



PERFORMANCE AUDIT REPORT

**Reviewing the Vehicle Information
Processing System and the
Computer-Assisted Mass Appraisal System
After Changes in State Law**

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
December 1996**

Legislative Post Audit Committee

Legislative Division of Post Audit

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December 12, 1996

To: Members, Legislative Post Audit Committee

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This report contains the findings, conclusions, and recommendation from the completed performance audit, *Reviewing the Vehicle Information Processing System and the Computer-Assisted Mass Appraisal System After Changes in State Law*. The audit was conducted by Berberich Trahan & Co., an audit firm under contract with the Legislative Division of Post Audit.

This report includes recommendations that would help the Department of Revenue better ensure that it collects the applicable fees and that those fees are credited to the proper fund. We would be happy to discuss this recommendation or any other item in the report with any legislative committees, individual legislators, or other State officials.

Barbara J. Hinton
Legislative Post Auditor



EXECUTIVE SUMMARY
LEGISLATIVE DIVISION OF POST AUDIT

Question 1: How Much Additional Revenue Has Been Raised For the Vehicle Information Processing and Computer-Assisted Mass Appraisal Systems Through Recent Changes in State Law, And How Do Those Amounts Compare to the Revenue Needs And Estimates Provided to the Legislature?

The 1996 Legislature earmarked certain funds for improving the State's Vehicle Information Processing and Computer-Assisted Mass Appraisal Systems. In general, those funds arise from certificate of title fees and fees from the sale of public records. During the first three months of fiscal year 1997, the Department of Revenue collected \$278,454 for upgrading the Systems' hardware and \$315,865 for operation, maintenance, and improvement of these and the Department's other electronic data base systems. Amounts collected through September 1996 are reasonably consistent with revenue estimates provided to the 1996 Legislature. Further, although estimated expenditures have been revised upward by 15%, those estimated expenditures don't exceed estimated revenues. page 4

Recommendations page 7

Question 2: How Have the Additional Revenues for the Vehicle Information Processing and Computer-Assisted Mass Appraisal Systems Been Spent, and Have Those Expenditures Addressed the Needs and Problems Identified By the Department of Revenue and County Officials and Adhered to Proposals Made to the Legislature?

Because the enhanced revenues had been in place for only three months when this audit work was conducted, expenditures of these revenues were limited. During the first three months of fiscal year 1997, the Department spent about \$8,900 to begin hardware procurement for upgrading the Vehicle Information Processing System. This expenditure is consistent with proposals made to the Legislature. page 6

This audit was conducted by Berberich Trahan & Co., P.A., a certified public accounting firm under contract with the Legislative Division of Post Audit. This Executive Summary was prepared by the staff of Legislative Post Audit. If you need any additional information about the audit's findings, please contact Randy Tongier at the Division's offices. Our address is: Legislative Division of Post Audit, 800 SW Jackson Street, Suite 1200, Topeka, Kansas 66612. You also may call (913) 296-3792, or contact us via the Internet at: LPA@PostAudit.ksleg.state.ks.us.



**REPORT ON THE PERFORMANCE AUDIT OF
THE VIPS AND CAMA SYSTEM**

Legislative Post Audit Committee
Kansas State Legislature:

The Legislative Division of Post Audit contracted with our firm to complete a performance audit of the Vehicle Information Processing System (VIPS) and Computer-Assisted Mass Appraisal (CAMA) System administered by the Department of Revenue. As part of this audit we were requested to perform certain procedures in order to fulfill the requirements of Senate Bill No. 662. The purpose of these procedures was to determine how much additional revenue has been raised since the change in the State law and how that revenue has been expended. We were asked to specifically address the following two questions:

1. **How much additional revenue has been raised for the VIPS and the CAMA System through recent changes in State law, and how do those amounts compare to the revenue needs and estimates provided to the Legislature?**
2. **How have the additional revenues for the VIPS and the CAMA System been spent, and have those expenditures addressed the needs and problems identified by the Department of Revenue and county officials and adhered to proposals made to the Legislature?**

We conducted our performance audit in accordance with the standards for performance audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States.

The pertinent data gathered in answering the above questions as well as our findings and recommendations follow. We would be happy to discuss these findings and recommendations with you.

Berberich Trahan & Co., P.A.

November 8, 1996



REVIEWING THE VIPS AND THE CAMA SYSTEM AFTER CHANGES IN STATE LAW

Summary of Findings

How much additional revenue has been raised for the VIPS and the CAMA System through recent changes in State law, and how do those amounts compare to the revenue needs and estimates provided to the Legislature? Two funds were created as a result of the recent changes in State law. Revenues began to be credited to these funds effective July 1, 1996. From July 1, 1996 to September 30, 1996, the VIPS/CAMA Technology Hardware Fund and the Electronic Databases Fee Fund had revenue postings of \$ 278,454 and \$ 315,865, respectively. These revenue amounts appear to be comparable to the estimates provided to the Legislature.

How have the additional revenues for the VIPS and the CAMA System been spent, and have those expenditures addressed the needs and problems identified by the Department of Revenue and county officials and adhered to proposals made to the Legislature? As of September 30, 1996, no expenditures have been made for the CAMA System, and \$ 8,899 has been expended for the VIPS project. The VIPS expenditures were to pay for assistance in writing the Request for Proposal and in negotiations with vendors. These expenditures are in accordance with proposals made to the Legislature. A Request for Proposal for the CAMA System equipment and software has been issued, but no award has been made. A vendor has been approved for the VIPS project. Estimated expenditures were revised upward from that given to the Legislature but not beyond the revenue projections of the two funds created. However, it should be noted that this is just the start of the project.

REVIEWING THE VIPS AND CAMA SYSTEM AFTER CHANGES IN STATE LAW

Senate Bill No. 662, passed by the 1996 Kansas Legislature, provides funding for hardware and software upgrades for the Kansas Vehicle Information Processing System (VIPS) and the Computer-Assisted Mass Appraisal (CAMA) System from July 1, 1996 through June 30, 1999. The bill calls for an annual performance audit of the VIPS and the CAMA System that includes a review of the operations, maintenance or improvements of the equipment and software of the systems.

The audit answers the following specific questions:

- 1. How much additional revenue has been raised for the VIPS and the CAMA System through recent changes in State law, and how do those amounts compare to the revenue needs and estimates provided to the Legislature?**

- 2. How have the additional revenues for the VIPS and the CAMA System been spent, and have those expenditures addressed the needs and problems identified by the Department of Revenue and county officials and adhered to proposals made to the Legislature?**

To answer these questions we examined supporting documentation for the daily revenue postings to the VIPS/CAMA Technology Hardware Fund and the Electronic Databases Fee Fund for July 1, 1996 through September 30, 1996, and performed reasonableness testing on the amounts. We also discussed the plans for expenditure of the funds with officials of the Department of Revenue and reviewed certain documentation in regard to the Requests for Proposals.

OVERVIEW OF SENATE BILL NO. 662

Senate Bill No. 662 created two new funds within the State Treasury, the VIPS/CAMA Technology Hardware Fund and the Electronic Databases Fee Fund. The bill provides for \$ 1.15 of each certificate of title fee collected and remitted to the Secretary of Revenue between July 1, 1996, and June 30, 1997, to be credited to the VIPS/CAMA Technology Hardware Fund. From July 1, 1997 through June 30, 1999, \$ 1.00 of each certificate of title fee collected and remitted to the Secretary of Revenue shall be credited to the VIPS/CAMA Technology Hardware Fund. Revenue credited to the VIPS/CAMA Technology Hardware Fund shall be used by the Department of Revenue for the purpose of upgrading the VIPS/CAMA hardware for the State and for the counties.

The Electronic Databases Fee Fund shall be administered by the Secretary of Revenue. Revenues credited to this fund are collected from the sale of public records from VIPS/CAMA and other electronic databases of the Department of Revenue. The Secretary of Revenue increased fees charged for the sale of public records and committed this increase to the VIPS/CAMA upgrade projects. Fees charged by the Information Network of Kansas (INK) were increased by \$ 1.00 per record, with \$.95 of the increase going to the Department of Revenue. Bulk record sales were raised from \$ 20.50 per 1,000 records to \$ 50.00 per 1,000 records. However, these increases in open record fees did not actually become effective until October 1, 1996. All moneys credited to the Electronic Databases Fee Fund shall be expended for operating expenditures, including expenditures for capital outlay, for the operation, maintenance or improvement of the VIPS, the CAMA System and other electronic database systems of the Department of Revenue, including the costs incurred to provide access to or to furnish copies of public records in such databases.

How much additional revenue has been raised for the VIPS and the CAMA System through recent changes in State law, and how do those amounts compare to the revenue needs and estimates provided to the Legislature?

In the period July 1, 1996 to September 30, 1996, the VIPS/CAMA Technology Hardware Fund had \$ 278,454 in revenue. The Electronic Databases Fee Fund had revenue postings of \$ 315,865 as of September 30, 1996. We performed a revenue reasonableness test on the VIPS/CAMA Technology Hardware Fund revenue by dividing the total revenue by \$ 1.15 to get the number of titles applied for during the quarter. We compared this result to the actual number of titles issued during the quarter and found a difference. The difference can be attributed to the fact that certain titles are not issued until 20 days after the application date. This is because the Division of Motor Vehicles is mandated to wait 20 days from the date of purchase of a vehicle before printing a title to allow lienholders sufficient time to file their Notice of Security Interest. We considered the difference to be reasonable.

We also tested the reasonableness of the revenue in the Electronic Databases Fee Fund by examining the billings for bulk record sales and tracing the receipts into the fund. The revenue in the Electronic Databases Fee Fund appeared reasonable.

Comparison of Actual to Estimated

The Department of Revenue estimated that \$ 920,000 would go to the VIPS/CAMA Technology Hardware Fund in fiscal year 1997. This estimate was based on the fact that the Division of Motor Vehicles produces approximately 800,000 titles annually ($800,000 \times \$ 1.15 = \$ 920,000$). The annual revenue estimate of \$ 920,000 averages to approximately \$ 77,000 per month. For the first three months of fiscal year 1997, the fund received an average of approximately \$ 93,000 per month. The excess of actual monthly revenue received over the estimated revenue has two explanations. Typically, more titles are issued during the first quarter of the fiscal year (July - September) than during any other quarter. Also, the estimate of 800,000 titles issued per year may be conservative as the approximate number of titles issued in fiscal years 1996, 1995 and 1994 were 817,000, 889,000 and 832,000, respectively.

The Department of Revenue estimated that \$ 1,505,000 would go to the Electronic Databases Fee Fund each of the three project years. This annual estimate averages approximately \$ 125,000 per month. The average monthly revenue to the fund for the first three months of fiscal year 1997 was approximately \$ 105,000. The explanation for the shortage of actual revenues compared to estimated is that there were contracts which contained increases in the fees charged for open records access and copies which did not become effective until October 1, 1996. Therefore, the first three months' revenues were based on the old contracts with fees being much lower. Also, only two months of receipts from the Information Network of Kansas (INK) were posted to the Electronic Databases Fee Fund as of September 30, 1996. INK's September billing was received in October 1996, and approximately \$ 118,000 was posted to the fund at that time.

Current Status of Estimates

The estimated necessary expenditures provided to the Legislature for VIPS for the three-year project totaled \$ 4,061,860. Total estimated CAMA System expenditures for the three-year project were \$ 2,051,300. These original estimates were later revised, and as of September 23, 1996, total estimated expenditures for the VIPS and CAMA System projects were approximately \$ 4,484,000 and \$ 2,551,000, respectively. Estimated expenditures for the VIPS/CAMA System thus total \$ 7,035,000.

Total estimated revenue for the VIPS/CAMA Technology Hardware Fund was \$ 2,520,000 (\$ 920,000 for the first year and \$ 800,000 for each of the second and third years). The total revenue in the VIPS/CAMA Technology Hardware Fund is dedicated to the VIPS project. Revenue in the Electronic Databases Fee Fund will be used for both the VIPS and the CAMA System projects. Total estimated revenue for the Electronic Databases Fee Fund was \$ 4,515,000 (\$ 1,505,000 each of the three years). Thus, total estimated revenue for the VIPS/CAMA projects was \$ 7,035,000, which equals total revised estimated expenditures. The revenue needs and estimates provided to the Legislature appear reasonable at this time, though it must be noted that we are in the first three months of a three-year project.

How have the additional revenues for the VIPS and the CAMA System been spent, and have those expenditures addressed the needs and problems identified by the Department of Revenue and county officials and adhered to proposals made to the Legislature?

No expenditures had been made from the VIPS/CAMA Technology Hardware Fund, and \$ 8,899 had been expended from the Electronic Databases Fee Fund as of September 30, 1996. These expenditures were to pay a consultant who assisted in the VIPS Request for Proposal and in negotiations with vendors.

VIPS Project

The project of upgrading hardware and software for VIPS (the VIPS II project) is a three-year program. During the first year, counties that are currently running VIPS on a System 36 or Advance 36 will be upgraded to an AS/400 level. The Department of Revenue processor used to support VIPS will also be upgraded. A Request for Proposal for the hardware procurement was released in September 1996, and a vendor has since been approved. The first hardware installations should begin in December 1996. Completion of hardware installation will occur by June 1997. During the second year of the project, counties that upgraded from the System 36 to the AS/400 on their own will be reimbursed by the Department of Revenue for a portion of that expense related to state functions. Also during the second year, the Department of Revenue will begin making VIPS programming enhancements. These enhancements are expected to carry over into the third year.

CAMA System Project

The project of acquiring a new CAMA System is also a three-year project. During the first year of the project, the main expenditure will be for the consulting contract to assess the CAMA hardware/software and to develop specifications for a new system. The main expenditures during the second year will be to provide PC upgrade assistance to counties and to provide PC hardware/software to facilitate download/upload capabilities from the server. The third-year expenditure will be for the new CAMA System.

Expenditures for the CAMA System update are planned to come out of the Electronic Databases Fee Fund. A Request for Proposal for the CAMA System was released in September 1996, with a due date of October 21, 1996. The project team anticipates calling vendors in for product demonstrations during December 1996 and January 1997, and having a signed contract with a vendor by April 1997. No expenditures have been made for the CAMA System project as of September 30, 1996. A consultant, who will be paid \$ 1,400 per day, up to a maximum of 25 days, has been contracted to assist with the project. The consultant worked one day each in July and September, but he has not billed the State for his time as of September 30, 1996. The project team anticipates expenditures for the testing of the software before it is purchased. The demonstration that will be required from the vendors will be extensive, and thus the State may have to pay the vendors for their time.

RECOMMENDATIONS

Recommendation #1

During the audit, we noted that the Information Systems bureau is in charge of billing vendors for the sale of bulk open records. However, the receipts from these billings are tracked by the Resource Management bureau. The Resource Management bureau relies on receiving copies of the billings from the Information Systems bureau in order to verify that the actual amount billed is received. We noted that the Resource Management bureau currently does not receive any copies of the Information Network of Kansas (INK) billings and that there have been occasions when the Resource Management bureau has not always received copies of the billings to R.L. Polk, TRW and Carfax. Also, we noted that currently no one verifies that the correct amount gets posted to the proper fund in the Statewide Accounting and Reporting System (STARS).

We recommend that the Information Systems bureau work more closely with the Resource Management bureau to ensure the bulk vendors are promptly paying the proper amount to the State. The Resource Management bureau should receive a copy of every bulk open records billing for comparison to the receipts. Appropriate action should be taken when the receipts differ from the billings. Additionally, we recommend that the Resource Management bureau verify that payments for the actual amount billed are posted to the proper funds in STARS.

Recommendation #2

During the audit, we also found that it is not possible to reconcile the VIPS/CAMA Technology Hardware Fund revenue amount to the number of titles issued. Currently, the only title report available shows titles **issued** for the quarter. The revenue is counted at the time an individual applies for a title and pays the title fee. However, the Division of Vehicles is mandated to wait 20 days from the date of purchase of a vehicle before printing a title to allow lienholders sufficient time to file their Notice of Security Interest. Thus, some title applications taken at the county treasurers' offices one quarter are not actually printed until the next quarter.

We recommend that a reconciliation of the revenue amount in the VIPS/CAMA Technology Fund to the titles issued be performed each quarter. We recognize the difficulty of this task, since currently a report of title applications taken (rather than titles issued) during the quarter is not available. Considering this, we believe that if the titles issued report could be generated monthly instead of quarterly, the reconciliation could be easier. If this is not possible, we recommend that someone recalculate the number of title applications taken by dividing the fund's revenue for the quarter by \$ 1.15 (or \$ 1.00 after July 1, 1997). This amount should be compared to the titles issued for the quarter. The difference each quarter should then be assessed for reasonableness.

STATE OF KANSAS

Bill Graves, Governor

DEPARTMENT OF REVENUE

John D. LaFaver, Secretary

Betty McBride, Director of Vehicles
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Division of Vehicles

MEMORANDUM

TO: John T. Berberich
Berberich Trahan & Co., P.A.

FROM: Betty McBride
Director of Vehicles

A handwritten signature in cursive script, appearing to read "Betty McBride", is written over the printed name and title.

DATE: December 6, 1996

RE: VIPS Performance Audit

I have reviewed the performance audit report titled Reviewing the Vehicle Information Processing System and the Computer-Assisted Mass Appraisal System After Changes in State Law and concur with the report and find it to be a correct statement of what has transpired to date. I appreciate the opportunity to review the report and offer my comments.

cc: John LaFaver, Secretary of Revenue

