Minnesota Vehicle Title and Registration System

September 2020 Quarterly Review

September 2020

Financial Audit Division

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

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September 2020

Members
Legislative Audit Commission

Members
Driver and Vehicle Systems Oversight Committee

John Harrington, Commissioner
Department of Public Safety

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

This report represents the results of the Office of the Legislative Auditor's quarterly review of the Vehicle Title and Registration System (VTRS) project through August 17, 2020. Our last project report was issued on June 10, 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 implementation project, 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 will be our final quarterly report issued prior to the anticipated first major release of VTRS, scheduled for November 16, 2020, and the last opportunity to make any necessary corrective actions. During the next quarter, there will be a large focus on the go-live activities. It is important for the project team and leadership to understand and consider all risks and mitigation strategies during this crucial phase of the project. Our next quarterly report will review actions leading up to and during go-live, as well as the start of work on the second phase of 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

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.

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

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

Conclusions

DPS, MNIT, and FAST continue to be on track to meet the VTRS project implementation deadlines 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 and that certain operational challenges, along with other side projects, could create competing priorities for some project personnel.

OLA has also resurrected risks associated with legislative requirements that could impact the project. Finally, we introduce concerns that project testing may not address key items; as a result, the system may not meet all business needs. While this risk is concerning, OLA continues to assess overall concerns as generally minor given that the project is still completing testing phases and has an opportunity to make corrections prior to project completion.

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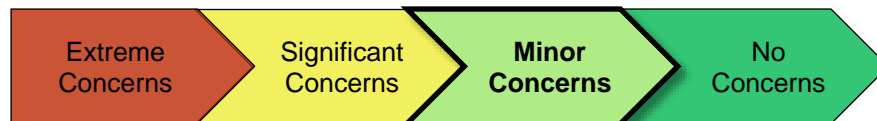
Our review found four risks and/or concerns that currently do not have complete mitigation strategies:

RISK 1: Project testing may not address key items.

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

RISK 3: Limited staffing resources, with competing priorities, may place further strain on project personnel.

RISK 4: Certain legislative requirements could impact the VTRS project.

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Project Status

Despite four project risks, the VTRS project continues to be on track to meet the planned implementation dates, within the defined project budget.

VTRS project work continues to be on track to meet the November 16, 2020, rollout. While on track to meet the deadlines, DPS and FAST may not be able to fix some known system shortcomings upon the initial rollout. We discuss these items and the status of the project's timeline and budget in this section.

Project Plan

The FAST project plan defines major project deliverables and a basic timeline for each project phase. Successfully completing these deliverables, on time, helps provide assurance that the project stays on track. In accordance with the FAST contract, the successful completions of these phases are requirements for scheduled payments. To date, all deliverables have been completed according to the schedule.

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.

However, OLA identified four risks that still could impact a successful deployment of the system. We discuss these items further in the *Risks and Concerns* section:

- RISK 1: Project testing may not address key items.

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

- RISK 3: Limited staffing resources, with competing priorities, may place further strain on project personnel.

- RISK 4: Certain legislative requirements could impact the VTRS project.

System Testing

OLA reported last quarter that the project expected to see a decrease in deputy registrar participation in *Business Testing*, a phase critical to the success of the project in which deputy registrars and other users test scenarios within the system.[3] Beginning in June 2020, the project started falling behind on testing. Unmitigated, the *Business Testing* phase either may not have been completed on time or the system may not have been tested as thoroughly as planned. By late July, project leadership mitigated this risk by recruiting necessary deputy registrars from around the state, in addition to utilizing its core team of deputy registrar subject matter experts to continue testing to ensure that the project stayed within its timeline. Current projections show business testers completing more than 6,700 testing scenarios by mid-September. On average, business testers have rejected about 4 percent of the test scenarios. Once rejected, lead testers create tasks for development teams to make repairs. Functionality is then re-tested.

As planned, the project has begun its end-to-end testing phase. During this testing phase, testers run transactions through the full system process—initiation through issuance—ensuring that the entire lifecycle of a transaction functions as expected. Testers are encouraged to replicate real-life transactions, allowing them to compare the results between MNLARS and the new system. This phase also includes testing the system's interfaces with third-party systems and performance testing to ensure that the system continues to function under stress.

As the project gets closer to its November 16, 2020, rollout and the testing phases are completed, OLA has identified two concerns with system testing. We discuss these concerns within Risk 1 on page 11.

VTRS Training

Initial system training kicked off in mid-June with a series of online self-paced training modules. Stakeholders are encouraged to take an initial assessment to help them gauge their current understanding of the system, allowing them to advance beyond some of the preliminary modules where they may already be proficient. Reports on training progress are distributed weekly, which provide project leadership and supervisors with an idea of who—which deputy registrars or DPS staff—is or is not keeping up with the training. In the coming months, DPS and FAST will provide additional training content, including job-specific modules, and an environment where all users can practice entering transactions.

Data Conversion

OLA met with FAST's data conversion team leaders to discuss the ongoing risk that *moving data from MNLARS to VTRS could be challenging due to existing data integrity issues.* Based on this interview, OLA believes that the project's conversion team has a good understanding on how to work with the troublesome data within MNLARS. However, until there is a successful rollout of VTRS, this risk will not fully disappear. We discuss this further under Risk 2 on page 12.

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[3] Office of the Legislative Auditor, Financial Audit Division, *Minnesota Vehicle Title and Registration System – June 2020 Quarterly Review* (St. Paul, 2020), 7, https://www.auditor.leg.state.mn.us/fad/pdf /fad20-05.pdf.

EVTR Implementation

Electronic Vehicle Title and Registration (EVTR) is functionality that will allow motor vehicle dealers to interconnect their computers with VTRS. To allow for greater interoperability, FAST is developing an interface for VTRS that can be more quickly integrated with a variety of dealer management systems. Software developers of these dealer management systems will need to make changes to their systems to use the FAST interface for VTRS.

While the FAST-developed EVTR components are on track to be completed by November 16, 2020, software companies of dealer management systems may not be able to finish development within their own systems and complete the DPS certification process prior to the rollout. Only dealers that use certified software will be able to benefit from EVTR. Upon the initial rollout, DPS intends to provide limited pilot functionality to a small number of dealers. OLA supports this approach, as it will help DPS to manage the risks associated with a broad rollout of new functionality. Further expansion of EVTR to additional dealers is expected early in calendar year 2021.

Vehicle Title Work in Progress

Our June 2020 report highlighted the work that DPS had done to significantly reduce the number of title applications in their work queue.[4] However, as deputy registrars returned to the office after the Governor's stay-at-home order and DPS tended to other backlogs over the summer, the number of title applications awaiting processing by DPS increased significantly. We discuss this risk further under Risk 3 on page 13.

Project Budget

The Legislature provided $52.67 million in a one-time appropriation for the development and implementation of VTRS.[5] As of August 17, 2020, project expenditures totaled approximately $20.8 million. Total expenditures for DVS and MNIT staff (salary, benefits, and overtime) were approximately $1.6 million. Expenditures for contractors, including deputy registrars participating in the project as subject matter experts and testers, were approximately $390,000. While technology costs increased over last quarter, they remained significantly under the project's original budget and accounted for just $89,000 of total project expenditures.[6] Payments to FAST continue to make up the largest portion of the budget, totaling approximately $18.4 million.

Fiscal Year 2021 Budget

With the start of the new fiscal year on July 1, 2020, DPS and MNIT updated their project budget to reflect anticipated expenditures. Thanks to cost-savings, particularly in the DPS staffing and technology costs budget categories, the project entered Fiscal

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[4] Office of the Legislative Auditor, *June 2020 Quarterly Review*, 10.

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

[6] Technology costs include expenditures for technology items, such as server hardware, computer equipment, and software.

Year 2021 with significantly less expenditures than what had been originally planned.[7] Agency budgeting documents show newly planned expenditures in several categories: (1) temporary staffing to help decrease vehicle services work queues and ease the burden on DPS staff (as discussed in Risk 2), (2) online knowledge testing software per new requirements in law (discussed in Risk 3), and (3) technical improvements to allow DPS's Public Information Center to interface with MNDRIVE.[8] Despite these additions, the project continues to maintain a healthy reserve within its budget.

Budgeted technology costs for Fiscal Year 2021 remain the same as had been budgeted for Fiscal Year 2020: approximately $1.9 million. As discussed in our previous quarterly report, this budget had been based on assumptions that the system would require significant hardware and software purchases.[9] However, the agencies and FAST were able to leverage the existing FAST Driver System hosting environment, with minimal augmentation and expense.

DPS now plans to invest in technology to improve system resiliency to meet high system availability targets for all stakeholders. Discussions with agency leadership show that they have a strong understanding of system and stakeholder resiliency requirements and are actively researching various options to achieve these goals while weighing the costs against the risks. We will continue to review and monitor this area as DPS and MNIT progress in their planning.

Fiscal Year 2022 Budget

Because VTRS Rollout II is scheduled for October 1, 2021, the agencies must plan for and budget project costs for Fiscal Year 2022. Current budget documents for Fiscal Year 2022 only show contractually obligated FAST payments and an estimate of DPS staffing. Cost estimates for MNIT staffing, contractors, technology, and training expenses must be understood to ensure that the project remains within its budget through the end of the project.

DPS and MNIT Quarterly Reports

Within the quarterly reports prepared by DPS and MNIT for the Driver and Vehicle Systems Oversight Committee, the agencies provide tables showing a variety of financial information. Quarterly reporting requirements established in law require the agencies to provide "a detailed explanation of any funds expended related to MNLARS and the purposes of the expenditures, the number of staff working on MNLARS, and a description of the work performed."[10] However, while reviewing the agencies' June 2020 quarterly report, OLA found that the financial information comingled reporting of budgets and expenditures for the existing FAST Driver System (FastDS), MNLARS operations, and the VTRS project. This makes it impossible for readers of the DPS and

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[7] Original Fiscal Year 2020 project budgets were approximately $27.4 million. Fiscal Year 2020 expenditures in SWIFT as of August 17, 2020, totaled approximately $20.7 million.

[8] *Laws of Minnesota* 2020, Second Special Session, chapter 2, requires DPS to implement online knowledge testing and allows use of a portion of the VTRS funding appropriation.

[9] Office of the Legislative Auditor, *June 2020 Quarterly Review*, 5.

[10] *Laws of Minnesota* 2019, First Special Session, chapter 3, article 2, sec. 34, subd. 5(a)(3).

MNIT report, such as policymakers, to separate and understand the actual costs of supporting and maintaining the FastDS and MNLARS systems, and the development costs for VTRS. Additionally, we identified contractors that were paid, but were not included in the breakdown of contractor expenditures for the previous quarter. While this is not a risk to VTRS Rollout I in November 2020, we encourage DPS and MNIT to revise the format of the financial data provided in their reports in order to ensure that it not only complies with reporting requirements in law, but also is accurate and provides value to readers of their reports.

Stakeholder Engagement

DPS continued engaging key stakeholders in project testing, training, and change management.

DPS serves a broad variety of stakeholder groups. Within these groups themselves, great diversity exists, such as among the state's 174 deputy registrars, or between large, franchised, chain, and small independent vehicle dealers. Therefore, a single business process or solution may not be ideal for all stakeholders. To help ensure inclusiveness of its stakeholders, DPS has taken steps to obtain feedback from its wide array of stakeholders and continues to provide communication updates on the project.

Due to COVID-19, VTRS stakeholder engagement activities remained online throughout the quarter. The project also kicked off a series of training-centered meetings, referred to as *MNDRIVE Minutes*, for both deputy registrars and vehicle dealers. These meetings have been well attended and provide a personal connection between the project's training group and stakeholders. During the meetings, the project team provides demos from subject matter experts (SMEs) and answers questions from stakeholders. The project posts recordings of the meetings for those who are unable to attend.

As the project shifts from the development and testing stages to the final preparations for going live with its first rollout, stakeholder engagement shifts from seeking input to communicating how system changes may impact each stakeholder.

Deputy Registrars

Similar to last quarter, DPS held regular update teleconference calls with deputy registrars. These calls provided an open communication channel between DPS Driver and Vehicle Services leadership and the deputy registrars.

In preparation for the first rollout of VTRS in November 2020, DPS drafted changes to its Deputy Registrar Appointee Agreement and gathered stakeholder feedback on the proposed changes. The new agreement includes language describing a requirement to use scanners to digitize vehicle transaction documents at the point of acceptance in order to improve the timeliness of the issuance process. The agreement also introduces a requirement for deputy registrars to purchase and utilize commercial-quality laser printers capable of printing on specialized materials for temporary vehicle permits. DPS sought to have the agreements finalized by July 31, 2020. DPS, however, has only finalized about two-thirds of the agreements with its deputy registrars.

The agreements indicate that DPS will provide one commercial-grade scanner to each of the state's deputy registrars. However, the cost of obtaining and maintaining additional scanners would be the responsibility of each deputy registrar. Some deputy registrars may benefit from additional scanners, depending on the size of the office and the volume of transactions that they process. Policymaker questions and deputy registrar testimony during a recent Driver and Vehicle Systems Oversight Committee hearing brought attention to DPS's deployment of scanners at deputy registrar locations. Some suggested that DPS should provide more than one scanner to larger deputy registrar locations.

DPS holds monthly Driver and Vehicle Executive Steering Committee (DVESC) meetings, which are attended by DPS executive leadership and representatives of deputy registrars and other stakeholder groups. The purpose of this group is to discuss issues such as equitable scanner deployment and identify potential solutions. If deputy registrars believe the number of scanners is a significant concern, we encourage them to bring forth this issue and recommended solutions to the DVESC and DPS leadership to work toward an appropriate solution.

Vehicle Dealers

The VTRS project will create some changes in business process and system usage for approximately 3,500 vehicle dealers across the state. While DPS has publicized many of these changes with their broad group of dealers, some smaller or independent dealers still may find it difficult to adapt. To help ease the transition for this diverse group, DPS decided to gradually phase in new requirements and processes for issuing temporary vehicle permits. While delaying this requirement is beneficial for dealers because it allows them to deplete stock of the existing yellow temporary permit forms and acclimate to the new system, it appears to conflict with recent changes in state law. We discuss this further under Risk 4 on page 15.

Law Enforcement

DPS also continued its efforts to engage with representatives from the law enforcement community through monthly meetings. However, law enforcement attendance in these meetings waned over the quarter, with the exception of Minnesota Bureau of Criminal Apprehension and Minnesota State Patrol representatives that consistently participated, provided feedback, and assisted in testing changes to the temporary vehicle permit. As DPS approaches its first VTRS rollout date of November 16, 2020, it will be important for the agency to develop a communication strategy to alert local law enforcement of changes that could impact them, such as the placement of temporary permits and how data may be slightly different within the new system.

MNLARS and Legacy Systems Decommissioning

MNIT appears ready to begin decommissioning work.

The Legislature directed DPS and MNIT to fully decommission MNLARS and the remaining legacy systems by the fall of 2021. MNIT has decommission plans in place and appears ready to begin retiring the systems replaced by VTRS Rollout I, once the system has been successfully rolled out. We plan to review the decommissioning activities in greater detail in future quarterly reports as MNIT begins the work to retire MNLARS and the other legacy systems.

Risks and Concerns

To conduct our review, OLA interviewed representatives from DPS, MNIT, and FAST. 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.

The project's independent validation and verification vendor completed its third quarterly review of the project, again citing no major problems. OLA concurs with the vendor's assessment of the project and its recommendations.

Based on our work, OLA identified four 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: Project testing may not address key items.

This risk is new for this quarter.

Thorough testing is critical to ensure that errors and deficiencies in the software and system are identified and either resolved, or at least known and understood, prior to rollout. Knowing the number and severity of deficiencies is an important factor in a project's decision to go live with a new system.

Classification of Testing Failures

Per the FAST project plan and testing methodology, "when the functionality is tested in Business Testing and fails, it is returned to the development team for repair." Once the problem has been fixed, testers re-test and verify that the functionality works as expected. Testers can also submit system deficiencies or other items that come to their attention outside of formal testing scenarios. As of August 2020, the project had approximately 270 items that still required attention from a project developer.

With the November 16, 2020, VTRS Rollout I approaching, the project may not be able to complete all items needing fixes. This is common in software implementation projects, with the items that are the lowest risk or cause the least disruption going unaddressed in order for the project to resolve higher risk or higher priority items in time for rollout. Typically, these lower priority items are then addressed in subsequent releases or patches. However, our review of project testing showed that there is no classification of severity for failed testing scenarios or priority for development items. Absent this classification, the project cannot tell which items *must* be fixed prior to rollout and which items can wait until a later date. DPS currently is relying on its team leads to bring forth the priority fixes. To help ensure that the highest-priority items are completed prior to rollout, we recommend that project leadership, along with the

project's subject matter experts, review and document a prioritization of any unaddressed failed testing scenarios and development items.

System Accessibility

Minnesota statutes require MNIT to develop accessibility standards for technology and ensure that state agencies adhere to them, or apply for an exception.[11] MNIT's Information Technology Accessibility Standard follows federal and World Wide Web Consortium guidelines and requires those guidelines to be used on systems such as VTRS.[12] Because these standards also apply to software procurements, language was included in the FAST contract, obligating them to develop and provide to the State functionality that supports accessibility, to the extent commercially reasonable and technically feasible.

While the system may meet state accessibility requirements, the project has not taken formal steps to perform testing to identify accessibility issues or to provide evidence that the system meets state accessibility standards. Without a specific review of the system to discover gaps and resolve deficiencies, or to identify potential accommodations, DPS and MNIT cannot fully claim to be complying with the state's accessibility requirements.

RISK 2: 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. 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.[13] 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.[14] However, the agency must notify the vehicle owner when making these corrections.

Discussions with the FAST conversion team leaders show that the team has made significant progress in developing and testing the data conversion scripts. The team has been performing full test conversions since mid-April, and testing shows only minor issues. The team has also developed a reconciliation report, which provides project

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[11] *Minnesota Statutes* 2019, 16E.03, subd. 9.

[12] Minnesota IT Services, *Minnesota Accessibility and Usability of Information Technology Standard*, revised June 14, 2018, https://mn.gov/mnit/assets/Stnd_State_Accessibility_tcm38-61585.pdf, accessed August 19, 2020.

[13] *Minnesota Statutes* 2019, 168.013, subd. 1a(j).

[14] *Laws of Minnesota* 2020, chapter 74, art. 2, sec. 2.

leadership with helpful metrics regarding the status and accuracy of the data conversion. The end-to-end testing phase, discussed previously, will utilize a staging environment populated by fully converted data. This gives the project an additional opportunity to ensure that the data converted from MNLARS is accurate.

While we believe that the conversion team has largely mitigated the risks associated with converting data from MNLARS, the volume and variability of data makes it such that this risk cannot fully go away until the data have successfully migrated from MNLARS to VTRS.
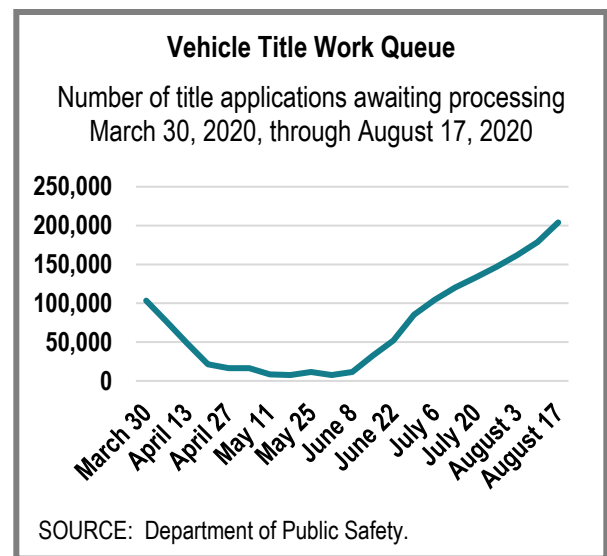
RISK 3: Limited staffing resources, with competing priorities, may place further strain on project personnel.

This risk is carried forward from our last quarterly report.

Although DPS has taken actions to balance staffing resources between project deliverables, training on the new system, and day-to-day operational activities, the agency must continue to be flexible and dynamic to ensure that three undertakings— vehicle title processing, REAL ID applications, and credit card terminal replacements— do not distract project staff and stakeholders from achieving the project deliverables. Of these three, the number of backlogged title applications in the work queue is most problematic.

Vehicle Title Work "In Progress"

DPS needs to minimize the number of registrations and title applications "in progress" when transitioning from MNLARS to VTRS. In-progress transactions will require special handling to ensure they are accurately completed and properly reflected in VTRS. Minimizing the number of these in-progress transactions allows DPS to devote fewer staff to processing these special transactions and decreases the risk associated with migrating an in-progress application.

Vehicle Title Work Queue

Number of title applications awaiting processing March 30, 2020, through August 17, 2020

SOURCE: Department of Public Safety.

In our June 2020 report, we noted that DPS had made significant progress during the Governor's stay-at-home order with reducing the amount of "in-progress" vehicle title applications, down to just over 7,500 on May 17, 2020.[15] However, since the release of that report, deputy registrar offices have reopened, and some of the DPS staff who were temporarily processing titles returned to their normal roles. As of August 17, 2020, the

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[15] Office of the Legislative Auditor, *June 2020 Quarterly Review*, 10.

size of the title work queue has ballooned to more than 204,000, a high not seen since May 2018.[16]

DPS has indicated that training on the new system is a priority. To help ensure that staff can continue to train on the new system, and to reduce the number of in-progress titles, DPS has budgeted $700,000 to bring in temporary staff and offer existing staff overtime. However, the pressure to both train and process titles will continue to place strain on DPS staff.

REAL ID

The United States Department of Homeland Security delayed the REAL ID enforcement deadline to October 1, 2021.[17] 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 2020, 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. DPS told us that they have not yet exceeded the 45-day turnaround requirement in order to utilize this funding. Given the extended timeline and additional funding, this risk has been somewhat mitigated for the first rollout of the system. However, given that money for temporary staffing is only available until January 31, 2021, and expires eight months before the new REAL ID enforcement deadline, the impact and risk may have been pushed to the second phase of the project. OLA will continue to work with the agency to monitor this risk.

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. DPS is working with its vendor and has identified a potential replacement credit card terminal that appears to meet its requirements. We expect to see implementation plans and other details as DPS works to replace the processing terminals at deputy registrar locations.

The agency has mitigated some aspects of this risk by assigning separate staff for this project. However, because the selection and implementation of new devices may still require the staff time of other DPS, MNIT, deputy registrars, and driver license agents, DPS must continue to be cognizant of this new project to ensure that these efforts do not detract or consume resources from the VTRS project.

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[16] Office of the Legislative Auditor, Financial Audit Division, *Department of Public Safety and Minnesota IT Services – MNLARS Quarterly Report Verification –Title Backlogs and System Funding* (St. Paul, April 3, 2019), 12, https://www.auditor.leg.state.mn.us/fad/pdf/fad1907.pdf.

[17] See 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, Public Law 109-13, 119 Stat. 231, 302 (May 11, 2005), codified as 49 *U.S. Code*, sec. 30301 (2006). For information on the enforcement deadline, see 85 *Federal Register*, p. 23,205 (2020).

RISK 4: Certain legislative requirements could impact the VTRS project.

This risk had been considered mitigated at the time of our June report. However, new requirements put forth by the Legislature and additional items requiring legislative action may impact the project.

Recent changes put forth by the Legislature have the potential to impact the project's timelines and budget. In some cases, however, changes introduced by VTRS may conflict with current laws.

Online Driver License Knowledge Testing Software

Legislation enacted in July 2020 required DPS to implement online driver license knowledge testing software by November 1, 2020, and allowed the project to use up to $450,000 from the VTRS project funding appropriation for this purpose.[18] Although DPS is working with a vendor to meet this requirement, the new knowledge testing software must interface with the FAST Driver System (FastDS). As discussed in our reports, Rollout I of VTRS not only provides vehicle services functionality, but also serves as an upgrade of the current Version 11 FastDS platform to the new Version 12 platform, and combines the driver and vehicle systems into a single application known as MNDRIVE.

Because the Legislature has required the online knowledge testing software by November 1, 2020, shortly before the VTRS rollout, this requirement will impact project resources. FAST must ensure that the driver system functions with both Versions 11 and 12, requiring additional work that may not have been necessary had the knowledge-testing requirement been delayed by approximately two weeks. While the new online knowledge testing software will impact the project, VTRS Project leadership told us that they should be able to adjust and fit the additional work into the schedule without major issue or additional expense. In the event that this additional work creates conflict with the rollout on November 16, DPS and MNIT leadership need to be prepared to set a priority between this new requirement and transitioning over to the new system.

Temporary Vehicle Permits

Rollout I of VTRS includes a shift for vehicle dealers from paper-based processes to online system-based data entry. This includes a new format for temporary vehicle permits that is generated by and printed out of VTRS. This new format, which is printed on durable paper and mounts in the license plate holder, replaces the previous yellow forms that hung in the left side of a vehicle's rear window until the owner receives new license plates and registration stickers. The new format offers several advantages to law enforcement; however, dealers must obtain the new paper, ensure that they have a compatible laser printer, and are proficient in using VTRS. Because of this change, DPS sought and obtained a change to the laws that define temporary permits. However, the effective date of those changes in law conflict with current VTRS project plans.

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[18] *Laws of Minnesota* 2020, Second Special Session, chapter 2.

DPS, in an effort to ease the transition to VTRS, particularly for its many small or independent dealers, plans to delay requiring dealers to use the new permits generated out of the system. Delaying the requirement until January 1, 2021, allows dealers to deplete their current stock of temporary permit forms, while also giving them additional time to learn and adjust to VTRS. However, the recently changed law requires these temporary permits to be placed where the rear license plate would normally be found on January 1, 2021, or on the date of VTRS Rollout I, whichever occurs first.[19]

The law does not appear to give DPS the leeway to phase-in the new temporary vehicle permit format and placement. Instead, it is required "upon the initial deployment" of VTRS on November 16, 2020. DPS leadership is aware of this conflict and, we are told, have informed some members of the Legislature. However, it is unlikely that the language will be adjusted prior to November 16, 2020, making it probable that if DPS proceeds with its plan, the temporary permit for some vehicles purchased between VTRS rollout and the beginning of 2021 may violate the law.

Federal Odometer Disclosure Regulation

State and federal laws require disclosure of the true mileage of a vehicle upon transfer to a new owner. Current Minnesota law dictates that, when making a written disclosure, an individual transferring a motor vehicle must adhere to specific federal regulations, as amended through October 1, 1998.[20] However, in 2019, updates were made to the applicable federal regulations that have not yet been recognized by Minnesota statutes. Other amendments made to the federal regulations since 1998 have also not been reflected in state law.

The 2019 federal updates become effective January 1, 2021, requiring mileage disclosures for 20 years for vehicles manufactured during or after 2011. Previous requirements only required ten years of disclosure.[21]

Because these federal changes will affect all states, FAST is modifying its core system to adhere to the federal regulation for all of its customers. However, with state law not fully recognizing changes in federal regulations since 1998, the project team may struggle with a decision to implement the new federal 20-year requirements, or stay compliant with state law.

Although DPS sought modifications to the state law during the 2020 legislative special sessions, the law was not amended. OLA recommends that DPS continue to work with the Legislature to align state odometer disclosure laws with federal regulations.

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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[19] *Laws of Minnesota* 2020, chapter 100, sec. 6.

[20] *Minnesota Statutes* 2019, 325E.15.

[21] 49 *CFR*, sec. 580 (2019).

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