



PERFORMANCE AUDIT REPORT

**Reviewing Revenues and Expenditures For the
Vehicle Information Processing System and the
Computer-Assisted Mass Appraisal System
After Changes in State Law,
Through Fiscal Year 1998**

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
April 1999**

Legislative Post Audit Committee

Legislative Division of Post Audit

THE LEGISLATIVE POST Audit Committee and its audit agency, the Legislative Division of Post Audit, are the audit arm of Kansas government. The programs and activities of State government now cost about \$8 billion a year. As legislators and administrators try increasingly to allocate tax dollars effectively and make government work more efficiently, they need information to evaluate the work of governmental agencies. The audit work performed by Legislative Post Audit helps provide that information.

We conduct our audit work in accordance with applicable government auditing standards set forth by the U.S. General Accounting Office. These standards pertain to the auditor's professional qualifications, the quality of the audit work, and the characteristics of professional and meaningful reports. The standards also have been endorsed by the American Institute of Certified Public Accountants and adopted by the Legislative Post Audit Committee.

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LEGISLATURE OF KANSAS
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April 13, 1999


To: Members, Legislative Post Audit Committee

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This report contains the findings, conclusions, and recommendations from the completed performance audit, *Reviewing Revenues and Expenditures for the Vehicle Information Processing System and the Computer-Assisted Mass Appraisal System After Changes in State Law, Through Fiscal Year 1998*. The audit was conducted by the firm of Berberich Trahan & Co. under contract with Legislative Post Audit.

We would be happy to discuss the findings presented in this 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
VIPS and CAMA Systems Through Recent Changes in
State Law, and How Do Those Amounts Compare to the
Revenue Needs and Estimates Provided to the Legislature?**

Recent changes in State law were designed to fund upgrades of the Kansas Vehicle Information Processing System and the Computer-Assisted Mass Appraisal System. The revenues generated were to be deposited into the VIPS/CAMA Technology Hardware Fund the Electronic Databases Fee Fund. During fiscal years 1997 and 1998, the Technology Hardware Fund received about \$2.0 million, somewhat more than the \$1.7 originally estimated by the Department of Revenue. Most of this difference was caused by an increase in the number of title applications processed. During that same fiscal year, revenues of the Electronic Databases Fee Fund totaled about \$5.9 million, significantly more than the Department's original estimate of about \$3.0 million. Much of this difference was the result of significant increases in fees charged for copies of records. page 3

**Question 2: How Have the Additional Revenues for the VIPS and CAMA
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?**

The Vehicle Information Processing System Project is a three-year project, scheduled to take place in fiscal years 1997, 1998, and 1999. During fiscal years 1997 and 1998, the Department provided financial assistance for counties that upgraded from a System 36 to an AS/400. Project expenditures totaled about \$2.9 million during those fiscal years, compared to the Department estimate of \$3.0 million. page 5

The Computer-Assisted Mass Appraisal System Project also is a three-year project, originally scheduled to take place in fiscal years 1997, 1998, and 1999. During fiscal years 1997 and 1998, expenditures on that Project totaled about \$40,000. That spending was for a continuing assessment of system needs. Because acceptable software seems to be unavailable at this time, further expenditures on the project probably will be delayed. The Department had expected to spend about \$1.1 million on this project during the two fiscal years.

Agency Response page 8

This audit was conducted by Berberich, Trahan & Co. under contract with 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 (785) 296-3792, or contact us via the Internet at: LPA@mail.ksleg.state.ks.us.





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REPORT ON THE PERFORMANCE AUDIT OF THE VIPS AND THE 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 follow up on prior year findings and recommendations follow.

Berberich Trahan & Co., P.A.

January 15, 1999

OVERVIEW OF SENATE BILL NO. 662

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.

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. All monies 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?

The Department of Revenue originally estimated that revenues would be credited to the VIPS/CAMA Technology Hardware Fund and Electronic Databases Fee Fund as follows:

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>Total</u>
Estimated revenue:				
VIPS/CAMA Technology				
Hardware Fund	\$ 920,000	\$ 800,000	\$ 800,000	\$ 2,520,000
Electronic Databases Fee Fund	<u>1,505,000</u>	<u>1,505,000</u>	<u>1,505,000</u>	<u>4,515,000</u>
	<u>\$ 2,425,000</u>	<u>\$ 2,305,000</u>	<u>\$ 2,305,000</u>	<u>\$ 7,035,000</u>

The VIPS/CAMA Technology Hardware Fund revenue estimate was based on the premise that the Division of Motor Vehicles produces approximately 800,000 titles annually and that the Fund receives \$ 1.15 per title through June 30, 1997 and \$ 1.00 per title from July 1, 1997 through June 30, 1999. The Electronic Databases Fee Fund revenue estimate was based on contracts in effect at the time the estimate was made. Estimated revenues are compared to the actual results to date below.

VIPS/CAMA Technology Hardware Fund

	<u>1997</u>	<u>1998</u>	<u>Total</u>
Estimated revenue	\$ 920,000	\$ 800,000	\$ 1,720,000
Increase due to number of title applications received	<u>111,256</u>	<u>128,899</u>	<u>240,155</u>
Expected revenue	1,031,256	928,899	1,960,155
Actual revenue	<u>1,032,240</u>	<u>926,928</u>	<u>1,959,168</u>
Actual revenue in excess of (less than) expected revenue	<u>\$ 984</u>	<u>\$ (1,971)</u>	<u>\$ (987)</u>

One reason why actual revenue exceeds estimated revenue is due to the fact that more titles were applied for than originally planned. The approximate number of title applications in fiscal years 1998 and 1997 was 928,899 and 896,744, respectively. Considering that the Fund was to receive \$ 1.00 for each title in 1998 and \$ 1.15 for each title in 1997, the calculated revenue was determined.

Electronic Databases Fee Fund

	<u>1997</u>	<u>1998</u>	<u>Total</u>
Estimated revenue	\$ 1,505,000	\$ 1,505,000	\$ 3,010,000
Actual revenue	<u>2,713,300</u>	<u>3,235,668</u>	<u>5,948,968</u>
Actual revenue in excess of estimated revenue	<u>\$ 1,208,300</u>	<u>\$ 1,730,668</u>	<u>\$ 2,938,968</u>

Effective October 1, 1996, fees charged for open records access and copies increased by \$ 1.00 per record, with \$.95 of the increase going to the Department of Revenue. Bulk record sales were also raised from \$ 20.50 per 1,000 records to \$ 50.00 per 1,000 records. As a result, actual revenues exceed the original estimate.

We 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 compared to billings.

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 1996, the Department of Revenue anticipated that expenditures related to the VIPS and CAMA projects would be as follows:

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>Total</u>
Estimated expenditures:				
VIPS Project	\$ 889,767	\$ 2,144,412	\$ 1,450,000	\$ 4,484,179
CAMA Project	<u>488,800</u>	<u>562,500</u>	<u>1,500,000</u>	<u>2,551,300</u>
	<u>\$ 1,378,567</u>	<u>\$ 2,706,912</u>	<u>\$ 2,950,000</u>	<u>\$ 7,035,479</u>

Estimated expenditures are compared to actual results to date below.

VIPS Project

	<u>1997</u>	<u>1998</u>	<u>Total</u>
Estimated expenditures	\$ <u>889,767</u>	\$ <u>2,144,412</u>	\$ <u>3,034,179</u>
Actual expenditures:			
VIPS/CAMA Hardware			
Technology Fund	383,259	1,421,665	1,804,924
Electronic Databases Fee Fund	<u>-</u>	<u>1,094,260</u>	<u>1,094,260</u>
Total actual expenditures	<u>383,259</u>	<u>2,515,925</u>	<u>2,899,184</u>
Actual expenditures (over) under estimated expenditures	<u>\$ 506,508</u>	<u>\$ (371,513)</u>	<u>\$ 134,995</u>

The process of upgrading hardware and software for VIPS (the VIPS II project) is a three-year project. During fiscal year 1997, all counties that had been running VIPS on a System 36 or Advance 36 were upgraded to an AS/400. A Request for Proposal for the hardware procurement was released in September 1996. The first hardware installations began in January 1997 and were completed in June 1997. VIPS expenditures in 1997 were for equipment assessment, hardware and software services, and audit fees. Costs were significantly lower than estimated due to the care taken to obtain written approval from county treasurers for hardware purchased causing some expenditures to be paid in fiscal year 1998 rather than 1997. The \$ 134,995 will partially fund the program enhancements and equipment approved to be spent in fiscal year 1999.

During fiscal year 1998, counties that upgraded from the System 36 to AS400 on their own were reimbursed by the Department of Revenue for a portion of that expense related to state functions. The Department of Revenue also began making VIPS programming enhancements as identified by the counties in a State survey.

During fiscal year 1999, programming enhancements will be completed and old and worn peripheral equipment will begin to be replaced.

CAMA System Project

	<u>1997</u>	<u>1998</u>	<u>Total</u>
Estimated expenditures	\$ 488,800	\$ 562,500	\$ 1,051,300
Actual expenditures:			
Electronic Databases Fee Fund	<u>15,364</u>	<u>24,878</u>	<u>40,242</u>
Actual expenditures under estimated expenditures	<u>\$ 473,436</u>	<u>\$ 537,622</u>	<u>\$ 1,011,058</u>

The process of acquiring a new CAMA System was also to be a three-year project. During fiscal year 1997, expenditures were made for the consulting contract to assess the CAMA hardware/software needs and to develop specifications for a new system and for vendor demonstration fees. The specifications were utilized in a formal bidding process which did not result in a signed contract because the systems that were demonstrated did not fulfill the desires and needs of the State and counties. As a result, these costs were significantly lower than the estimate. During fiscal year 1998, certain additional expenditures were made to assess CAMA needs. Due to the unavailability of acceptable software to purchase, remaining CAMA expenditures were expected to be deferred to fiscal years 1999 and 2000. Specifications developed from information obtained in fiscal year 1997 were to be used in fiscal years 1999 and 2000 to develop the new CAMA system. Due to the delay, revised estimates for expenditures were \$ 565,000 and \$ 1,260,000 for fiscal years 1999 and 2000, respectively. Subsequently, the \$ 1,260,000 was removed from the fiscal year 2000 budget request. Fiscal year 1999 funding will be used to develop an external design document which will be the blueprint for future programming of the new CAMA system. It is anticipated that funding will be requested in fiscal year 2001 for the new CAMA system based on the development blueprint and cost estimate.

FOLLOW-UP ON PRIOR YEAR RECOMMENDATIONS

During the audit for the year ended June 30, 1997, we had recommended assessing the reasonableness of the VIPS/CAMA Technology Hardware Fund revenue. During the year ended June 30, 1998, additional information was generated to give a more accurate count of titles based on the date of application rather than date issued.

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Division of Vehicles

MEMORANDUM

TO: John T. Berberich
FROM: Alan Anderson *Alan Anderson*
Acting Director of Vehicles
DATE: March 10, 1999
RE: VIPS Performance Audit

I have reviewed the performance audit report titled Report on the Performance Audit of the VIPS and the CAMA System 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: Karla Pierce, Secretary of Revenue

