

# NORTH DAKOTA LEGISLATIVE COUNCIL

## Minutes of the

### INFORMATION TECHNOLOGY COMMITTEE

Monday, October 8, 2001  
Pioneer Room, State Capitol  
Bismarck, North Dakota

Senator Larry J. Robinson, Chairman, called the meeting to order at 2:00 p.m.

**Members present:** Senators Larry J. Robinson, Randy A. Schobinger, Ken Solberg; Representatives Robert Huether, Keith Kempenich, Bob Skarphol, Robin Weisz; Chief Information Officer Curtis L. Wolfe

**Others present:** See attached appendix

Chairman Robinson welcomed Senator Aaron Krauter, Senate Minority Leader and Legislative Council member, to the meeting.

Chairman Robinson announced that Representative Huether would serve as vice chairman of the committee.

**It was moved by Senator Solberg, seconded by Representative Huether, and carried on a voice vote that the minutes of the August 2 and September 10, 2001, meetings be approved as distributed.**

#### ENTERPRISE RESOURCE PLANNING SYSTEM INITIATIVE

Mr. Curtis L. Wolfe, Chief Information Officer, Information Technology Department, presented information regarding the status of the department's enterprise resource planning (ERP) system initiative, a copy of which is on file in the Legislative Council office. The information includes copies of Mr. Wolfe's slide presentation, a schedule of ERP requirements analysis activities, and the Maximus listing of requirements for accounts payable.

Mr. Wolfe said the Information Technology Department has contracted with Maximus to complete a review of the functional requirements of the state's proposed ERP system and the Microsoft-Great Plains proposal for an ERP system joint venture partnership. The review consists of the following phases:

1. The **requirements definition phase** consisting of defining all the functional requirements for the financial, human resources, and student administrative components of the ERP system.
2. The **assessment phase** consisting of the review of the proposed ERP system functional requirements and the requirement responses of Microsoft-Great Plains.

3. The **consensus phase** consisting of system demonstration and functional requirements response approval.

Mr. Wolfe said Maximus is also assisting the Information Technology Department with development of:

- A state resource plan that will define the resources necessary for implementation of an ERP system.
- An implementation plan that will define the necessary steps for implementation of an ERP system.
- A software royalty arrangement.

Mr. Wolfe said the department has provided Microsoft-Great Plains a draft contract for an ERP system joint venture partnership. He said the contract includes provisions for payment of \$21 million plus expenses by completion of defined milestones, source code escrow, royalty payments, liquidated damages, and warranties.

In response to a question from Representative Skarphol regarding the assessment phase of the department's review process, Mr. Wolfe said Maximus and the Information Technology Department are identifying gaps between the functional requirements of the state's proposed ERP system and the requirement responses of Microsoft-Great Plains. He said the department will share the functional requirement definitions with the three finalists of the department's ERP system request for proposals process and will ask them to provide the department with a preliminary analysis of gaps that may exist between the functional requirements of the state's proposed ERP system and their products.

In response to a question from Representative Weisz regarding the draft contract's software royalty provisions, Mr. Wolfe said under the proposed royalty provisions in the state's draft contract, the state would receive 10 percent of any public sector sale of the ERP system up to a total of \$21 million collected and thereafter would receive 10 percent of sales made through a public sector solutions center and 15 percent of sales that the state proactively initiates.

In response to a question from Representative Skarphol regarding the draft contract's software royalty provisions, Mr. Wolfe said the software royalty provisions apply to all subsequent public sector sales

of the ERP system, including all versions of the system.

In response to a question from Senator Krauter regarding the public sector sale of the ERP system, Mr. Wolfe said Microsoft-Great Plains will be marketing the ERP system to a potential customer base of approximately 74,000 public sector cities, counties, and states. He said most states have an ERP system implemented, so most sales would be to cities and counties.

In response to a question from Senator Solberg regarding the department's review of a joint venture partnership, Mr. Wolfe said the Information Technology Department anticipates making a decision by November 15, 2001, as to whether the state should agree to a joint venture partnership with Microsoft-Great Plains or continue with the ERP system request for proposals process.

In response to a question from Senator Robinson regarding the implementation status of the ERP system, Mr. Wolfe said it is unlikely that implementation of an ERP system would begin before the start of the 2003 Legislative Assembly.

In response to a question from Representative Skarphol regarding the draft contract's total cost, Mr. Wolfe said the draft contract includes provisions for total payment of \$21 million plus expenses. He said the department estimates the additional expenses to be approximately \$1 million to \$1.5 million.

In response to a question from Representative Skarphol regarding the department's current requests for proposal, Mr. Wolfe said two of the three selected finalists have extended their offers to December 2001. He said the remaining finalist would not guarantee its price but asked to be invited back into the process if the state decided against the joint venture partnership with Microsoft-Great Plains.

Senator Robinson said the Legislative Assembly has worked hard to move the state forward with technology. He said members of this committee convinced the 2001 Legislative Assembly that an ERP system needed to be implemented in the state as soon as possible and the resulting project delays and increasing costs are a concern.

Representative Huether said members of the 2001 Legislative Assembly were under the impression during the past legislative session that the state would be purchasing an ERP system, not developing a system, and that implementation of the ERP system would begin before the start of the 2003 Legislative Assembly.

Mr. Wolfe said due to changes in federal regulations, higher education's financial aid system must be replaced by the summer of 2003. He said if the state has not begun the implementation of an ERP system by then, the state will be forced to use a portion of the Information Technology Department's \$7.5 million general fund appropriation for an ERP system to

rewrite the existing higher education financial aid system. He said the Information Technology Department will provide a detailed ERP system implementation schedule at the committee's next meeting.

## **INFORMATION TECHNOLOGY DEVELOPMENT CONTRACTS**

Mr. Wolfe presented information regarding information technology development contracts, including a listing of existing information technology contracts with third-party vendors for new software development or for annual maintenance for previously delivered or installed software. A copy of the information is on file in the Legislative Council office.

Mr. Wolfe said pursuant to North Dakota Century Code Section 54-59-05 each executive branch agency or institution except for institutions of higher education must submit a written request to the Information Technology Department for the lease, purchase, or other contractual acquisition of information technology. He said at the present time Information Technology Department guidelines require state agencies, except for institutions of higher education, to submit information technology contracts or service agreements exceeding \$25,000 to the department for review and approval before proceeding with the contract or service agreement. He said the department has issued guidelines that agencies may use in development of information technology contracts and the department encourages agencies to have all large information technology projects managed by a certified project manager. He said current law does not require professional services contracts to be approved by the Attorney General.

## **MOTOR VEHICLE REGISTRATION AND TITLING SYSTEM**

Mr. David Sprynczynatyk, Director, Department of Transportation, presented information regarding the motor vehicle registration and titling system. A copy of the information is on file in the Legislative Council office.

Mr. Sprynczynatyk said in 1995 the department entered into a contract with Unisys for development of a motor vehicle registration and titling system. He said before entering into a contract the Department of Transportation conducted a rigorous proposal analysis, including a review by a third-party consultant, Wolfe & Associates, Inc. He said the system was to be fully implemented by November 1997 but due to the project's complexity and changes in system requirements the implementation of the system was delayed until October 2000. He said to date the total cost of the project is \$3.8 million, of which approximately one-half is for hardware and one-half is for software development. He said two major components of the system, the DP-500 processing system that performs renewal and check processing and the imaging system that allows the department to have all

documents on-line and on disks for storage, were installed three months after the start of the project. He said the new motor vehicle registration and titling system allows the department to process items faster than the old system and provides the following additional benefits:

- Immediate and automatic update of the motor vehicle data base.
- Faster deposit of customer checks.
- Instant refund check authorization.
- Faster ordering of license plates.

Mr. Sprynczynatyk said since the committee's September 2001 meeting at which the Department of Transportation informed the committee of the service agreement nonperformance by Revenue Systems, Inc. (RSI), the department has been working with the Attorney General's office to recover additional costs incurred. He said the department has negotiated with Unisys for reimbursement of additional costs incurred by the department for contracting with former RSI employees to perform system warranty services and will receive a payment from Unisys of \$80,000. Additional costs incurred will total approximately \$200,000.

In response to a question from Senator Robinson regarding additional costs associated with RSI's contract nonperformance, Mr. Sprynczynatyk said the state has contracted with four former RSI employees to complete system warranty services and maintenance and to train Information Technology Department employees. He said to date the department has incurred expenses of \$75,094 relating to the contract and the department anticipates incurring an additional \$100,000 to \$125,000 of expenses before the contract is completed. He said the department has negotiated with Unisys for payment of \$80,000 relating to the system warranty services completed by the former RSI employees.

Mr. Keith Kiser, Director, Motor Vehicle Division, Department of Transportation, provided a demonstration of a registration renewal and title transfer using the new motor vehicle registration and titling system.

In response to a question from Senator Solberg regarding registration renewals, Mr. Kiser said approximately 70 percent of all registration renewals processed by the department are received in the mail and processed by department employees using the DP-500 processing system and approximately 30 percent of registration renewals are processed by department employees at walk-in workstations. He said the time period for processing renewals at walk-in workstations is a few minutes while the time period for an individual to receive a registration renewal through the mail is approximately two or three weeks. He said the delay in the processing of renewal transactions through the mail is due to the department not being staffed adequately to open all mail and process it in the same day.

In response to a question from Representative Skarphol regarding the department's DP-500

processing system, Mr. Kiser said the department employees manually open all mail and verify that documents are complete and the appropriate payment is included. He said due to limited staff not all mail received is opened and verified on the same day. Each evening all documents and corresponding payments that have been opened and verified are put through the DP-500 processing system which updates the motor vehicle data base. The next day appropriate documents such as registration cards are printed and mailed out.

In response to a question from Senator Solberg regarding walk-in workstations, Mr. Kiser said individuals working at the department's walk-in workstations are capable of processing transactions received through the mail; however, these individuals, when not assisting with walk-in customers, are responsible for other assigned tasks.

In response to a question from Senator Solberg regarding liquidated damages payments made by Unisys, Mr. Sprynczynatyk said the department has received a total of \$898,850 from Unisys for liquidated damages, including \$50,000 for late penalties.

Mr. Doug Bahr, Solicitor General, Attorney General's office, provided information regarding the Attorney General's office review of legal issues relating to the Department of Transportation's motor vehicle registration and titling system. Mr. Bahr said in June 2001 the Department of Transportation entered into a service agreement with RSI in the amount of \$275,000 and in August 2001 the department was notified by RSI that it would be unable to complete its contractual obligation as the result of bankruptcy. He said the Attorney General's office on August 20, 2001, responded to RSI with a demand for repayment of costs associated with the unfulfilled service agreement. The Attorney General's office received a response from RSI on October 5, 2001, stating that it was sorry for the cost and inconvenience of the situation; however, it would be unable to provide the state with any repayment of costs. A copy of the response from RSI is on file in the Legislative Council office.

In response to a question from Mr. Wolfe regarding possible software liens, Mr. Bahr said the Attorney General's office will continue to discuss possible legal actions with the Department of Transportation.

Mr. Luke Burson, Practice Director, West Region Public Sector, Unisys, provided information regarding the Department of Transportation's motor vehicle registration and titling system. Mr. Burson said the department's new system is a premiere, state-of-the-art system that the state should be proud of. He said the project was difficult for Unisys as well as the Department of Transportation.

In response to a question from Senator Robinson regarding the financial position of RSI, Mr. Burson said Unisys was unaware of RSI's financial position

until August 2001 when they were notified that RSI would be ceasing operations.

In response to a question from Representative Weisz regarding the relationship between Unisys and RSI, Mr. Burson said at the time of the Unisys bid on the department's new motor vehicle registration and titling system, Unisys relied on RSI for information regarding project development timelines and costs.

In response to a question from Representative Skarphol regarding UNISYS' financial relationship with RSI, Mr. Burson said UNISYS did not suffer a direct financial loss due to the bankruptcy of RSI, but UNISYS does have a financial interest in American Management Systems, Inc. (AMS), a secured creditor of RSI in the amount of \$11 million.

Chairman Robinson said the committee's next meeting may be in late November 2001.

The meeting was adjourned subject to the call of the chair at 4:42 p.m.

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Roxanne Woeste  
Fiscal Analyst

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Jim W. Smith  
Legislative Budget Analyst and Auditor

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