds. 4(c) and 5(c). The Legislature revised this statute to change the distribution of fees collected to 20 percent into the driver services operating account or vehicle services operating account, as applicable, 30 percent into the data security account, and 50 percent into the driver and vehicle services technology account. This change was effective after the scope of this audit.

<sup>30</sup> *Minnesota Statutes* 2019, 169.09, subd. 13(f).

- The department did not reallocate prepayments applied to fees from bulk sales of driver records to the required appropriation accounts for those fees. Prior to the implementation of FastDS in October 2018, the department invoiced purchasers of bulk driver records. As discussed on page 22, those purchasers also made separate prepayments to maintain a balance in escrow accounts for purchases of individual driver records. The department posted those prepayments to escrow accounts to the appropriation accounts required for sales of individual records, which differ from the accounts required for bulk sales. Since the implementation of FastDS, fees for both bulk purchases and individual record purchases post to purchaser billing accounts monthly, and purchasers subsequently submit payments for those fees. When the department implemented FastDS, it applied the balance of each purchaser's escrow account to the new billing accounts in FastDS, which included monthly fees subsequently posted for both bulk purchases and individual record purchases. However, the department did not reallocate the portion used for bulk sales fees to the required appropriation accounts for those fees. As a result, \$31,662 posted to the General Fund (\$31,041) and the vehicle services operating account (\$621) that should have posted to the driver services operating account. In addition, \$22,517 posted to the General Fund that should have posted to the data security account.

The department also posted \$1,206 in fees from the sale of printed copies of individual driver records to the General Fund that should have posted to the driver services operating account. State law requires the department to post \$0.50 of the fee for each record to the General Fund and the remainder to the driver services operating account.<sup>31</sup> Department staff used an incorrect form to post the fees collected for those sales from late July 2017 until late June 2018, which included 226 deposit transactions. As a result, the department incorrectly posted \$143,559 to the General Fund instead of the driver services operating account. The department subsequently identified the error and recorded a correction to reallocate those fees, but only reallocated \$142,353 because it omitted one deposit transaction from its calculation of the error.

Exhibit 4 shows a summary of the reallocations necessary to correct the errors discussed in this finding.

---

#### **Exhibit 4: Summary of Reallocations Necessary to Correct Fee Posting Errors**

	Reallocate To	Reallocate From
Driver Services Operating Account	\$32,904	\$ 0
Vehicle Services Operating Account	0	2,488
Data Security Account	24,287	0
General Fund	<u>0</u>	<u>54,703</u>
Totals	\$57,191	\$57,191

SOURCE: Office of the Legislative Auditor.

---

<sup>31</sup> *Minnesota Statutes* 2019, 168.327, subd. 1(d).



Posting fees to incorrect funds and appropriation accounts prevents those fees from being used for the intended purposes specified in law.

---

## RECOMMENDATIONS

- **The Department of Public Safety should correct the fee posting errors cited.**
  - **The Department of Public Safety should design and implement internal controls to ensure it posts fees from the sale of driver and vehicle records to the funds and appropriation accounts required by state law.**
- 

---

## FINDING 6

**The Department of Public Safety did not adequately manage accounts receivable.**

---

The department did not adequately manage accounts receivable for sales of bulk driver and vehicle records. Three purchasers of bulk driver records and one purchaser of bulk vehicle records had past-due receivable balances. Two of the purchasers of bulk driver records had one unpaid invoice each, which totaled \$8,229, and the third underpaid an invoice by \$99. The purchaser of bulk vehicle records had two unpaid invoices that totaled \$10,944. We also identified three unpaid invoices for accident report sales for the purchaser of bulk vehicle records that totaled \$1,653. Finally, we found four unpaid invoices for sales of individual vehicle records that totaled \$465. The original due dates for those unpaid invoices ranged from May 2014 to February 2019.

State policy requires agencies to establish internal policies and procedures to manage accounts receivable.<sup>32</sup> The policy states that internal policies and procedures must include “a clear and appropriate collection process” and “a process for routinely reviewing delinquent accounts to ensure sufficient and consistent collection efforts have been attempted.” The department’s internal policy did not specifically include those processes, and the department did not retain documentation of any actions taken to collect payments for those invoices. The department continued to sell bulk driver and vehicle records to each purchaser and collected payments for those subsequent invoices.

---

## RECOMMENDATIONS

- **The Department of Public Safety should collect payments for the unpaid invoices cited.**
  - **The Department of Public Safety should revise its internal accounts receivable policy to specifically include processes for reviewing and collecting delinquent accounts.**
- 

---

<sup>32</sup> Minnesota Management and Budget Statewide Operating Policy 0501-01, *Managing & Financial Reporting of Accounts Receivable*, issued July 1, 2011, and revised July 8, 2014.



# Individual Record Sales

In addition to bulk sales of driver and vehicle records, the department sells the data by individual record to nongovernment entities or individuals upon request.<sup>33</sup> Customers may obtain the data electronically using access to the state's driver services and vehicle services computer systems. Customers may also obtain printed copies of the data by presenting a record request form to certain driver services office locations throughout the state or by mailing a record request form to the department.

Exhibit 5 shows the fees the department collected during the audit scope for sales of individual driver and vehicle records.

## Exhibit 5: Fees for Sales of Individual Driver and Vehicle Records by Fund and Account, July 1, 2016, through February 28, 2019

Fees	Special Revenue Fund		General Fund	Totals
	Driver Services Operating Account	Vehicle Services Operating Account		
Driver Records	\$4,007,701	\$ 0	\$2,742,645	\$6,750,346
Surcharge on Driver Records	0	0	514,342	514,342
Vehicle Records	0	975,707	1,283,214	2,258,921
Surcharge on Vehicle Records	0	0	240,454	240,454
Totals	\$4,007,701	\$975,707	\$4,780,655	\$9,764,063

SOURCE: State of Minnesota's accounting system.

## Electronic Records

To obtain access to the state's driver services and vehicle services computer systems, the department required customers to sign agreements that outlined the terms and conditions of the access. The agreements included a section for customers to specify for which of the 14 permissible uses they intended to use the data. The terms and conditions included consequences for violations of state or federal law, which included termination of the agreements and potential criminal prosecution.

Customers use their access to search for desired driver and vehicle records, and pay a fee for each record obtained. State law requires the department to charge a fee of \$4.50 per record.<sup>34</sup> The law also requires the department to post 60 percent of the fee to the General Fund and 40 percent to either the driver services operating account (for driver records) or the vehicle services operating account (for vehicle records). In addition,

<sup>33</sup> The department does not charge fees to government entities, privately owned driver and vehicle services offices, or automobile dealerships for access to driver and vehicle records.

<sup>34</sup> *Minnesota Statutes* 2019, 168.327, subd. 1(f).

state law requires the department to impose an additional \$0.50 surcharge for each record and post it to the General Fund.<sup>35</sup>

The state implemented a new vehicle services computer system in July 2017 (MNLARS) and a new driver services computer system in October 2018 (FastDS). Prior to the implementation of those systems, purchasers made prepayments to the department to maintain a balance in escrow accounts in the previous system. Fees for driver and vehicle records the purchasers obtained reduced the balances in their escrow accounts.

When the state implemented MNLARS, the department stopped using purchaser escrow accounts for sales of vehicle records. Instead, purchasers submitted payments daily for vehicle records obtained. When the state implemented FastDS, the department similarly stopped using purchaser escrow accounts for sales of driver records. For those sales, FastDS created monthly invoices for driver records obtained.

About \$5.9 million of the fees collected for sales of individual driver and vehicle records were prepayments to purchaser escrow accounts prior to the implementation of FastDS. We tested a random sample of daily prepayment deposits. Specifically, we examined 21 of the 210 days with deposits during the audit scope, to determine whether the department properly posted the prepayments to the funds and appropriation accounts required by state law. We also randomly selected one purchaser with a prepayment on each of the sampled deposit days to determine whether the department had a signed access agreement that indicated a permissible use of the data. We did not find any errors. However, we did identify errors related to fees for bulk driver record sales that the department charged to remaining purchaser escrow account balances after the implementation of FastDS, as discussed in Finding 5 on page 17.

About \$800,000 of the fees collected for sales of individual vehicle records were daily payments collected in MNLARS. We tested those fees to determine the accuracy of fee amounts charged and whether the department properly posted the fees to the funds and appropriation accounts required by state law. We did not find any errors.

Nearly \$650,000 of the fees collected for sales of individual driver and vehicle records were based on department invoices. Those invoices included a portion of the sales of driver records in the previous driver and vehicle services system, a portion of the sales of vehicle records in MNLARS, and the sales of driver records in FastDS. We reviewed all of the invoices for sales in the previous driver and vehicle services system and MNLARS to determine the accuracy of fee amounts charged and whether the department properly posted the fees to the funds and appropriation accounts required by state law. We also determined whether the department collected payments for each invoice. We found that the department did not collect payments for four invoices totaling \$465, as discussed in Finding 6 on page 19. In addition, we tested a random sample of daily deposits of payments for FastDS invoices, specifically 5 of the 49 days with deposits during the audit scope, to determine the accuracy of fee amounts charged and whether the department properly posted the fees to the funds and appropriation accounts required by state law. We did not find any errors.

---

<sup>35</sup> *Minnesota Statutes* 2019, 168.327, subd. 2.

---

## Printed Records

---

Customers purchasing a copy of their own driver or vehicle record must submit a signed record request form, must show their driver's license or state identification card if the purchase is in person, and must have their signature notarized if the purchase is by mail. Customers can also purchase a driver or vehicle record of another person if they provide that person's written consent. Finally, customers can purchase any driver or vehicle record by completing the permissible use section of the record request form. In that section, customers must indicate for which of the 14 permissible uses they intend to use the data, and in some instances, must provide written explanations.

Customers must provide a payment for the required fees with the record request form. State law requires the department to charge a fee of \$9 for a noncertified copy of a record, \$10 for a certified copy, and \$1 for each page of a vehicle title history.<sup>36</sup> The law also requires the department to post \$0.50 of the fee for each record to the General Fund and the rest to either the driver services operating account (for driver records) or the vehicle services operating account (for vehicle records).<sup>37</sup> In addition, state law requires the department to impose an additional \$0.50 surcharge for each record—except when a customer purchases a copy of their own record—and to post it to the General Fund.<sup>38</sup>

---

### FINDING 7

**The Department of Public Safety charged an additional fee for certain driver records that was not specifically authorized in state law.**

---

The department charged customers an additional \$1 fee for driver record requests that included a license issuance date letter, but state law does not specifically authorize that fee. We estimated that the department collected about \$36,000 for that fee during the audit scope, all of which posted to the driver services operating account. The \$1 fee for the one-page license issuance date letter is equivalent to the additional \$1 fee for each page of a vehicle title history that is specifically authorized in state law.<sup>39</sup> However, the department does not have the authority to charge a fee for the letter.

---

### RECOMMENDATION

**The Department of Public Safety should stop charging the additional \$1 fee for driver record requests that include a license issuance date letter. The department should work with the Legislature to determine whether to authorize this additional fee.**

---

---

<sup>36</sup> *Minnesota Statutes* 2019, 168.327, subd. 1(b) and (c).

<sup>37</sup> *Minnesota Statutes* 2019, 168.327, subd. 1(d) and (e).

<sup>38</sup> *Minnesota Statutes* 2019, 168.327, subd. 2.

<sup>39</sup> *Minnesota Statutes* 2019, 168.327, subd. 1(c).

About \$635,000 of the fees for sales of individual driver and vehicle records were collected by the department for printed records, either through the mail or by its driver and vehicle services office in St. Paul. We tested a random sample of daily deposits of those fees. Specifically, we examined data from 40 of the 457 days with deposits during the audit scope, to determine the accuracy of fee amounts charged and whether the department properly posted the fees to the funds and appropriation accounts required by state law. We found that the department posted \$1,206 to the General Fund that should have posted to the driver services operating account, as discussed in Finding 5 on page 17. We did not test the fees for sales of individual driver records collected by driver services offices in other locations throughout the state, which totaled nearly \$1.8 million.

# List of Recommendations

---

- The Department of Public Safety should cite the state statute that establishes the audit requirement in the terms and conditions of service agreements with bulk data purchasers. (p. 11)
- The Department of Public Safety should design and implement internal controls to ensure bulk data purchasers obtain audits that comply with state law, and submit the audits to the department and the Office of the Legislative Auditor within 30 days of the audit report date. (p. 11)
- The Department of Public Safety should establish formal policies and procedures for reviewing audit reports and client lists submitted by bulk data purchasers. (p. 13)
- The Department of Public Safety should require purchasers of customized bulk vehicle records to obtain and submit audits in compliance with state law. (p. 14)
- The Department of Public Safety should include the statutory audit requirement in the terms and conditions of written agreements with purchasers of customized bulk vehicle records. (p. 14)
- The Department of Public Safety should refund \$1,018 from the data security account to the overcharged bulk data purchaser cited. (p. 17)
- The Department of Public Safety should collect \$503 from both of the undercharged bulk data purchasers cited. (p. 17)
- The Department of Public Safety should design and implement internal controls that include secondary reviews of invoices for bulk data sales sufficient to prevent billing errors. (p. 17)
- The Department of Public Safety should correct the fee posting errors cited. (p. 19)
- The Department of Public Safety should design and implement internal controls to ensure it posts fees from the sale of driver and vehicle records to the funds and appropriation accounts required by state law. (p. 19)
- The Department of Public Safety should collect payments for the unpaid invoices cited. (p. 19)
- The Department of Public Safety should revise its internal accounts receivable policy to specifically include processes for reviewing and collecting delinquent accounts. (p. 19)
- The Department of Public Safety should stop charging the additional \$1 fee for driver record requests that include a license issuance date letter. The department should work with the Legislature to determine whether to authorize this additional fee. (p. 23)





# MINNESOTA DEPARTMENT OF PUBLIC SAFETY



Alcohol  
and Gambling  
Enforcement

Bureau of Criminal  
Apprehension

Driver and Vehicle  
Services

Emergency  
Communication  
Networks

Homeland Security  
and Emergency  
Management

Minnesota  
State Patrol

Office of  
Communications

Office of  
Justice Programs

Office of Pipeline  
Safety

Office of  
Traffic Safety

State Fire Marshal

## Office of the Commissioner

445 Minnesota Street, Suite 1000, Bremer Tower, St. Paul, Minnesota 55101-5000

Phone: 651/201-7160 FAX: 651/297-5728 TTY: 651/282-6555

Internet: [dps.mn.gov](http://dps.mn.gov)

August 4, 2020

James R. Nobles  
Legislative Auditor  
Office of the Legislative Auditor  
Room 140 Centennial Building  
658 Cedar Street  
Saint Paul, MN 55155-1603

Dear Mr. Nobles,

Thank you to you and your team for the work done to analyze the internal controls and legal compliance of the Minnesota Department of Public Safety Driver and Vehicle Services ("DVS") sale of driver and vehicle records from July 1, 2016, through February 28, 2019. Your staff have taken the time to evaluate the process over time, which involved different technology systems. We appreciate the opportunity to discuss your report and Driver and Vehicle Services' actions at the exit conference held on July 21, 2020. While DVS was determined to be generally compliant with legal requirements, we recognize there are improvements to be made in its internal controls. I am committed to improving DVS' internal controls regarding the legislatively mandated sale of driver and vehicle records. Many of these improvements have already occurred or are now in process; these will be summarized in this response.

**Recommendation 1: The Department of Public Safety should cite the state statute that establishes the audit requirement in the terms and conditions of service agreements with bulk data purchasers.**

Because the regular renewal cycle for existing service agreements will not be complete until 2024, DVS has started the process to revise all service agreements with bulk data purchasers to include a citation to the legal requirement to perform audits annually. Within the terms and conditions in addition to the statutory citation, the service agreement will include the timeline for when an audit must be completed annually, the requirement to provide DVS with a copy of the audit within 30 days of its completion and consequences for failing to perform this requirement. The DVS Data Practices Administrator is responsible for resolving this finding by January 31, 2021. This timeline will provide sufficient time to execute the new service agreements.

**Recommendation 2: The Department of Public Safety should design and implement internal controls to ensure bulk data purchasers obtain audits that comply with state law, and submit the audits to the department and the Office of the Legislative Auditor within 30 days of the audit report date.**

In addition to revising the service agreement, DVS created a procedure in January 2020 for the audit reports due in 2020. This procedure addressed the need for the purchasers to submit the audit report to the OLA. This procedure was updated in July 2020. The updated procedure also requires DVS staff to send an email reminder of the statutory audit requirements in the service agreement to bulk data purchasers one month before the report is normally completed. Reminders are then sent monthly until the report is received. If the report is not received when normally completed and the purchaser has not provided a status update regarding the delay, the DVS will send a letter to the purchaser outlining the statutory audit requirements and providing notice that access to data will be terminated in 30 days if a response is not received.

This procedure appears to induce the receipt of reports closer to the completion date. In 2020, DVS received reports within approximately 60 days of the audit report date and all reports were timely submitted to the OLA. As a result of this procedure, all 2020 reports were submitted to the OLA within 30 days of receipt by DVS. DVS will continue to enforce and monitor the 30 day requirement to ensure compliance in 2021. DVS will review the audit report procedure annually to ensure the content remains accurate and up-to-date. The DVS Data Practices Program Administrator is responsible for resolving this finding.

**Recommendation 3: The Department of Public Safety should establish formal policies and procedures for reviewing audit reports and client lists submitted by bulk data purchasers.**

We thank you for this recommendation. DVS established a written procedure for reviewing audit reports and client lists in January 2020. As such, this finding has already been resolved.

**Recommendation 4: The Department of Public Safety should require purchasers of customized bulk vehicle records to obtain and submit audits in compliance with state law.**

As mentioned previously, DVS has started drafting a new service agreement for bulk purchasers and these same terms will be used for purchasers of customized bulk vehicle records. This will include incorporating language that requires purchasers of bulk vehicle records to obtain and submit audits in compliance with state statute, along with additional language in the terms and conditions as outlined in the explanation related to Recommendation 1 and 2. The DVS Data Practices Program Administrator is responsible for resolving this finding by January 31, 2022.

**Recommendation 5: The Department of Public Safety should include the statutory audit requirement in the terms and conditions of written agreements with purchasers of customized bulk vehicle records.**

Because service agreements are renewed every five years DVS will send customized bulk vehicle record purchasers amendments to the current agreements which contain the statutory audit requirements in the terms and conditions. The DVS Data Practices Program Administrator is responsible for updating and executing all service agreements by January 31, 2022.

**Recommendation 6: The Department of Public Safety should refund \$1,018 from the data security account to the overcharged bulk data purchaser cited.**

This recommendation was resolved on September 9, 2019 when the \$1,018 overcharge to the bulk data purchaser was refunded. No further action is necessary.

**Recommendation 7: The Department of Public Safety should collect \$503 from both of the undercharged bulk data purchasers cited.**

This recommendation was resolved on May 1, 2020 when the customers paid the invoices sent by DVS on April 16, 2020. No further action is necessary.

**Recommendation 8: The Department of Public Safety should design and implement internal controls that include secondary reviews of invoices for bulk data sales sufficient to prevent billing errors.**

This recommendation was resolved when the DVS Data Practices Program Administrator created an invoice tracking spreadsheet with a start date of August 23, 2019 that tracks all funding information, as well as the dates the invoice was requested, received, and paid. The DVS Data Practices Unit now has access to the online financial, procurement, and reporting system used by the State of Minnesota known as StateWide Integrated Financial Tools (SWIFT) and is able to verify that every invoice is correct when received from the DVS Cashiers Unit. No further action is necessary.

**Recommendation 9: The Department of Public Safety should correct the fee posting errors cited.**

DVS will correct the fee posting errors before August 21, 2020 (the State fiscal year hard close). The DVS Administrative Services Program Director and staff are in the process of reviewing all cited fee posting errors as described in Finding 5 (Exhibit 4) in the Bulk Data Sales Report to Agency.

Once these corrections have been made, the DVS Cashiers Unit will initiate and complete correcting entries to reallocate monies for the affected appropriation accounts by August 21, 2020.

**Recommendation 10: The Department of Public Safety should design and implement internal controls to ensure it posts fees from the sale of driver and vehicle records to the funds and appropriation accounts required by state law.**

The FAST-DS system currently provides automated driver and crash bulk record functionality where monthly record views are system billed (via automated invoice), and corresponding customer payment is posted to their applicable account. The same functionality is being built into the MNDrive system where bulk vehicle record purchasers will be system billed on a monthly basis (via automated invoice), with their corresponding payment posting to their applicable account. This functionality will also allow DVS to request a report outlining the posting locations of fees from the sale of driver and vehicle records. The MNDrive system deploys on November 16, 2020 and thereafter this issue will be resolved.

**Recommendation 11: The Department of Public Safety should collect payments for the unpaid invoices cited.**

DVS has limited ability to collect payments for unpaid invoices. However, the day after an unpaid invoice is due for data purchasers, if it remains unpaid, the system locks out the user until a payment is made. Access is automatically turned back on when the invoice is paid. This practice has been in effect since July 2017. Due to MNLARS billing issues, some of the customers had to be manually invoiced, resulting in four of the invoices remaining unpaid. Bulk data purchasers' invoices are now followed up by using the spreadsheet mentioned in Recommendation 8. DVS staff contacted several purchasers in December 2019, March 2020, and June 2020, with unpaid invoices and collected payment. If the invoice remains unpaid, DVS continues to pursue payment in the form of mailed invoices and letters. As a result of this recommendation, DVS will contact Minnesota Management and Budget and the Department of Revenue to explore whether these debts can be submitted to the Minnesota Department of Revenue Recapture program for collection when 121 days past due.

**Recommendation 12: The Department of Public Safety should establish internal policies and procedures to manage accounts receivable.**

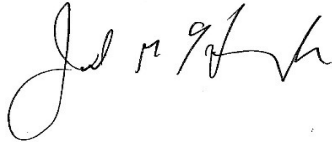
The Department of Public Safety has a department-wide policy that applies to all accounts receivable. This policy applies to DVS as well as all other divisions within the DPS. As such, there are internal policies about managing accounts receivable. However, given the number of accounts managed by DVS, DVS will develop an operating procedure for managing accounts receivables associated with bulk records consistent with DPS' policy. The DVS Administrative Services Program Director is responsible for resolving this finding by June 30, 2021.

**Recommendation 13: The Department of Public Safety should stop charging the additional \$1 fee for driver record requests that include a license issuance date letter. The department should work with the Legislature to determine whether to authorize this additional fee.**

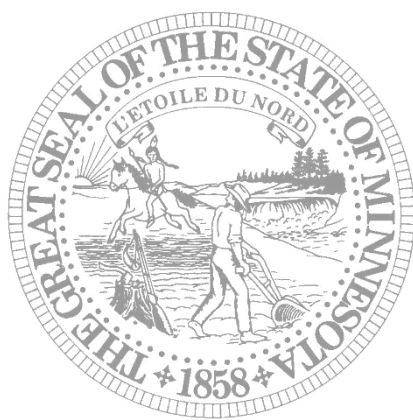
DVS will initiate programming in the FAST-DS system to stop charging the \$1 fee for driver record requests that include a license issuance letter. This change will also include updating the records request form and communicating this change to affected DVS staff. These changes will be completed by September 1, 2020. If DVS decides to proceed with charging the \$1 fee, it will take legislative action.

We appreciate this opportunity to inform you about the progress DVS has already made, and will continue to make to improve its internal controls related to the statutorily mandated sale of driver and vehicle records. We look forward to continuing to inform your office about our efforts to improve the internal controls related to the statutory mandated sale of driver and vehicle records. Please feel free to contact me if you have additional questions.

Sincerely,

A handwritten signature in black ink, appearing to read "John Harrington". The signature is fluid and cursive, with the first name "John" being more prominent than the last name "Harrington".

John Harrington  
Commissioner  
Department of Public Safety





## Financial Audit Staff

James Nobles, *Legislative Auditor*

### Education and Environment Audits

Lori Leysen, *Audit Director*

Kelsey Carlson

Shannon Hatch

Kevin Herrick

Paul Rehschuh

Heather Rodriguez

Kris Schutta

Zakeeyah Taddese

Emily Wiant

### General Government Audits

Tracy Gebhard, *Audit Director*

Nicholas Anderson

Tyler Billig

Scott Dunning

Daniel Hade

Lisa Makinen

Erick Olsen

Sarah Olsen

Valentina Stone

Joseph Wallis

### Health and Human Services Audits

Valerie Bombach, *Audit Director*

Jordan Bjonfald

William Hager

Zachary Kempen

April Lee

Crystal Nibbe

Duy (Eric) Nguyen

Melissa Strunc

### Information Technology Audits

Mark Mathison, *Audit Director*

Joe Sass

### Safety and Economy Audits

Scott Tjomsland, *Audit Director*

Ryan Baker

Bill Dumas

Gabrielle Johnson

Shelby McGovern

Alec Mickelson

Tracia Polden

Zach Yzermans

For more information about OLA and to access its reports, go to: [www.auditor.leg.state.mn.us](http://www.auditor.leg.state.mn.us).

To offer comments about our work or suggest an audit, evaluation, or special review, call 651-296-4708 or email [legislative.auditor@state.mn.us](mailto:legislative.auditor@state.mn.us).

To obtain printed copies of our reports or to obtain reports in electronic ASCII text, Braille, large print, or audio, call 651-296-4708. People with hearing or speech disabilities may call through Minnesota Relay by dialing 7-1-1 or 1-800-627-3529.



Printed on Recycled Paper



**OFFICE OF THE LEGISLATIVE AUDITOR**  
CENTENNIAL OFFICE BUILDING – SUITE 140  
658 CEDAR STREET – SAINT PAUL, MN 55155