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PUBLIC HEARING

before

ASSEMBLY LAW, PUBLIC SAFETY AND DEFENSE COMMITTEE

on

(DMV Computer System)

VOLUME II

October 3, 1985
Room 400
State House Annex
Trenton, New Jersey

CONTAINS APPENDIX MATERIAL

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* * * * *



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Michael R. Cole, Esq.
First Assistant Attorney General
Hughes Justice Complex
CN 080
Trenton, N.J. 08625

RE: State of New Jersey, DMV
Contract with
Price Waterhouse & Co.

Dear Mr. Cole:

Although the negotiated settlement that you exacted from Price Waterhouse, reflected in the correspondence of August 15, 1985, August 26, 1985, August 30, 1985 and September 5, 1985, remains in place between the DMV and PW, PW has asked its counsel to consider what steps PW might properly take with respect to statements attributed to ADR that appeared in the newspapers this past weekend. We do not wish any action that PW may take with respect to such statements to be misunderstood by the State of New Jersey and request the earliest opportunity to review this matter with you.

This letter is written pursuant to and consistent with the settlement negotiations between the State of New Jersey (DMV) and PW, to which the earlier letters refer and is not to be taken as a repudiation of the commitments set forth therein.

Thank you for your prompt consideration of our request to discuss this unusual turn of events.

Very truly yours,
Matthew P. Boylan
Matthew P. Boylan

MPB:em

cc: Steward R. Bross, Esq.
John R. Hupper, Esq.
Allen F. Maulsby, Esq.
Robert N. Feltoon, Esq.
James D. Cecchi, Jr., Esq.
Edward Plaza, Esq.
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PLEASE REPLY TO ROSELAND

October 3, 1985

Mr. Joseph L. Bocchini, Jr.
Chairman
Assembly Law, Public Safety and
Defense Committee
State House Annex
Trenton, New Jersey 08625

RE: Price Waterhouse & Co.

Dear Mr. Bocchini:

You are, I know, familiar with the discussions that have recently taken place between my client, Price Waterhouse, and the Office of the Attorney General. As a result of those discussions, Price Waterhouse has agreed to expeditiously remedy the new DMV comprehensive on-line driver owner system within the terms and conditions of its existing contract with the Division of Motor Vehicles and is now in the process of replacing the IDEAL language with COBOL language at its expense. You may also be aware of the self-serving statements attributable in recent newspaper articles to Applied Data Research, the provider of the IDEAL software that was in part being used in the implementation of the system.

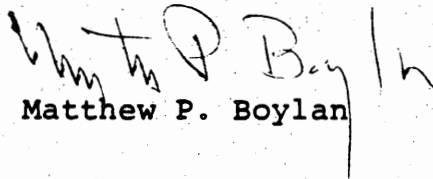
We have reviewed the transcript of Mr. Driscoll's testimony and have concluded that, in the absence of an identification of any specific areas of further inquiry that the Committee suggested would be forthcoming (Tr. at 85), the testimony that Mr. Driscoll provided was fully responsive and accurate with respect to the background and nature of the problems encountered with the system. In that regard, it is the intention of Price Waterhouse to honor its commitments to the Office of the Attorney General

Mr. Joseph L. Bocchini, Jr.
Page Two
October 3, 1985

and the DMV and promptly to provide the information being sought by the SCI.

The enclosed statement has been prepared to summarize the testimony given to your Committee by Mr. William J. Driscoll on September 24, 1985, and, together with my letter of September 30, 1985, to Mr. Michael R. Cole, First Assistant Attorney General, is submitted to reaffirm the intention of Price Waterhouse to provide at its expense the additional work needed to have the system operational in the shortest possible time. In light of the statements attributed to ADR, which at the request of Price Waterhouse I now have under legal review, I have advised my client that in my judgment it would be inappropriate for it to seek in a legislative context to meet the inferences that seem to have been raised by ADR. That being so, I have advised Price Waterhouse representatives not to attend the hearing on October 3, and it has agreed to accept that advice.

Yours respectfully,


Matthew P. Boylan

Enclosures
MPB:em
cc: Mr. William J. Driscoll

PRICE WATERHOUSE STATEMENT
FOR THE STATE OF NEW JERSEY
ASSEMBLY LAW, PUBLIC SAFETY AND DEFENSE COMMITTEE

OCTOBER 3, 1985

THE CONTRACTUAL RELATIONSHIP

The selection of Price Waterhouse to develop the New Jersey Division of Motor Vehicles' (DMV) comprehensive on-line computer system evolved as the result of over two years of professional collaboration between Price Waterhouse and the two involved agencies, DMV and the Division of Systems and Communications (SAC). The involvement of Price Waterhouse began in 1981 with their selection to prepare a master plan for DMV computerization. Price Waterhouse was selected over six competing firms, all of whom were nationally known accounting/management consulting firms, because it had performed such services for numerous governmental agencies.

1982, as DMV and SAC undertook the first stages of implementing the master plan, it became apparent that outside professional expertise would be important to its success. After discussions and with the support of DMV and SAC, Price Waterhouse submitted a proposal to provide such assistance. In December 1982, this proposal to provide assistance on the long range

master plan implementation during fiscal years 1983 through 1986 was accepted at fees of \$700,000.

Meanwhile, in 1983, the DMV master plan timetable was being substantively impacted by the enactment of a merit rating plan requiring a surcharge program based on driver violations effective in January, 1984. In addition to implementation of the long range master plan for computerization, DMV now was required to establish a computerized surcharge program in the short term.

To meet these new demands, DMV turned to Price Waterhouse for assistance. The agency asked whether the entire plan -- including the surcharge program -- could be in place in 1984. Price Waterhouse informed DMV that the surcharge program could be made effective, as scheduled, the following January, however full computerization could not be completed until mid-1985. In May of 1983, Price Waterhouse provided DMV with an outline of a development plan; and in July, at the request of DMV, Price Waterhouse delivered a formal proposal to implement the full program by mid-1985. This resulted in a \$6.5 million dollar award under waiver which included the unexpended balance of \$500,000 from the previous contract and was approved by State Treasurer Kenneth Biederman on July 27, 1983.

IMPLEMENTING THE PLAN

Immediately after the announcement of the award, Price Waterhouse began the project so that by the time the contract was signed in November of 1983, both the short range surcharge program and the long range computerization project were well under way. In January, 1984, the merit rating surcharge program was in place and functioning in accordance with the legislative mandate.

As part of the long range computerization, Datacom/ DB and related software products supplied by Applied Data Research, Inc. (ADR) were selected. In considering the use of an advanced, fourth generation programming language to more effectively program the applications required by DMV, IDEAL was selected because it was the only advanced programming language which could be used with Datacom/ DB, the ADR data base in use at SAC and planned for all new DMV applications. Based upon a technical review by Price Waterhouse and its understanding of the representations on the performance of IDEAL by ADR, IDEAL appeared to be a more productive and less complicated alternative for programming the system.

As it turned out, IDEAL did not function in accordance with the representations of ADR and as a result it was not capable

of performing all of the new system's important functions within acceptable operating criteria.

Recognizing these shortcomings, Price Waterhouse has undertaken to correct the problems by rewriting the affected programs in COBOL and bringing the system up to performance standards as soon as possible. It is expected that significant improvements in system performance will be achieved by mid-November and the definitive plan implementing all improvements will have been approved and initiated within the next month. At its completion, New Jersey will have in full operation the most advanced state motor vehicle registration/titling and driver licensing program in the nation.

As a result of discussions and agreements reached with the office of the Attorney General, Price Waterhouse has undertaken corrective actions under its contractual arrangements with the State at its own expense.

THE POLITICAL CONTRIBUTIONS

After the public announcement of the contract award and commencement of the project, Price Waterhouse was approached and asked if there was any interest in purchasing tables to the

Governor's Ball to be held August 27, 1983. The request was made through a former partner of the firm by a prominent businessman in Bergen County.

Many professional and business organizations in New Jersey have supported the Governor's Ball since its inception. Price Waterhouse participated in the dinner and continued to do so in 1984 and 1985. Not only did competitors in the accounting/consulting field participate, but also such participation was the practice of many other highly regarded professionals in the fields of law, engineering, finance and others, some of whom also had business relationships with the State of New Jersey.

As it was stated in the hearing on September 24, 1984 and should be emphasized today, the Price Waterhouse relationship with DMV and the State of New Jersey has been and will continue to be based on professional considerations and the commitments to deliver services in accordance with the conditions of each engagement. The Price Waterhouse commitment to remedy the current problems with the new DMV system at its expense clearly demonstrates the extent of this professional commitment.



State of New Jersey

COMMISSION OF INVESTIGATION
28 WEST STATE STREET
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HENRY S. PATTERSON, II
CHAIRMAN

WILLIAM S. GREENBERG
JAMES R. ZAZZALI
PAUL ALONGI
COMMISSIONERS

JAMES J. MORLEY
EXECUTIVE DIRECTOR

September 30, 1985

The Honorable Joseph L. Bocchini, Jr.
Chairman
State of New Jersey Assembly Law, Public
Safety and Defense Committee
State House, CN-042
Trenton, New Jersey 08625

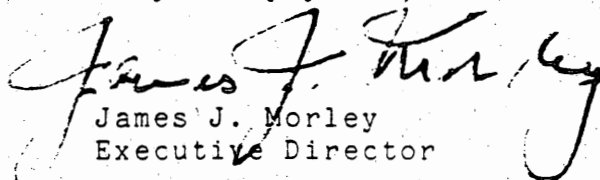
Dear Assemblyman Bocchini:

Chairman Patterson has asked me to respond to your letter of September 25, 1985 concerning your committee's hearings on the Division of Motor Vehicles' computer contract with Price Waterhouse.

As was announced this spring, the Commission is conducting an investigation of the Division's agency system. Because it appears that delays or other problems in the system associated with the Price Waterhouse contract may have affected agency operations, we have found it necessary to review several aspects of that transaction. All of the issues which we anticipate reviewing appear to be among those which interest your committee.

The Commission does not believe that the question of whether your committee should conduct hearings concurrent with its investigation is one of propriety but, rather, one of practicality. It is generally understood among law enforcement agencies that concurrent independent investigations are disfavored. This understanding is based not only on considerations of economy but also on a desire not to disturb the tactical plans (for example, order of witnesses) of another agency. The Commission believes that these considerations are applicable to the present situation and that it would be preferable if your committee would await the completion of our investigation before proceeding further.

Very truly yours,


James J. Morley
Executive Director

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From: Michael R. Cole
First Assistant Attorney General

To: W. Cary Edwards, Jr.
Counsel to the Governor
(Institution or Department)

Date: October 2, 1985

Re: **Price Waterhouse Contract for Implementation
of Surcharge Legislation and Comprehensive System
at Division of Motor Vehicles**

You have asked me to review the award of a \$6.5 million contract to Price Waterhouse in 1983, pursuant to which Price Waterhouse was engaged to design and implement the Merit Rating Plan Surcharge System and Comprehensive On-Line Driver/Owner Information and Management System for the Division of Motor Vehicles (DMV). You have also asked that I report to you concerning problems which have been experienced by DMV with the comprehensive system as delivered by Price Waterhouse on July 1, 1985. Finally, you have asked that I report with respect to the State's position concerning Price Waterhouse's performance to date, Price Waterhouse's responsibility for the problems in the comprehensive system, and also the remedies we are pursuing to correct those deficiencies. Of necessity, given the time constraints involved, my review has been principally based on documentation which is available within the files of the Department of Law and Public Safety, including the Division of Motor Vehicles. Except where noted, I have not interviewed the individual participants on the issues presented. However, in my judgment, the documentation is so extensive and straightforward that I have

confidence that my findings are not compromised by the lack of witness interviews.

I am appending to this report copies of the most important documents upon which I relied. I am also appending a chronology of significant events which I prepared with the assistance of members of my staff, as well as the assistance of the Acting Director of Motor Vehicles, Robert S. Kline, and members of his staff. Of course, I am available to supplement this report by way of response to any questions you may have.

I have divided this report into three sections. The first section deals with events leading up to the grant of a waiver of advertising for the DMV-Price Waterhouse contract on July 27, 1983, the circumstances attending the grant of the waiver, the ensuing contract negotiations and the execution of the written contract with Price Waterhouse on November 9, 1983. The second segment deals with Price Waterhouse's performance under the contract, up to and including events which transpired in July and August of 1985, which indicated there were serious deficiencies with the computer system designed by Price Waterhouse for delivery to DMV. The last section describes the State's efforts to force Price Waterhouse to remedy the defects in the system.

By way of brief overview, based on the documents I have reviewed, it is my conclusion that the grant of the waiver for the Price Waterhouse contract complied in all respects with applicable law, including administrative procedures required for the processing of waivers of advertising such as this. Indeed, in many

respects, this proposed contract with Price Waterhouse was given extraordinary scrutiny by responsible officials, which is entirely appropriate given the amount involved and the complexity of the undertaking. My review also clearly establishes that the Division of Motor Vehicles is not responsible for inadequacies in the computer system delivered by Price Waterhouse. Price Waterhouse, vis-a-vis the State, must accept responsibility for problems with the computer system and remedy them at its own cost. As to remedial action, the State has taken a strong position with Price Waterhouse that it must remedy the system at no expense to the State and in response Price Waterhouse has agreed to do so. The State has also reserved all of its rights to damages, whether actual or liquidated, against Price Waterhouse. It has also withheld substantial payments from Price Waterhouse to protect its position ultimately.

I. BACKGROUND, WAIVER OF ADVERTISING AND CONTRACT

The computer contract at issue had its origin in efforts in 1981 by the then Director of Motor Vehicles, Joan H. Wiskowski, to make improvements in the DMV based on a determination that its existing systems were archaic and ill-suited to serve the public. Toward that end, Director Wiskowski identified short-term solutions and problems and also took steps to develop a master plan outlining the longer term and more comprehensive needs of the DMV and possible solutions. To develop the master plan, it was determined

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that outside consultants and experts should be engaged and the DMV obtained proposals from seven of the Big Eight accounting firms on the basis of an informal solicitation (i.e., no others were invited through advertising to submit bids). After all of the proposals were reviewed, Price Waterhouse was selected as the consultant for assisting in developing the master plan. Price Waterhouse was the second low bidder. The selection of Price Waterhouse was done pursuant to a waiver of advertising based on the exception contained in N.J.S.A. 52:34-9(a), which permits a waiver for services of a "technical and professional nature". The total amount of the contract was \$88,000.

The contract required Price Waterhouse to implement its proposal of September 15, 1981 to develop a report representing an overview of the Division's long-range goals and strategies to improve its existing systems and to better serve the public and to recommend specific projects to carry out these goals and strategies.

After an extensive review by Price Waterhouse, in conjunction with representatives of DMV and the Office of the Attorney General, the Attorney General's administrative arm, and the Division of Systems and Communications ("SAC"), an extensive 256 page master plan notebook was developed. Price Waterhouse also developed and submitted an Executive Summary of the master plan under a transmittal letter to then Director Wiskowski and Attorney General Kimmelman, dated March 22, 1982 (copy attached). In their transmittal letter, Price Waterhouse concluded that the

documentation that supported the master plan demonstrated that "nothing short of a major overhaul of existing operational, financial and administrative support systems [were] required for DMV's future performance to meet or exceed the public's expectations." Their conclusion was based in part on the fact that the systems and procedures then in place at DMV were outdated and the fact that many of the Division's functions were performed manually and could be substantially improved through computerization.

The Executive Summary reported that many of the short-term improvements proposed by Director Wiskowski had been implemented as of that time, and concluded that the Division in that setting needed to make a commitment to implement more comprehensive long-term improvements. The master plan recommended 15 projects in all and proposed a five year plan to implement all of the projects recommended. The master plan assumed the State would undertake most of the improvements through utilizing its in-house staff (SAC) with some assistance from outside consultants.

The DMV was not able to fully implement the recommendations of the master plan at that time because of the absence of available funding. However, in October 1982, limited funds were made available to commence a specific requirement study on data base integration projects. This study constituted the first step in developing a new computer system, and would set forth the detailed needs to be served by a computer system. With this limited funding available, the Division of Systems and

Communications (SAC) in the Department of Law and Public Safety entered into a contract with Price Waterhouse in December 1982 pursuant to which Price Waterhouse was to develop the requirements study for DMV. The contract was in the total amount of \$700,000. It was awarded pursuant to waiver of advertising, again granted pursuant to N.J.S.A. 52:34-9(a)--"technical and professional services". It contemplated performance over several fiscal years, with the first requirement being the development of the requirements study.

Two events transpired in 1983, however, which resulted in a marked acceleration of DMV's pace in implementing the master plan. The first event was the enactment into law on February 16, 1983 of P.L. 1983, c. 65, the New Jersey Automobile Insurance Reform Act of 1982 and the New Jersey Automobile Full Insurance Availability Act (N.J.S.A. 17:29A-33, et seq.). That act contained a number of reforms designed to control the spiraling cost of automobile insurance in New Jersey. Among those reforms was the creation of the New Jersey Automobile Full Insurance Underwriting Association (commonly known as the "JUA") to replace the assigned risk plan. The JUA funding was to be made up of transfers of "policy constants" from premiums paid by all drivers, premiums on new insurance, and surcharges levied on categories of "bad drivers", which would be collected by DMV and transmitted to the JUA. The Act had an effective date of January 1, 1983, and an operative date of January 1, 1984. The differential was to be utilized by State agencies, including DMV, to prepare for

implementation. The preparation had to be completed and operations commenced as of January 1, 1984. The DMV's existing record and management systems were inadequate to accomplish the tasks assigned it under the Act.

The second event was the passage of an amendment to the Unsatisfied Claim and Judgment Fund law (P.L. 1983, c. 125) on April 5, 1983. The amendment permitted moneys in the UCJF to be made available to DMV, subject to later reimbursement, for the purpose of implementing the New Jersey Merit Rating Plan. This legislation thus made available moneys for the computerization of DMV, which was deemed essential for the implementation of the surcharge law.

Following the enactment of P.L. 1983, c. 125, consideration was given as to how best to accelerate the pace for implementation of the major components of the master plan. These discussions culminated in a recommendation by then Director of Motor Vehicles, Clifford W. Snedeker, to Kenneth D. Merin, then Deputy Chief Counsel, on June 7, 1983. He said that while the original master plan contemplated that the bulk of the computer work necessary to implement its recommendations should be done by SAC, that would require a maximum of forty months, and to accelerate the process, greater reliance on outside assistance would be required. For that reason, Director Snedeker recommended that Price Waterhouse be retained to implement the master plan and that a contract be let to Price Waterhouse on a waiver basis, in light of the Director's projection that competitive bidding would require an additional nine months or more. It was the Director's

view that absent the grant of a waiver of advertising, the delays attendant upon the bidding process would leave the DMV unable to comply with the legislative mandate in the surcharge law. Failure to implement the law promptly could potentially jeopardize the financial integrity of the JUA. It should be noted that two weeks before this memorandum, on May 23, 1983, Price Waterhouse delivered a draft requirements study of the computer needs of the DMV under their 1982 contract. As noted, that study constituted the first step in the design and implementation of the needed comprehensive computer system.

The Director's recommendation that Price Waterhouse be selected for this project as opposed to another "Big Eight" accounting firm was predicated on the fact that Price Waterhouse was intimately familiar with the DMV and its needs, having as noted just recently completed the requirement study for DMV, and the fact that the selection of another vendor would necessarily require substantial additional time for that vendor to familiarize itself with the Division's needs, the details of the master plan, and the work done by Price Waterhouse to date.

Following the transmission of the June 7, 1983 memorandum to Deputy Chief Counsel Merin, further meetings were held between Department personnel and the Governor's office concerning Director Snedeker's proposal. According to documents I have reviewed, there was a meeting held on June 28, 1983 concerning a proposed contract with Price Waterhouse, and the utilization of the bid waiver procedure. The participants at that meeting were Greg Stevens,

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Chief of Staff; Kenneth D. Merin, then Deputy Chief Counsel to the Governor; Irwin I. Kimmelman, Attorney General; Thomas W. Greelish, then First Assistant Attorney General; Clifford W. Snedeker, then Director of Motor Vehicles; and Robert S. Kline, then Deputy Director of Motor Vehicles. The meeting is memorialized in a memorandum from Attorney General Kimmelman and Director Snedeker to Chief of Staff Stevens, dated June 29, 1983. Apparently, as a consequence of that meeting, a memorandum was sent to Governor Kean on June 29, 1983, advising him of the Price Waterhouse proposal and its advantages, as well as the fact that a waiver of advertising would be necessary and should be given.

Price Waterhouse submitted its proposal on July 12, 1983. Its proposal was later supplemented on July 21, 1983 and July 28, 1983. The proposal outlined their approach for the design and implementation of the surcharge system and the comprehensive computer system, set forth their estimate for the total cost which was \$5,995,500, plus an estimated 10% of that amount for out-of-pocket expenses (i.e., travel, meals, lodging, etc.). The proposal also set forth Price Waterhouse's prior experience on government contracts specifically dealing with the design of sophisticated computer networks and also their experience with other agencies of the State of New Jersey (see Proposal, Section VII).

Even prior to the formal submission of this proposal, the subject of a contract with Price Waterhouse for the design of the surcharge and comprehensive system had been under review by several

different agencies of State government. The business terms and policy considerations were reviewed by the Divisions of Systems and Communications, and Motor Vehicles in the Department of Law and Public Safety, and the Divisions of Data Processing and Telecommunications, Purchase and Property, and Budget and Accounting in the Department of Treasury. The documents submitted in support of the request for a waiver specifically note that the "system design and implementations for the surcharge program must be linked to the improvements required under the DMV Master Plan because the surcharges depend completely on DMV's violation file and accounting systems" (see Waiver Justification Statement, p.1). In other words, it was not possible to limit the proposed contract to the surcharge system alone. The Justification memorandum also noted: "Price Waterhouse has the resources and expertise in data base design and accounting systems to complete an interim surcharge program by January 1, 1984" and "will complete the entire project by July 1, 1985" (p.2) and that "No other vendor nor the State could complete these two projects by those deadlines" (p.3). Copies of the waiver and the supporting documents are attached.

The proposed waiver was also reviewed for legality by the Division of Law. I personally participated in this legal review and my conclusion, as well as that of my staff, was that the waiver was permissible pursuant to N.J.S.A. 52:34-10(b), which provides that waivers of advertising are allowable where "the public exigency requires the immediate delivery of the articles or performance of the service." The essential predicate of our

analysis was that implementation of the surcharge program was mandated by law and that delays in implementation would not only represent noncompliance with the legislative mandate, but potentially jeopardize the success of the new insurance program. It was clear that reliance either on competitive bidding, or even informal bidding, as opposed to the award of a contract to Price Waterhouse, would result in several months delay in the implementation of the surcharge program and would thus disserve the public interest. Accordingly, I advised the Attorney General that a waiver of advertising was legally appropriate in this circumstance.

The reviews by other agencies concerning the business and policy questions were also favorable. The matter was presented to Treasurer Biederman. He approved the waiver on July 27, 1983. As executed, the waiver was for a \$6.5 million contract. The upward revision from the originally proposed \$5,995,500 waiver was a technical one. Price Waterhouse's original July 12, 1983 proposal had set forth a flat amount for the contract, with a percentage add-on for out-of-pocket expenses. As a matter of practice, the State restricts expenditures to the dollar amount set forth in the waiver. Hence, the revision was in recognition of the fact that an additional sum between 8% and 10% of the base contract price would be needed to reimburse Price Waterhouse for legitimate out-of-pocket expenses. The price set forth on the waiver is a "not to exceed" dollar amount. This change was the subject of Price Waterhouse's July 28, 1983 supplement to its proposal, and

Director Snedeker memorialized this change in his memorandum of July 28, 1983 to the Attorney General. That memorandum also memorialized a meeting held with the Treasurer at the time of the execution of the waiver. The award of a \$6.5 million contract to Price Waterhouse was publicly announced on July 28, 1983 in a story carried by the Star Ledger (a copy of which is attached); the article indicated that the contract had been awarded to Price Waterhouse without competitive bid, through a waiver of advertising.

Price Waterhouse was authorized to proceed with the work even though terms of the contract were not finalized. Negotiations took place beginning in August and culminated with the signing of the contract on November 9, 1983. During this period a number of issues were resolved, including the establishment of warranties, liquidated damages and the parameters of the relationship between the three participating entities to the contract, DMV, SAC and Price Waterhouse. Of particular note, the contract makes clear that Price Waterhouse is responsible to do a "turnkey project", that the selection of the computer hardware and software to be utilized in the system to be developed, including the use of IDEAL program language, was the responsibility of Price Waterhouse (albeit with the understanding that the hardware and software would be purchased independently by the State), and that the system delivered to the State was to be "state of the art". The contract specified that the price should not exceed \$6.5 million.

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In summary on this aspect of our inquiry, the State's purchasing law allows a waiver of advertising and an award of a contract without competition in certain carefully prescribed circumstances. Those circumstances are set forth in N.J.S.A. 52:34-9 and 10. The "public exigency" provision of N.J.S.A. 52:34-10(b) was properly utilized to allow the waiver of advertising for the Price Waterhouse contract. However, even where the State awards a contract without competitive bidding, its practice is to thoroughly review the proposal from a policy and business standpoint. The \$6.5 million contract with Price Waterhouse was preceded by a thorough review both from a business and policy standpoint, as well as a legal standpoint, by all appropriate agencies and appropriate State officials. The documentation evidences that all passed favorably on the waiver.

II. CONTRACT PERFORMANCE

Price Waterhouse's contract was effectively divided into two parts. The first part was the development of the surcharge system, which was given priority because of the legislative mandate. The second part was the development of the comprehensive system in which the surcharge system would be a necessary component. As noted, the two were interrelated. As to each part of the contract Price Waterhouse was given milestones culminating with the completion of the surcharge system by January 1, 1984 and the completion of the comprehensive system and the entire contract

by June 30, 1985. Price Waterhouse met its milestones on the surcharge system, and no difficulties were experienced in implementing that system.

The comprehensive system, however, proved to be a different matter. The comprehensive system was completed by June 30, 1985 as required, but substantial problems developed in the operation of the system after it was turned over to DMV. The operation of the system after July 1, 1985 revealed that it had major deficiencies. It simply would not handle the workload of DMV. It could not process known backlogs and each day it generated additional backlogs in the processing of information. Further, it could not support the number of terminals necessary for the Division's daily workload. The effect of these deficiencies was that there were backlogs of transactions exceeding 1.4 million, delays in signing on to the system each day and slow response times in obtaining information from the system, which in turn exacerbated other aspects of the DMV operation. For example, individuals calling for telephone assistance had to be kept on hold for inordinately long periods of time until the information necessary to answer their inquiries was made available by the system, thus causing an overload on telephone lines, busy signals, and citizen complaints.

As a result of their analysis of the problems, the Division of Motor Vehicles, SAC (now OTIS) and Price Waterhouse all concluded that the cause of these problems was the utilization of IDEAL programming language manufactured by Applied Data Resources

(ADR) of Princeton, New Jersey. The evidence available at that time indicated that the IDEAL language was simply not capable of handling the large volume of transactions required by the comprehensive system and that it was inferior to the more mature programming languages such as COBOL in terms of efficiency. (By maturity I mean languages which have been in use in large, complex computer systems and therefore are well tested and known commodities). A review of the contract and the records show that Price Waterhouse was responsible for selecting the language to be used and did select the IDEAL language, and further that it represented to the Division of Motor Vehicles that the IDEAL language would perform acceptably even after concerns were raised during the development process. To the extent there were risks associated with the use of IDEAL, as between the State and Price Waterhouse, the latter clearly assumed same.

As noted, the contract required Price Waterhouse as part of its responsibility to design and implement the system to designate the hardware and software required, and in fact Price Waterhouse designated much of the required hardware and software even before the contract was signed. Indeed, the contract itself specifies much of the software and hardware to be provided by the State including the IDEAL language, all of which were selected by Price Waterhouse.

As noted, Price Waterhouse began the development of the system just after the award of the contract was announced. In November 1983 the conceptional design for the comprehensive system

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was completed. Then, in the Spring of 1984 problems developed. It was then that Price Waterhouse reported to the Division that it was having problems in obtaining technical support from ADR, the manufacturer of the IDEAL language. At the same time concerns were expressed by SAC as to whether the IDEAL language would be adequate for a system as extensive as that required by DMV. Price Waterhouse advised the Division of its problems in obtaining technical support from ADR, but it did not report that it had concerns with the ability of the IDEAL language to support the comprehensive system. To the contrary, by a letter dated March 30, 1984 to then Deputy Director Kline (copy attached), Price Waterhouse acknowledged that concerns had been expressed concerning the IDEAL language but Price Waterhouse reiterated that it, as the designer of the system, reserved the right to select the data base system to be utilized, and indicated that it had evaluated the IDEAL language and was satisfied that it was acceptable. It said in part in that letter:

PW made its own evaluation of DATACOM/DB and ADR, the vendor and concluded, all factors considered, the best business decision was to use DATACOM/DB, already in place, as well as some of the other tools in ADR's family of software products which were planned for future installation by SAC.

Price Waterhouse further said in its March 30, 1984 letter:

The use of IDEAL as the programming language is most important from the standpoint of significant productivity gains anticipated during the coding and testing phases of the system development process. At this time, PW is satisfied, the uncertainties associated with the use of IDEAL represent an acceptable risk when measured against the significance of the potential benefits.

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In April of 1984 the Division took action to deal with Price Waterhouse's complaint that ADR was not providing adequate technical support. Then Director Snedeker wrote to Mr. John Bennett, the Chairman of the Board and President of ADR under date of April 18, 1984 (copy attached) and indicated that the Division was concerned by the slow and inadequate support being given to the project by ADR. He concluded by requesting a meeting to resolve these problems and to improve ADR's support. A week later on April 25, 1984 (copy attached), Price Waterhouse wrote to Mr. Martin Getz, a senior Vice President at ADR. It also outlined the problems that had been experienced with ADR's technical support and also asked for a meeting to address these problems.

A periodic status report prepared by Price Waterhouse on June 8, 1984 (copy attached) indicates that DMV, SAC and Price Waterhouse met with representatives of ADR and that at that meeting ADR provided assurances that it would provide the required level of technical support for the development of the computer system. No mention was made to DMV at that meeting, or any other meeting during that time frame, that there were any inadequacies in the IDEAL language itself which would effect the performance of the system when completed.

In October of 1984 there were further discussions concerning IDEAL. It is at this point in time that DMV was first advised that Price Waterhouse now had some concerns about the use of IDEAL language because it had neither been designed nor tested for a system as large and complex as that of the DMV. However, the

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expressions of concern were coupled with Price Waterhouse's assurances that modifications and adjustments could be made to alleviate the problem. Price Waterhouse's demonstrated concern during this period is in marked contrast to its representation in its earlier letter of March 30 in which, inter alia, it reported that "Price Waterhouse made its own evaluation of DATACOM/DB and ADR, the vendor, and concluded, all factors considered, the best business decision was to use DATACOM/DB, already in place, as well as some of the other tools in ADR's family of software products which were planned for future installation by SAC." These tools included the IDEAL language. In this respect, I attach a memorandum from Assistant Director Cox of DMV to Price Waterhouse dated October 19, 1984 and a second memorandum from her to then Deputy Director Kline dated October 30, 1984. In December of 1984 and January of 1985 Price Waterhouse again expressed concerns as to the ability of the IDEAL language to function properly in the system and, as noted, proposed alternatives to resolve the problems identified in connection with the use of the IDEAL language. These proposals were memorialized in letters from Price Waterhouse to Deputy Director Kline dated January 3, 1985 and January 8, 1985 (copies attached). I also attached minutes of a meeting on December 4, 1984 between representatives of DMV and Price Waterhouse which were prepared by Assistant Director Cox. During that period Price Waterhouse expressed major concerns, but, as noted, proposed alternative strategies which it said should result in a satisfactory system. It also requested extra compensation,

over and above the agreed upon contract amount, for some of the work needed to overcome the problems created by IDEAL.

Deputy Director Kline responded to Price Waterhouse's January 8, 1985 letter by letter dated January 28, 1985 and said the proposals were unacceptable. He further indicated that the Division's position was that it was entitled to the full implementation of the original components of the comprehensive system without any additional cost to the State. In essence, the Division stood firm in its position that Price Waterhouse must deliver a system which complied in all respects with its contractual undertaking, and do so within the time and price parameters of the contract. Shortly after January 28 letter, representatives of DMV and Price Waterhouse met to further discuss Price Waterhouse's proposals and the result was an agreement which was memorialized in a letter from Price Waterhouse to Deputy Director Kline dated March 15, 1985 (copy attached). In essence, DMV agreed that some of the short term developmental changes proposed by Price Waterhouse should be implemented and that it would accept the individual sub-systems as they were tested and brought on line. It also agreed to accept these components even though the system could not during the initial period support the required number of terminals. However, the overall requirements of the contract were not altered, only the time within which technical achievements had to be reached.

Recent media accounts have carried a story in which a Mr. Joseph W. Flaherty of ADR is quoted as saying that ADR advised both

Price Waterhouse and DMV that IDEAL would not support the DMV comprehensive system but only certain segments of that system. No such advice appears anywhere in the documentation we have reviewed. DMV personnel deny any such advice was forthcoming from ADR, as does Price Waterhouse. The files do contain a letter from Mr. Flaherty dated February 19, 1985, which is attached. At best Mr. Flaherty's letter indicates an absence of complete and utter confidence on the part of ADR (ADR is not in a position to provide "guarantees") but is accompanied by optimistic predictions of new developments and new applications. The letter does not say that ADR's IDEAL will not work. (Of course, it is possible that other advice was given by ADR to Price Waterhouse at some other time but, from the State's standpoint, what ADR may have advised Price Waterhouse and when, is a matter entirely between those two vendors; legally, the State looks to Price Waterhouse to remedy the consequences of the choice of ADR.) However, DMV was not advised by ADR that IDEAL would not work in the application planned for it.

The system was completed in stages and tested throughout the spring of 1985 and ultimately was completed in time to go on line on July 1, 1985. After the system went on line, problems soon became apparent. They may be generally described as an overall slowness in response time which exacerbated backlogs by minimizing the ability to make data entries, and the inability to handle a number of functions simultaneously which are absolute requirements to meet the Division's needs. The processing of information which should take one day takes seven days. When individual terminals

are signed on each day it sometimes takes ten minutes and sometimes one hour. When information is required it sometimes takes three seconds, but sometimes 30 seconds, and sometimes three minutes. These are but examples of symptoms of a grossly deficient system which simply does not have adequate programming capacity to handle the basic volume of data processing needed.

III. REMEDIES

As noted, problems with the comprehensive system became apparent after it was placed into operation. The dimensions of the problem, however, were not known for several weeks. However, by the beginning of August 1985, all indications were that there were serious deficiencies with the system.

When the State became aware of the serious inadequacies in the system, it demanded a meeting with Price Waterhouse to discuss the problem. The meeting was held on August 7, 1985. Representatives of the Attorney General's office, DMV, OTIS, and Price Waterhouse attended the meeting. At the meeting, the State made a demand that Price Waterhouse reprogram the system into COBOL at its expense. It also demanded that Price Waterhouse identify and remedy any and all design problems with the system. Finally, Price Waterhouse was advised at the meeting that the State would not release any further moneys under the contract (presently the State is holding at least \$1.4 million in the form of unpaid moneys under the November 9, 1983 agreement, plus approvals of agreed upon

scope change orders and other extras), and that the State insisted on full performance of the agreement by Price Waterhouse in accordance with its terms.

Price Waterhouse responded to the State's demands by letter dated August 15, 1985. The Price Waterhouse letter admits that the State's position is "indisputable" that the system must be reprogrammed into COBOL and further admits that "there are serious existing performance problems" with the system. However, Price Waterhouse took the position that the problems were not its responsibility and that it had in fact complied with its contractual obligations. Characterizing the State's position at the August 7, 1985 meeting as "extreme", Price Waterhouse offered to reprogram the system but only if it were paid to do so (it indicated 25,000 to 30,000 man hours would be required; it sought a rate--described as reduced--of \$25 per hour).

The State's response was by letter dated August 26, 1985. The letter is a lengthy one which has already been released to the news media. It recounts in painstaking detail the problems with the system, recites the State's position that Price Waterhouse has an obligation to repair the system and indicates that the State intends to hold Price Waterhouse fully responsible to do so without further charge to the State. The letter demanded an unequivocal response by Price Waterhouse by August 30, 1985.

By hand delivery on August 30, 1985, the State received Price Waterhouse's response, which contained a commitment to remedy the system. The State confirmed by letter dated September 5, 1985

that it understood Price Waterhouse's commitment to be that the system would be remedied at no additional expense to the State. The September 5, 1985 letter also expressly reserved the State's rights to seek damages against Price Waterhouse. The decision to reserve on damages until the system had been remedied was my responsibility and was based on my best judgment of how best to protect the State's interest at this point in time and my own firmly held belief that the subject of damages can best be negotiated, or litigated, after the crisis caused by the deficiencies in the system were remedied. Such litigation at this time will jeopardize our ability to achieve that remedy.

In terms of specifically what actions are being taken by Price Waterhouse, DMV and OTIS to remedy the problems in the system, IDEAL programs are presently being rewritten into COBOL. Presently, we anticipate that 33 of 103 programs will be rewritten by mid-November 1985, which should substantially improve the efficiency of the system. The balance of rewriting will be completed as quickly as possible thereafter. Although no precise time table has been set, preliminary estimates are that rewriting and design changes could take as long as a year to complete. A more definitive schedule of the time required to complete the necessary remedial work is to be provided by Price Waterhouse by November 1985. The backlog of transactions unentered into the DMV data base (about 1.4 million as of August, 1985) should be dramatically reduced shortly. OTIS has developed a technological "bridge" between the new computer system and segments of the old,

which in layman's terms has the effect of allowing the new system to talk to the old and retrieve information from the old data base automatically. The DMV's ability to enter data will thus be dramatically increased. The "bridge" should be operational by October 7, 1985. The present backlog will be largely eliminated shortly thereafter. Subsequently, backlogs will accumulate for no more than a two week period before the backlogged transactions are entered into the old data base.

CONCLUSION

In conclusion, my review of the documentation available on the waiver demonstrates that it fully complied with applicable law and was approved by all appropriate State officials. There is a substantial problem with the operation of the computer system developed by Price Waterhouse which is the responsibility of Price Waterhouse, not the State. Price Waterhouse has agreed to remedy the deficiencies in the current system at its expense. For the moment, the State has reserved on the question of damages, actual or liquidated. It will assert appropriate claims at the conclusion of the remedial work.

I will be available to answer any questions you may have concerning this report as well as to furnish additional documentation.


M.R.C.

MRC:fg
Attachments

DIVISION OF MOTOR VEHICLES

LONG RANGE MASTER PLAN

**“An Opportunity to:
- take action today and
- prepare for tomorrow”**

STATE OF NEW JERSEY

DEPARTMENT OF LAW AND PUBLIC SAFETY

Thomas H. Kean
Governor

Irwin I. Kimmelman
Attorney General

Joan H. Wiskowski
Director Division of Motor Vehicles

Price
Waterhouse

Executive
Summary

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65 MADISON AVENUE
MORRISTOWN, NJ 07960
201 540-8980

March 22, 1982

Honorable Irwin I. Kimmelman
Attorney General
Department of Law and Public Safety
Richard J. Hughes Justice Complex
Trenton, New Jersey 08625

Mrs. Joan H. Wiskowski, Director
Division of Motor Vehicles
Department of Law and Public Safety
25 South Montgomery Street
Trenton, New Jersey 08666

Dear Attorney General Kimmelman
and Director Wiskowski:

In accordance with the Price Waterhouse proposal to the Division of Motor Vehicles, dated September 15, 1981, we submit the Long Range Master Plan - Executive Summary. This formal report, representing an overview of a supporting, detailed Master Plan notebook, outlines the long range goals and strategies of the Division. Furthermore, in support of the goals and strategies, the Executive Summary describes a number of specific projects which form the basis of a five year (FY 1983 - 1987) plan to improve the operational, financial and administrative support systems of the DMV.

The Steering Committee, established for the purpose of overseeing development of the Master Plan, clearly recognizes the vital importance of the proposed operational improvement program, both in terms of the potential long term impact on the driving public, as well as the citizens of the State of New Jersey in general. Price Waterhouse, due to its heavy involvement in this planning process, is well qualified to share and strongly support the Committee's point of view.

March 22, 1982

Visible progress has been made in overall DMV performance through implementation of short term improvements over the past 1 1/2 years, without necessitating special appropriations. Price Waterhouse believes further DMV initiatives for long term improvements, at this time, can only be achieved by a significant effort to replace or modify present manual and data processing support systems.

There are three points relating to the Master Plan which, in our opinion, merit particular emphasis.

- 1) The documentation in support of the Master Plan clearly makes a case; nothing short of a major overhaul of existing operational, financial and administrative support systems is required for DMV's future performance to meet or exceed the public's expectations. The systems and procedures currently in place at the DMV are dated. There exist several areas of manual activity which present excellent potential for productivity gains through computerization. In addition, many of the functions or activities currently processed by computer, are based on design architecture from the early years (1960's) of punched card processing. This means the DMV has not taken adequate advantage of almost twenty years of computer technological advancement.

Price Waterhouse believes New Jersey has a unique opportunity to take action today and prepare for tomorrow, with a reasonable investment in systems over an attractive recoupment period.

- 2) The Master Plan itself represents only a beginning. Its purpose is not to gild a bookshelf and attract dust, but to give impetus to a commitment and be a catalyst to move ahead in a specified direction. There are a multitude of milestones which will mark the way while implementing the program. The Master Plan, in reality,

Price
Waterhouse

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March 22, 1982

represents only the starting point. Even before beginning actual implementation of specific projects, the Master Plan will provide a basis for the preparation of more detailed plans and the detailed definition of system requirements for each project.

- 3) It is important to anticipate, that DMV, having made significant personnel resource commitments to the Master Plan development process, will now be called upon to make an even greater personnel commitment during the detailed planning and implementation phases. Over the course of the entire program, the demands upon SAC may be more highly visible in terms of system design, development, testing and implementation. However, each new/modified system will impact the methods and procedures followed by DMV personnel in the preparation of input data, the controls over the system, and the utilization of the output information in the performance of daily job routines.

Price Waterhouse has been privileged to play an important role in the formulation of the DMV Long Range Master Plan. We share, with enthusiasm, the view of the supporters of the program, that it represents a unique opportunity for New Jersey to demonstrate a commitment to reducing government spending, while at the same time increasing employee productivity and improving services to the public. Price Waterhouse interprets this as a rare equation in today's governmental environment and one which deserves a high priority.

Yours very truly,

Price Waterhouse

Price
Waterhouse

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DIVISION OF MOTOR VEHICLES

LONG RANGE MASTER PLAN

EXECUTIVE SUMMARY

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March 22, 1982

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DIVISION OF MOTOR VEHICLES

LONG RANGE MASTER PLAN

EXECUTIVE SUMMARY

I. INTRODUCTORY MATERIAL

Introduction

During 1981, the Division of Motor Vehicles, in an effort to address future needs, embarked on a program to develop a long range master plan for organizational and systems improvement. To provide the necessary direction and coordination required to complete this significant, first milestone, a Steering Committee was formed. The Committee comprised the following Division Directors from the New Jersey Department of Law and Public Safety:

Joan H. Wiskowski - Motor Vehicles (DMV)

Donald J. Bianco - Systems and Communications (SAC) and

Dennis L. Bliss - Administration, Office of the Attorney General (OAG)

Price Waterhouse was engaged to assist in developing the Master Plan; augmenting the Committee's technical expertise in areas of systems and procedures, financial analysis, EDP and long range planning.

DMV's master plan development process was not an insignificant commitment. In addition to the time devoted by the Steering Committee and Price Waterhouse, significant detailed work and analysis to produce the plan, as well as a substantial number of the ideas incorporated in the plan, were attributable to DMV personnel. A rough estimate of 4,000 hours devoted by DMV staff to this project would not be unreasonable. Representatives of SAC, in their detailed review of the EDP technical aspects of the plan, committed no less than 300 hours.

This Executive Summary presents an overview of a 256 page Master Plan notebook (a working document) further detailing the more significant aspects of the plan. The working document is buttressed by literally file drawers of working papers and other evidential material supporting the fact finding and analysis which went into the formulation of the master plan and the prospective benefits. The Executive Summary has been developed for broad base distribution to interested parties. While the Master Plan notebook is available for review, because of the voluminous material included in the notebook, it was deemed too costly to reproduce for wide distribution.

A final introductory point, the use of the term "working document" to describe the Master Plan notebook is not an arbitrary choice of words. It is, in fact, an attempt to capture succinctly the very essence of the planning process and the plan itself. The Master Plan was developed at a particular point in time. However, because the DMV functions in a dynamic environment, the plan must, in certain respects, be considered tentative. For example, pending policy decisions and/or legislation affecting:

- photo licensing
- agency selection process
- vehicle inspection
- insurance reform

among other issues, could have major impacts on the Master Plan, depending of course on the final outcome of each issue. New issues will undoubtedly surface in the future. Therefore, it is important to recognize the conditional nature of the plan, and its continuing need for revision to be responsive to a changing operating environment.

Background

The Division of Motor Vehicles is one of the larger and more complex components of State Government. Operating from its central office facility in Trenton, the Division is responsible for 101 locations throughout the State. DMV administers a \$36.4 million annual budget, with a total complement of approximately 2,100 employees. Through its licensing, registration and titling functions, DMV licenses 4.9 million drivers, registers 5.0 million vehicles and collects approximately \$310 million in annual revenues, the largest source of non-tax revenue for the State's General Fund.

The DMV, having in excess of twenty million contacts with the public annually, either by mail, telephone or directly, has high public visibility. For many citizens in New Jersey, DMV represents the principle point of interactive contact with State Government. The Division's effectiveness as a public service agency, manifested by timely dispatch of business with integrity, efficiency, accuracy and courteousness, is frequently equated to or considered representative of the effectiveness of State Government operations in general. Recognizing citizen contact as one criteria used by many to assess State operations, it is extremely important that the level of public service provided, meets or exceeds the public's expectations.

Over the years, DMV has been subject to periodic, intense scrutiny, principally because of this high level of contact with the general public. The Division has been reviewed and examined by both internal and external organizations, each resulting in recommendations of varying magnitude to improve the delivery of services to the public. Many of these recommendations have been implemented; however,

without the benefit of a comprehensive long range master plan. Since such a plan did not exist, it was not possible to ensure individual recommendations were consistent, and in synchronization with the Division's long range direction, nor whether their implementation might, in fact, be counterproductive in the overall picture.

Progress

In making the commitment to improve the Division's service delivery systems during her tenure, DMV Director Wiskowski has pursued two principal courses of action, concurrently:

1. Implementation of valid and practical recommendations arising from previous reviews and of short term improvements initiated by DMV not requiring legislative action and/or significant appropriation of funds.
2. Gaining recognition for the critical need to develop a long range master plan - a working document for orderly implementation of comprehensive long term improvements, prioritized on the basis of realistically achievable benefits and committed resources over a reasonable period of years.

In the past 1 1/2 years, visible progress has been made to achieve short term improvements in overall DMV performance. Such things as:

- Legislative reform, in particular the Omnibus bill, represent measures designed to make our highways safer;
- Public service and accessibility have been enhanced by sucessfully implementing the Office of Ombudsman; a concept arising from a previous review.

- Management effectiveness was advanced by organizational change, assembling a new and talented management team and establishing a DMV employee career development program;
- The issue of integrity, always of concern to the Division, was partially addressed through creation of a Bureau of Audit, among other things;
- Division policies and program objectives relating to integrity, efficiency, courtesy and accuracy were defined and articulated in the paper entitled The Progress and Promise for Reform.

This list of representative short term improvements was initiated by DMV, and implemented, in varying degrees, without the necessity for obtaining special appropriations. However, the time has now arrived when further DMV initiatives to achieve visible, long term improvements in safety and service can virtually only be realized by a significant overhaul of operational, financial and administrative support systems.

As stated previously, the first priority in addressing the long term needs for major overhaul of DMV support systems, was given to the development of a long range master plan. The master plan development process began in early November, 1981 with the engagement of Price Waterhouse and has progressed to a point where the master plan document requires active and positive support, from outside the Division, to move ahead.

The DMV, having implemented many of the options for short term improvements and having charted a course for future improvements, now faces the moment of decision and the need for commitment. The experience of Price Waterhouse, indeed would support strongly the description of this moment as critical.

The sheer volume of data which must be processed annually make it vital to bring DMV into the 1980's with the substantially improved methods, procedures and EDP systems required to operate and administer an effective operation. Although improvements to date, achieved at minimal cost, enable the Division to perform its basic functions on a marginal basis; within the foreseeable future, service delivery systems could be virtually under the pressure of collapse. The essential functions of licensing, registration and titling could be performed, but with intolerable delays in delivery to the public and continually increasing, unacceptable backlogs. The other functions of information gathering, storage and retrieval would suffer dramatically. The information update process could become so delinquent as to render any output information as almost meaningless.

The Long Range Master Plan document clearly identifies the opportunities for improvement and the significant benefits which will accrue through the implementation of the recommended overall organizational and systems improvement program.

II. GOALS, STRATEGIES AND OBJECTIVES OF THE PROGRAM

The Master Plan, as formulated, incorporates DMV's statement of

- Goals, representing the Division's long term mission;
- Strategies, identifying the actions to which the Division is committed in order to achieve the goals;
- Objectives, translated into a series of specific projects, which will support the goals and strategies structure and result in the institution of long term improvements and visible benefits to the State and the driving public.

Goals

The Division has identified four major goals which are the basic architecture for the Master Plan. The goals are summarized as follows:

1. Public Safety and Protection

The Division of Motor Vehicles is charged with the responsibility to protect the public's safety, as it relates to motor vehicles, through control over licensing of driver registration and inspection of vehicles; administration of driver improvement, alcohol countermeasures, and probationary driver programs; and support of driver education and highway safety programs.

2. Public Service

The Division of Motor Vehicles believes, with Price Waterhouse concurrence, that it should be responsible for achieving its goals in the most cost effective manner. The Division must strive for excellence in rendering services on a prompt, courteous, accurate and efficient basis. The

Division also performs a most important function in revenue collection arising from its various licensing, registration and titling activities, necessitating creation of an employee consciousness of the critical importance of integrity and the exercise of sound internal controls in the transaction of routine business.

3. Statutory Compliance and Legislative Initiative

The Division of Motor Vehicles recognizes it has a responsibility to meet its legislative mandates and to serve the public interests of safety and service by initiating legislative recommendations and revising administrative procedures/structures when appropriate.

4. Employee Career Development

In addition to complying with all governmental laws and regulations relating to employment, the Division of Motor Vehicles is committed to the creation of an employee environment providing opportunity for professional and personal growth; guaranteeing equal opportunity to all in recruitment, hiring and promotional policies; recognizing and encouraging individual contributions; promoting effective communication between managers and employees; and rewarding employees based on their performance and job content.

Strategies

During the course of Price Waterhouse's engagement, the Division of Motor Vehicles formulated five specific, action oriented strategies to achieve its goals. The strategies are:

1. Continually modify the organizational structure to reflect technological, managerial, or other changes consistent with the implementation of the Master Plan.
2. Continually develop and review procedures, controls and performance standards for the functions performed at the Division's central office and field installations.
3. Continue, in a joint effort with the Division of Systems and Communications, to define requirements and to implement data processing systems to improve the integrity, completeness, accessibility and timeliness of operational, financial and cash collection information.
4. Apply current office mechanization technology to satisfy the Division's information and communication requirements.
5. Attract the necessary management commitment and capital to invest in the accomplishment of Division goals.

Objectives

The specific objectives to be accomplished through implementation of the Master Plan projects are:

1. Major improvements in operational systems by modification and/or replacement;
2. Development of an automated management level information system providing reports, on a routine basis, to monitor and control Division operations;
3. Automation of financial and cash management systems;
4. Integration of personnel, management information and financial and cash management systems;

5. Mechanization of office procedures to speed the delivery of documents to the public, improve the accuracy of documents and records, and assist the law enforcement community by improving the integrity of driver and registration records to enforce State statutes;
6. Improve integrity and security over official blank document stock, i.e. licenses, registrations etc. and
7. Improvement in employee productivity resulting from rapid accessibility to up-to-date, accurate information, utilization of current office mechanization technology, and continued pursuit of the career development program.

Accomplishing these objectives will assist the Division in providing accurate, prompt, efficient, and courteous service to the public. In addition, successful completion of automation efforts will result in benefits to other interested parties by providing:

- Improved accuracy and timeliness in posting convictions and violations to individual driving records;
- Faster identification of habitual violators for appropriate action by the Division of Motor Vehicles, the law enforcement community and the courts; and
- Improved security, confidentiality of data and integrity of the Division of Motor Vehicles' driver and registration files.

III. MASTER PLAN PROJECT SUMMARY

Introduction

The objectives, or individual projects, identified in the Master Plan in support of the goals and strategies, number fifteen. Approximately one half of these projects could be characterized as "stand alone". That is, they could be designed and implemented independently without impacting any of the other fourteen. It is also fair to state, the "stand alone" projects, in general are ones which would be less difficult to implement, have lower potential for cost savings and have the least visible improvement in service benefits to the public.

Eight other projects are characterized as interrelated. Not to say all are interdependent, but at a minimum, one project would necessitate interfacing with at least one or more of the other projects. These projects can be generally described as:

1. technically complex and demanding to implement;
2. requiring a significant commitment of executive support and resources to design, develop and implement;
3. providing the greatest and most visible public service improvements;
4. yielding the most significant cost savings.

Considering the fifteen projects in total, it is quite apparent without sacrificing key Division goals of public safety, public service, statutory compliance and employee development, there are significant opportunities to perform DMV services more effectively and efficiently. Eventual cost savings, not even taking into account future cost avoidance, could realistically amount to several million of dollar per year, as shown on the next page.

Project Summary

The individually defined projects, the potential fiscal 1987 annual cost savings, and cumulative potential cost savings for fiscal years 1984-1987 are presented below:

	Projected Annual Savings Estimate Fiscal 1987	Projected Savings Fiscal Years 1984-1987
	(in current \$'s)	
<u>Data Processing Project Portfolio</u>		
1. Integration of the Registration File	\$ 711,000	\$ 1,483,000
2. Integration of the Driver License, Driver History and Violation Files	92,000	223,000
3. Violation Data File Enhancement	167,000	612,000
4. Acceleration of Agency Automation	478,000	1,795,000
5. Agency Cash and Document Inventory Automation	452,000	867,000
6. Agency Forms Redesign	90,000	135,000
7. Automation of Municipal Court Interface	252,000	588,000
8. Automation of Insurance Company Interface	176,000	676,000
<u>Office Automation Project Portfolio</u>		
9. Numeric Files Micrographic System	948,000	2,133,000
10. Personnel Management Reporting System		
11. Claim Status and Payment Reporting System	60,000	210,000
12. Word Processing System	120,000	350,000
13. Centralization of Mail Cash Receipts	118,000	411,000
14. Centralization of Over-the-Counter Cash Receipts		
<u>Organizational Structure Recommendations</u>		
15. Driver Rehabilitation Programs	396,000	1,584,000
Total	<u>\$4,060,000</u>	<u>\$11,067,000</u>

Reference should also be made to the attachments to this report (Exhibits A-D) and Appendix A, further elaborating various aspects of the overall program.

Exhibit A - Project Implementation PERT Chart - Assuming Desired Level of Incremental Resources.

This Exhibit charts a schedule for each project, assuming the desired level of resources are allocated to DMV and SAC. All projects could be completed within approximately 42 months of the commencement of implementation. At the end of four fiscal years, projected annual savings would approximate \$4,060,000. The one-time incremental costs required to achieve this annual rate of savings could approach \$6,000,000 (inclusive of a 20% contingency, for unanticipated costs and potential inflationary impacts.)

Exhibit B - Summary of Annual Projected Savings.

The Master Plan projects appearing on this Exhibit have been reclassified along functional lines. Projected savings in fiscal year 1987 are shown at the rate of \$4,062,000 annually. Cumulative savings indicated for fiscal years 1984-1987 will approach \$11,067,000.

Exhibit C - Summary of Annual Projected Costs

Projects again have been classified along functional lines. This Exhibit presents annual estimated costs incurred for fiscal years 1982-1986, indicating a cumulative total of approximately \$6,000,000 (including the 20% contingency referred to above).

Exhibit D - Project Implementation PERT Chart - Assuming No Increment in Resources.

This Exhibit charts a schedule for each project, assuming no additional resources are allocated to DMV or SAC. It would require an estimated 14 years to accomplish all projects included in the Master Plan. Given the duration of the implementation period under this assumption, net cost savings would be negligible, or possibly non-existent. Technological obsolescence would take its toll, and realistically by completion, it might be time to start over again.

Appendix A - Summary Description of Proposed Master Plan Projects

In Appendix A, projects 1-15 are summarized covering the following significant aspects of each: 1) purpose; 2) cost analysis; and 3) benefits.

Discussion of Projected Savings

The principal source of savings would be personnel reductions, an estimated 300 DMV and SAC budgeted positions, through normal attrition. Current attrition rates at DMV exceed fifteen percent per year, which means theoretically on a total position basis, personnel reductions could almost be contemporaneous with project implementation. Obviously, from a practical standpoint, the actual reassignment of personnel to balance staff reductions and attrition will not be that simple. It will take careful personnel planning and development in terms of matching transferrable skills with open positions and a commitment to either retraining or supplemental training of personnel whose job requirements change as a result of new, and improved systems. The end result however will be a DMV operation which takes full advantage of current systems technology in serving the driving public, while at the same time enhancing job content and employee job satisfaction.

Over the past several years, the percentage of the DMV budget allocated to personnel costs has been maintained at slightly over 67%. In most clerical intensive organizations, such as DMV, the emphasis over this same period of time has been on making capital investment in equipment and systems in order to reduce dependence on clerical personnel; while at the same time improving service levels. One should also be cognizant of the fact that career compensation, in current (1982) dollars, of a State employee from entry level through retirement, can exceed one million dollars. Two conclusions can be drawn from the above: 1) the State's priority structure, as it relates to DMV, has, in effect, been putting monies in the wrong place. The emphasis should be on increasing other than personnel costs by funding improvements in support systems, with the intent of eventually reducing the percentage allocation to personnel costs; 2) taking into consideration this perspective of the proposed organizational and systems improvement program, based on some modest projections, Price Waterhouse projects the long term impact on DMV spending can be described as nothing less than dramatic.

Conclusion

After reviewing the Long Range Master Plan document, the scope and magnitude of this long term improvement program becomes quite apparent. Price Waterhouse experience clearly demonstrates programs of this nature take time to implement and, more critically, require the tenacity of a strong executive level commitment to be ultimately realized. However, considering the public service benefits and cost savings, in our opinion, this extremely challenging and difficult undertaking represents an opportunity which absolutely should not be ignored.

The cost savings alone, presented in this Executive Summary, and further documented in the Master Plan notebook, could amount to as much as \$11.0 million by the end of four years, concurrent with the implementation. This extraordinary savings opportunity can be generated by a capital investment of approximately \$6.0 million in software development (principally personnel), computer hardware and limited use of outside consulting assistance. Not only will the capital recoupment be greater than the investment by 1987, continued annual savings, in current dollars, could approach \$4.1 million.

Price Waterhouse believes the Master Plan demonstrates with clarity how this program supports the accomplishment of Division goals. The benefits of the long term organizational and systems improvement program have been fully described. Not only has the Steering Committee strongly endorsed the program but also DMV Assistant Directors, Bureau Chiefs, SAC and OAG have all reviewed appropriate portions of the document and are supportive of the conclusions. The momentum and enthusiasm for organizational and systems improvement has thus been created through the master plan development process. Price Waterhouse experience clearly demonstrates to defer moving ahead promptly will jeopardize these two critical success factors.

Price Waterhouse views this improvement program as a unique opportunity for New Jersey. To proceed with implementation will clearly demonstrate a significant commitment to reduce the cost of government by increasing efficiency and productivity, while achieving concurrent improvements in service to the public.

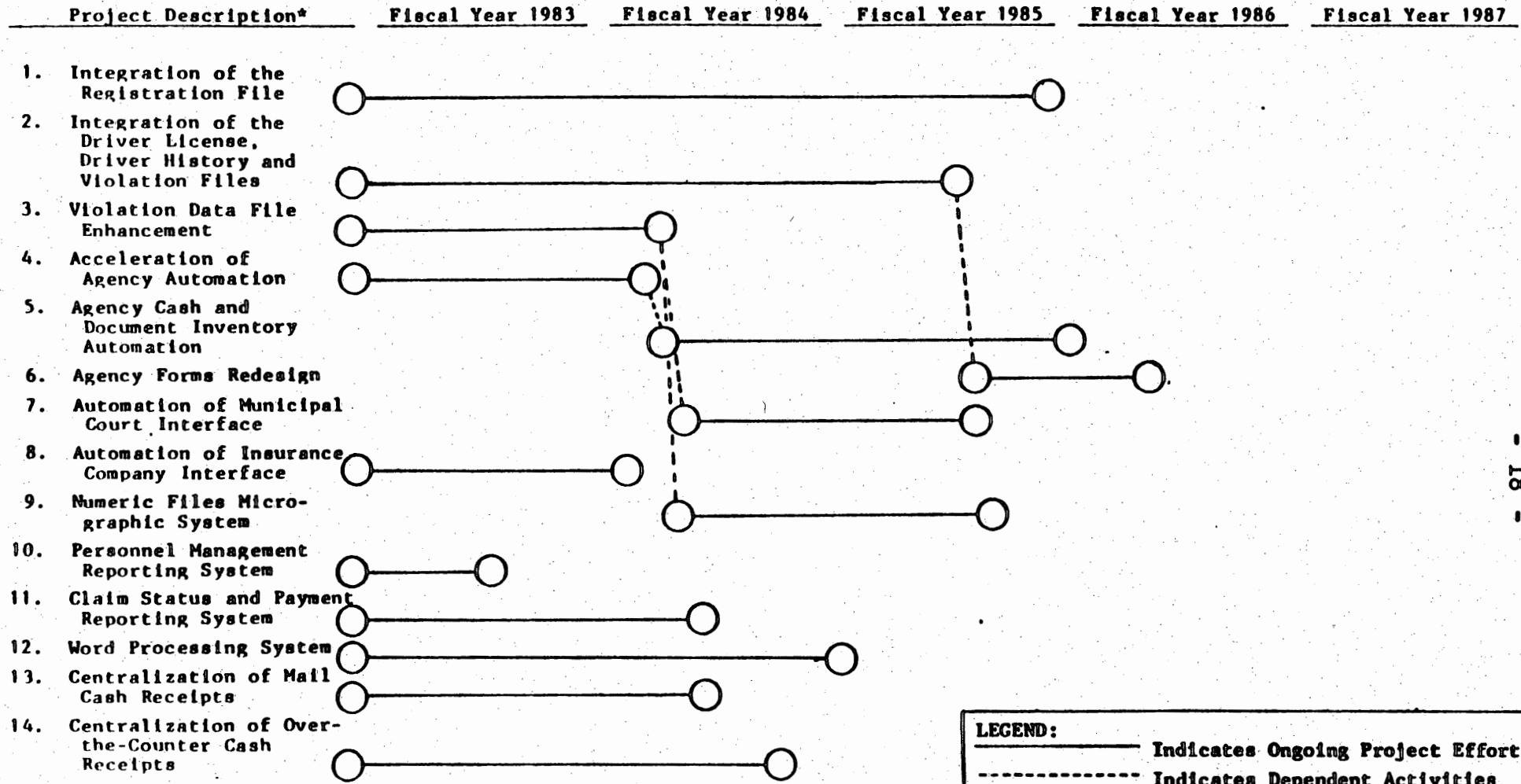
Morristown, NJ
March 22, 1982

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IV. EXHIBITS

**DIVISION OF MOTOR VEHICLES
LONG RANGE MASTER PLAN**

PROJECT IMPLEMENTATION PERT CHART - ASSUMING DESIRED LEVEL OF INCREMENTAL RESOURCES



Projected investment in equipment and personnel	\$ 2,201,400	\$ 1,718,700	\$ 1,062,000	\$ 18,800	\$ -
Projected savings	-	1,102,100	1,924,400	3,979,300	4,062,000
Net cash flow					
Each fiscal year	(2,201,400)	(616,600)	862,400	3,960,500	4,062,000
Cumulative	\$(2,201,400)	\$(2,818,000)	\$(1,255,600)	\$2,004,900	\$6,066,900
Cumulative, including 20%					

DIVISION OF MOTOR VEHICLES
LONG RANGE MASTER PLAN
SUMMARY OF ANNUAL PROJECTED SAVINGS
FISCAL YEARS 1984 - 1987

	<u>Fiscal Year 1984</u>	<u>Fiscal Year 1985</u>	<u>Fiscal Year 1986</u>	<u>Fiscal Year 1987</u>	<u>Fiscal Years 1984 - 1987 Total</u>
Service of Agencies and Internal Issuance					
Acceleration of Agency Automation	\$ 359,100	\$ 478,800	\$ 478,800	\$ 478,800	\$ 1,795,500
Agency Cash and Document Inventory Automation	-	-	414,700	452,400	867,100
Agency Forms Redesign	-	-	45,000	90,000	135,000
Total	359,100	478,800	938,500	1,021,200	2,797,600
Service of Driver Testing and Vehicle Control					
Integration of the Registration File	-	59,300	711,600	711,600	1,482,500
Automation of Insurance Company Interface	147,000	176,400	176,400	176,400	676,200
Total	147,000	235,700	888,000	888,000	2,158,700
Driver Control					
Integration of the Driver License, Driver History and Violation Files	-	38,500	92,400	92,400	223,300
Violation Data File Enhancement	111,200	166,800	166,800	166,800	611,600
Automation of Municipal Court Interface	-	84,000	252,000	252,000	588,000
Numeric Files Micrographic System	-	237,000	948,000	948,000	2,133,000
Driver Rehabilitation Program	396,000	396,000	396,000	396,000	1,584,000
Total	507,200	922,300	1,855,200	1,855,200	5,139,900
Administration and Support					
Personnel Management Reporting System (no measurable savings)	-	-	-	-	-
Word Processing System	-	110,000	120,000	120,000	350,000
Centralization of Over-the-Counter Cash Receipts (no measurable savings)	-	-	-	-	-
Centralization of Mail Cash Receipts	58,800	117,600	117,600	117,600	411,600
Total	58,800	227,600	237,600	237,600	761,600
Unsatisfied Claim and Judgment Fund Board					
Claim Status and Payment Reporting System	30,000	60,000	60,000	60,000	210,000
TOTALS	<u>\$1,102,100</u>	<u>\$1,924,400</u>	<u>\$3,979,300</u>	<u>\$4,062,000</u>	<u>\$11,067,800</u>

Assumptions:

1. All non-dependent projects begin July 1, 1982.
2. Savings begin six months after a project's completion.
3. Projects as scheduled in accordance with the priorities identified

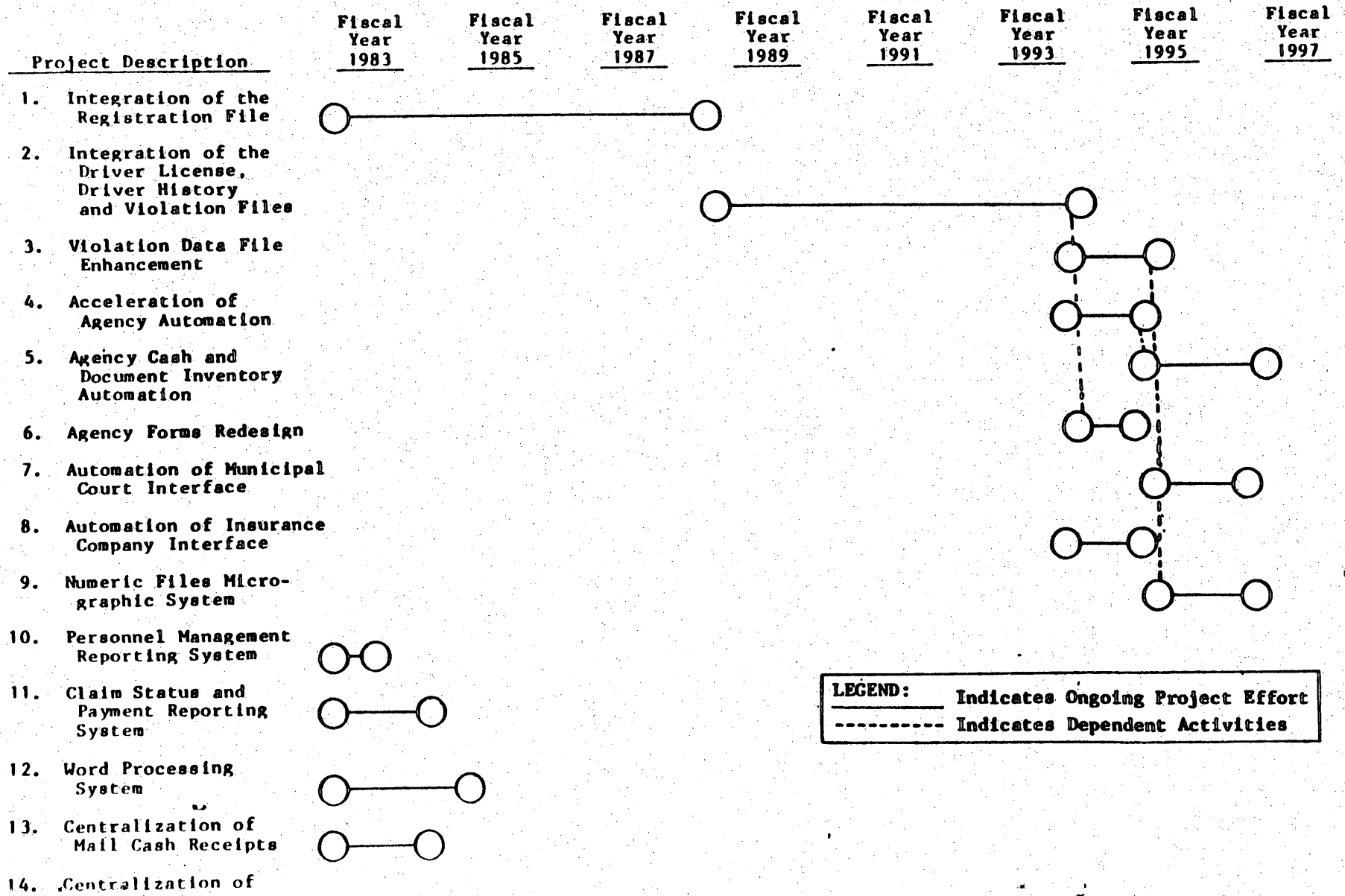
DIVISION OF MOTOR VEHICLES
LONG RANGE MASTER PLAN
SUMMARY OF ANNUAL PROJECTED COSTS
FISCAL YEARS 1983 - 1986

	<u>Fiscal Year 1983</u>	<u>Fiscal Year 1984</u>	<u>Fiscal Year 1985</u>	<u>Fiscal Year 1986</u>	<u>Fiscal Years 1983 - 1986 Total</u>
Service of Agencies and Internal Issuance					
Acceleration of Agency Automation	\$ 143,000	\$ 64,800	\$ -	\$ -	\$ 207,800
Agency Cash and Document Inventory Automation	-	39,200	38,000	5,800	83,000
Agency Forms Redesign	-	-	17,800	13,000	30,800
Total	<u>143,000</u>	<u>104,000</u>	<u>55,800</u>	<u>18,800</u>	<u>321,600</u>
Service of Driver Testing and Vehicle Control					
Integration of the Registration File	533,000	278,000	375,600	-	1,186,600
Automation of Insurance Company Interface	47,400	7,600	-	-	55,000
Total	<u>580,400</u>	<u>285,600</u>	<u>375,600</u>	<u>-</u>	<u>1,241,600</u>
Driver Control					
Integration of the Driver License, Driver History and Violation Files	148,800	356,000	242,600	-	747,400
Violation Data File Enhancement	100,400	11,300	-	-	111,700
Automation of Municipal Court Interface	-	26,200	36,000	-	62,200
Numeric Files Micrographic System	-	224,600	37,200	-	261,800
Driver Rehabilitation Program	-	-	-	-	-
Total	<u>249,200</u>	<u>618,100</u>	<u>315,800</u>	<u>-</u>	<u>1,183,100</u>
Administration and Support					
Personnel Management Reporting System	25,000	-	-	-	25,000
Word Processing System	188,800	155,400	14,800	-	359,000
Centralization of Over-the-Counter Cash Receipts	124,000	21,600	-	-	145,600
Centralization of Mail Cash Receipts	131,600	17,000	-	-	148,600
Total	<u>469,400</u>	<u>194,000</u>	<u>14,800</u>	<u>-</u>	<u>678,200</u>
Unsatisfied Claim and Judgment Fund Board					
Claim Status and Payment Reporting System	59,400	17,000	-	-	76,400
SUB-TOTAL	<u>1,501,400</u>	<u>1,218,700</u>	<u>762,000</u>	<u>18,800</u>	<u>3,500,900</u>
Costs Other Than Internal Personnel and Equipment Including the Following:					
Outside design and programming assistance					
Testing and implementation assistance					
Quality control					
Project planning, monitoring and control					
Status reporting and Steering Committee support	700,000	500,000	300,000	-	1,500,000
TOTAL	<u>\$2,201,400</u>	<u>\$1,718,700</u>	<u>\$1,062,000</u>	<u>\$ 18,800</u>	<u>\$5,000,900</u>
Contingency for Unanticipated Costs and Inflation (20%)					1,000,000
(1983-86) Investment (Rounded)					\$6,000,900

DIVISION OF MOTOR VEHICLES

LONG RANGE MASTER PLAN

PROJECT IMPLEMENTATION PERT CHART - ASSUMING NO INCREMENTAL RESOURCES



LEGEND:
 ———— Indicates Ongoing Project Effort
 - - - - - Indicates Dependent Activities

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ASSUMPTIONS FOLLOWED IN EXHIBIT PREPARATION

1. All non-dependent projects start at the beginning of the fiscal year (1983).
2. The duration of all projects is in accordance with the schedules outlined in the project analyses.
3. Manpower requirements are in accordance with the schedules outlined in the project analyses.
4. Equipment costs are described in the project analyses.
5. Manpower costs are based on the following average monthly rates (including benefits): Division of Motor Vehicles Staff Support at \$2,400; Systems and Communications Programmer at \$1,700; and Systems and Communications Systems Analyst at \$2,600.
6. No adjustment for inflation has been made.
7. All project costs are considered to be incremental to the Division of Motor Vehicles and the Division of Systems and Communications operations.
8. Benefits begin to accrue six months after the project is completed.
9. Equipment costs are incurred six months after project is begun.

V. APPENDIX

A. SUMMARY DESCRIPTION OF PROPOSED MASTER PLAN PROJECTS

1) INTEGRATION OF THE REGISTRATION FILE

Purpose:

Establish an integrated Registration and Certificate of Ownership file, with appropriate indices to micrographic data.

Cost Summary (Fiscal Years 1983-1987):

Projected one time investment in equipment and personnel	\$1,186,600
Projected savings	<u>1,482,500</u>
Net cash flow	\$ 295,900
Annual measurable savings which will continue after 1987	\$ 711,000

Benefits:

- More timely and accurate issuance of motor vehicle documents to the public.
- Eliminates time consuming searches of massive card files.
- Eliminates constant manual collating and sorting of cards.
- Allows for the initiation of a forms redesign project that will permit the handling of streamlined documents.
- Increases the level of responsiveness to telephone inquiries through increased number of telephones and access to driver information through on-line terminals.
- Improves the ownership investigation process, particularly in those instances where a complete vehicle chain of title search is required, through the availability of more comprehensive title information.
- Allows for access to vehicle registration data by vehicle identification number through on-line terminals.
- Expedites investigations of automobile thefts and other motor vehicle related crimes.

2) INTEGRATION OF THE DRIVER LICENSE, DRIVER HISTORY AND VIOLATION FI

Purpose:

Establish an integrated driver license, driver history, and violation file, with alternative access methods and appropriate indices to micrographic data.

Cost Summary (Fiscal Years 1983-1987):

Projected investment in equipment and personnel	\$ 747,400
Projected savings	<u>223,300</u>
Net cash flow	\$(524,100)
Annual measurable savings which will continue after 1987	\$ 92,000

Benefits:

- More timely removal of unsafe drivers from the roads through the elimination of existing delays in processing both restoration and suspension actions.
- Reduces workload associated with accessing hard copy data to resolve telephone questions.
- Increases usage and reliance on the central information files by both the law enforcement community and the court system due to more timely updating of violation data.

3) VIOLATION DATA FILE ENHANCEMENT

Purpose:

Continue the program to enhance the violation data files, including the establishment of on-line computerized storage for working documents, and an ongoing document and information maintenance program.

Cost Summary (Fiscal Years 1983-1987):

Projected investment in equipment and personnel	\$111,700
Projected savings	<u>611,600</u>
Net cash flow	\$499,900
Annual measurable savings which will continue after 1987	\$167,000

Benefits:

- Fifty percent reduction in both the number of telephone calls to the Division and the number of cases where a Division employee must call a citizen back.

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- . Immediate access to suspension and restoration information for central office conferences, visitors, and for remote conferencing purposes.
- . Fewer misplaced driver history files resulting from reduced handling.
- . Fifty percent reduction in the need to request and manually locate hard copy violation files.
- . Concurrent access by different organizations to centralized information files.
- . Immediate access to suspension and restoration information on a statewide basis through the existing on-line terminal inquiry network.
- . More timely turnaround time for court-requested certified abstract records relating to driver violations.
- . Improved integrity of Division of Motor Vehicles violation files.
- . Reduced quantity of paper files resulting in a reduction in floor space requirements.

4) ACCELERATION OF AGENCY AUTOMATION

Purpose:

Provide a means to accelerate the implementation of the automation of motor vehicle agencies.

Cost Summary (Fiscal Years 1983-1987):

Projected investment in equipment and personnel	\$ 207,800
Projected savings	<u>1,795,500</u>
Net cash flow	\$1,587,700
Annual measurable savings which will continue after 1987	\$ 478,000

Benefits:

- . More timely processing of transactions with the public.
- . Insurance industry will benefit from more timely posting of driver and vehicle information.
- . Increased accuracy and timeliness of agency data.
- . Reduction of the data entry function.

5) AGENCY CASH AND DOCUMENT INVENTORY AUTOMATION

Purpose:

Continue the development of an automated system and the associated information base for controlling and monitoring the receipt of State funds from the agencies and for inventorying sensitive documents and items.

Cost Summary (Fiscal Years 1983-1987):

Projected investment in equipment and personnel	\$ 83,000
Projected savings	<u>867,100</u>
Net cash flow	\$784,100
Annual measurable savings which will continue after 1987	\$452,000

Benefits:

- . Reduced workload within a number of bureaus resulting from use of automated ledgers for inventory control and for sales and deposit monitoring.
- . More accurate tracking of the use of forms, supplies and documents, as well as more precise recordkeeping procedures.
- . Increased number and ease of audits due to availability of current and accurate sales, deposit and inventory data.
- . Decreased likelihood of fraudulent or improper use of valuable forms and documents.
- . Increased accuracy of inventory information concerning documents in the case of catastrophic events (i.e., fire, burglary) at motor vehicle agencies.

6) AGENCY FORMS REDESIGN

Purpose:

Redesign the Registration, Certificate of Ownership and Licensing forms, consistent with increased automation of document processing at the agency locations.

Cost Summary (Fiscal Years 1983-1987):

Projected investment in equipment and personnel	\$ 30,800
Projected savings	<u>135,000</u>
Net cash flow	\$104,200

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Annual measurable savings which will continue after 1987

\$ 90,000

Benefits:

- . More concise registration, titling and licensing forms.
- . Fewer instances of inaccurate data on registration, titling and licensing forms.
- . Simplicity of forms, increased document storage capacity and simplified document procurement procedures.
- . Fewer errors on application forms prepared by the public.

7) AUTOMATION OF MUNICIPAL COURT INTERFACE

Purpose:

Provide an automated access path between the Division of Motor Vehicles' central data files and the Municipal Courts.

Cost Summary (Fiscal Years 1983-1987):

Projected investment in equipment and personnel	\$ 62,200
Projected savings	<u>588,000</u>
Net cash flow	\$525,800
Annual measurable savings which will continue after 1987	\$252,000

Benefits:

- . More accurate and timely identification of unsafe drivers.
- . Elimination of forwarding, manual processing and key-entering of 600,000 MF-1 cards per year.
- . Increased ability to provide up-to-date driver history information to the Municipal Courts for purposes of traffic violator disposition and processing.

8) AUTOMATION OF INSURANCE COMPANY INTERFACE

Purpose:

Exchange information between the insurance industry and the centralized driver information base, using available technology.

Cost Summary (Fiscal Years 1983-1987):

Projected investment in equipment and personnel	\$ 55,000
Projected savings	<u>676,200</u>
Net cash flow	\$621,200
Annual measurable cost which will continue after 1987	\$176,000

Benefits:

- . Reduction in cost to the insurance companies for motor vehicle record abstract forms.
- . Elimination of postage and clerical costs incurred by the insurance companies in handling, processing and mailing forms.
- . Elimination of the need for the Division of Systems and Communications to purchase and maintain inventories of forms.
- . Elimination of data entry operation to convert card oriented information into computer readable format at the Division of Systems and Communications.
- . Elimination of the printing, decollating and bursting of Motor Vehicle Record abstract forms at the Division of Systems and Communications.

9) NUMERIC FILES MICROGRAPHIC SYSTEM

Purpose:

Establish an automated micrographic storage and retrieval system to replace the numeric violation file.

Cost Summary (Fiscal Years 1983-1987):

Projected investment in equipment and personnel	\$ 261,800
Projected savings	<u>2,133,000</u>
Net cash flow	\$1,871,200
Annual measurable cost which will continue after 1987	\$ 948,000

Benefits:

- . Centralized and integrated case file information system.
- . Efficient, cost-effective and reliable alternative to the hard copy files system.

- . Improved cash accountability and file integrity.
- . Allows for the timely and cost-effective purging of case files.
- . Reduces present physical storage area; allows for future growth.

10) PERSONNEL MANAGEMENT REPORTING SYSTEM

Purpose:

Enhance the capabilities of the Department of Law and Public Safety's Personnel Management Reporting System.

Cost Summary (Fiscal Years 1983-1987):

Projected investment in equipment and personnel	\$ 25,000
Projected savings	<u>-</u>
Net cash flow	\$(25,000)

Benefits:

- . Improved and more timely personnel information and detailed personnel reports for training, planning and other management purposes.

11) CLAIM STATUS AND PAYMENT REPORTING SYSTEM

Purpose:

Implement an automated Claim Status and Payment Reporting System for the Unsatisfied Claim and Judgment Fund.

Cost Summary (Fiscal Years 1983-1987):

Projected investment in equipment and personnel	\$ 76,400
Projected savings	<u>210,000</u>
Net cash flow	\$133,600
Annual measurable savings which will continue after 1987	\$ 60,000

Benefits:

- . Allows staff to devote more time to primary functions of collecting funds from uninsured motorists who have defaulted on payments.
- . Substantially increases level of funds collected.
- . Enables elimination of clerical tasks performed by the Supervisor of Collections and Head Clerk within the Unsatisfied Claim and

Judgment Fund, and reallocation of approximately fifty percent of their time to their primary function of collecting monies due to the state.

- . Improved accuracy and timeliness of reports.
- . Obviates the need to hire additional personnel to process the expanding volume of Excess Medical Benefit Claims.

12) WORD PROCESSING SYSTEM

Purpose:

Implement word processing capability for the generation of correspondence and reports.

Cost Summary (Fiscal Years 1983-1987):

Projected investment in equipment and personnel	\$359,000
Projected savings	<u>350,000</u>
Net cash flow	\$ (9,000)
Annual measurable savings which will continue after 1987	\$120,000

Benefits:

- . Increased productivity, resulting from:
 - 1) Timely generation of materials;
 - 2) Storage of material;
 - 3) Ease in editing reports and documents; and
 - 4) Improved quality of content and appearance of correspondence.
- . Improved productivity due to reduction in supervisory/managerial review of correspondence.
- . Fewer telephone inquiries and personal visits resulting from lack of timely response to written correspondence.

13) CENTRALIZATION OF MAIL CASH RECEIPTS

Purpose:

Centralize the remittance processing function initially for the Bureau of Motor Carriers and, subsequently, for all bureaus receiving monies in the mail.

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Cost Summary (Fiscal Years 1983-1987):

Projected investment in equipment and personnel	\$148,600
Projected savings	<u>411,600</u>
Net cash flow	\$263,000
Annual measurable savings which will continue after 1987	\$118,000

Benefits:

- . Increases the timeliness of check and money order deposits.
- . Increases security of cash receipts.
- . Increases productivity resulting from the implementation of a remittance processor.

14) CENTRALIZATON OF OVER-THE-COUNTER CASH RECEIPTS

Purpose:

Establish a procedure for the control of over-the-counter cash receipts in the Trenton headquarters.

Cost Summary (Fiscal Years 1983-1987):

Projected investment in equipment and personnel	\$ 145,600
Projected savings	<u>-</u>
Net cash flow	\$(145,600)

Benefits:

- . Increased accuracy and documentation of cash receipts.
- . Increased accountability resulting from daily reconciliation of over-the-counter cash receipts.
- . Increased security of cash receipts.

15) DRIVER REHABILITATION PROGRAM

Purpose:

Improvement of the Division of Motor Vehicles' Safety and Driver Improvement program by transferring the responsibility for administering and conducting driver improvement classes to the States community colleges.

Tax

Cost summary (fiscal years 1983-1987):

Projected investment in equipment and personnel	-
Projected savings	\$1,584,000
Net cash flow	\$1,584,000
Annual measurable savings which will continue after 1987	\$396,000

Benefits:

- Substantially reduce administrative overhead in terms of personnel positions and administrative support.
- Improved productivity of Division personnel.
- Savings in floor space.



State of New Jersey

DEPARTMENT OF LAW AND PUBLIC SAFETY DIVISION OF MOTOR VEHICLES

25 SOUTH MONTGOMERY STREET
TRENTON, NEW JERSEY 08666

IRWIN I. KIMMELMAN
ATTORNEY GENERAL

CLIFFORD W. SNEDEKER
DIRECTOR

M E M O R A N D U M

TO: Kenneth D. Merin, Deputy Chief Counsel
Office of the Governor

FROM: Clifford W. Snedeker, Director
Division of Motor Vehicles

DATE: June 7, 1983

SUBJECT: Completion of the Division of Motor Vehicles Long Range
Master Plan

In previous memoranda and discussions, I have described the serious customer service, equipment, funding and managerial problems which have beset the Division of Motor Vehicles (DMV) for over ten years. These problems have prevented DMV from satisfactorily fulfilling its mission. The result has been thousands upon thousands of complaints from motorists and Legislators about DMV delays, errors and discourtesy. The documentation of DMV's past inadequacies is long. I have summarized these problems and a plan to solve the problems in my April 1, 1983, report to Governor Thomas H. Kean.

DMV's infrastructure problems are compounded by the need to implement the Automobile Insurance Reform Act (P. L. 1983, C. 65) by January 1, 1984. Collection of insurance surcharges would be a very sensitive operation and could generate customer service problems and citizen dissatisfaction even if DMV had modern automated billing and collection systems. Under DMV's cumbersome data base and inadequate manual processes the surcharge system will cause serious customer inconvenience and confusion including:

- . delays in billing motorists;
- . delays in collecting surcharges;
- . errors in billing the wrong person or an inaccurate surcharge;
- . delays in responding to motorists' questions concerning surcharge assessments.

Price Waterhouse, the private executives from the Governor's Management Improvement Program and Insurance Industry analysts have predicted that the insurance surcharge operation could be the final straw that creates chaos in DMV's papermill. If DMV and the State do not move immediately to make the appropriate investments in systems and hardware changes, this chaos will

begin to build and culminate in a total collapse in three to five years (1985).

WHAT MUST DMV DO?

I am convinced that nothing short of a major overhaul of existing DMV operational, financial and administrative support systems is required to enable DMV to meet its day-to-day responsibilities effectively, courteously and promptly.

In February, 1982, DMV took a major step towards modernizing its operations by adopting a 14-Point Master Plan structuring a series of computer related projects to be completed over a period of 40 months. A significant assumption underlying this 40 month timetable was the limited use of contractors as a resource. The Master Plan proposed primary reliance on existing DMV and Division of Systems and Communications (SAC) personnel.

Implementation of the 40 Month Master Plan is currently underway. On May 23, 1983, Price Waterhouse delivered a draft Requirements Definition Study for the redesign of the DMV driver license, registration and violation data base. The Division of Systems and Communications will shortly complete its review of the Definition Study. I should emphasize that this study does not include a definition of the requirements for the Insurance Surcharge Program or an Automated Accounting System.

The bottom line is that DMV must expedite the completion of the Master Plan automation projects. Attached is a list of the benefits to be achieved by compressing the Master Plan time schedule for a completion date in July, 1986.

HOW CAN DMV COMPRESS THE LEAD TIME NEEDED TO IMPLEMENT THE MODERNIZATION AND AUTOMATION OF THE DIVISION?

There are two ways in which the State could compress the lead time needed to modernize and automate the Division of Motor Vehicles. They are:

1. Increasing the staff at DMV and SAC to enable the Department of Law and Public Safety to complete the Master Plan primarily as an "in house" project;
2. Contracting with an experienced firm which would complete the systems design, programming, testing and conversion elements of the Master Plan.

I have serious reservations concerning the capabilities of the Division of Motor Vehicles and the Division of Systems and Communications to complete the sophisticated systems and program design, the user testing, the conversion and the overall implementation while at the same time continuing day-to-day operations.

The current personnel in both DMV and SAC would be totally unable to cope with the complexity and magnitude of the effort which would be required to implement the DMV Long Range Master Plan within a two year period. In addition, the State Civil Service System is not designed to enable DMV and SAC to hire large numbers of uniquely talented and qualified technical

personnel for the relatively short period of time needed to design and implement the new system.

The Division of Systems and Communications, however, is convinced that they could complete the project within the two year schedule if sufficient funds are provided to enable them to hire additional staff. Although this option certainly would be the cheapest alternative for the State, it also carries the most risk concerning quality and timeliness.

The second option of contracting with an experienced firm provides DMV with the specialized talent which could accomplish the project with high quality and in a timely manner. The scope of the contracted project would also include the training of DMV and SAC personnel and the documentation of programs and systems. This would enable State personnel to operate and modify the system in the future after the contractor leaves the site.

The process for selecting vendors is contained in the Bureau of the Budget Circular Letter 80-14. This Circular governs the procurement of professional services including information systems, procedures analysis and electronic data processing. These services may be obtained by either full advertised bidding or by a waiver of advertising. The difference between the two processes and the steps for each option are outlined below:

A. Competitive Bidding:

1. The Division of Motor Vehicles prepares detailed specifications which become the basis for a request for proposals to be bid upon by any interested company.
2. The Purchase Bureau, Department of Treasury, advertises that a contract is to be bid upon and awarded for certain services. Request for proposals (RFP) are mailed to a predetermined list of vendors and to any vendors who respond to the advertising. A vendor's conference is held to answer questions about the RFP.
3. Formal bids are submitted in writing in a prescribed format on a specified date.
4. Bids are reviewed by the Division of Motor Vehicles, by the Division of Systems and Communications, and by the Department of Treasury, Division of Data Processing and Telecommunications to determine the responsible bidder. This is all done in conjunction with the Purchase Bureau. A selection is made and the bid is awarded. This full process has averaged six to nine months for simple Division purchases. The complexity of the Master Plan project would increase this time frame to as much as twelve months or more.

B. Waiver of Advertising:

Waivers of formal advertising are an exception to the process of formal advertised bidding. Waivers are expressly limited by statutory design. Informal competitive bidding among suppliers is encouraged even if a waiver of formal advertising is granted. Exceptions within the bidding law

include waivers which can be granted for services to be performed which are of a technical and professional nature (52:34-9A). As a matter of policy, waivers are not routinely granted for technical and professional services unless the following condition prevails and is documented by the using agency:

Competitive specifications, placing all potential bidders on an equal footing, cannot be developed because the scope of work is highly complex, technical, unique or specialized and/or sufficient lead time to develop the bid specifications is not available.

There is also a citation in the waiver justification law (52:34-10D) which allows a waiver of advertising if more favorable terms can be obtained from a primary source of supply. This citation supports contracting with a consultant who has already provided preliminary work and who therefore has knowledge which another vendor would have to spend extra time (and cost) to obtain. The process for obtaining a waiver involves:

1. Approval from the Director of the Division of Budget and Accounting to use a consultant;
2. Approval from the Attorney General as Department head;
3. Approval from the Department of Treasury, Division of Data Processing and Telecommunications;
4. Approvals from the Purchase Bureau, the Division of Purchase and Property, a Deputy Attorney General and the Treasurer.

This process does not have to be lengthy if all the involved parties work together to expedite the paperwork.

THE ISSUE IS "HOW TO DO IT", NOT "WHAT TO DO":

DMV has few questions concerning "what" must be done to improve its operations. The questions at this time concern the "how to do it". The option which would provide the most continuity and the earliest completion date would be for DMV to seek a waiver of advertisement under the authority of 52:34-9a and 10d in order to give Price Waterhouse primary responsibility for

- . Detailed system design;
- . Program design;
- . Detailed programming;
- . Unit and system testing;
- . Conversion planning;

The following is a listing of the arguments which can be made in support of a waiver of advertisement for Price Waterhouse.

ARGUMENTS IN FAVOR OF DMV SEEKING A WAIVER OF ADVERTISEMENT TO RETAIN PRICE WATERHOUSE AS A CONSULTANT TO ASSUME PRIMARY RESPONSIBILITY FOR THE DETAILED DESIGN, PROGRAM DESIGN, DETAILED PROGRAMMING, SYSTEM TESTING AND CONVERSION PLANNING FOR IMPLEMENTATION OF THE DMV LONG RANGE MASTER PLAN:

1. Price Waterhouse was hired by the Department of Law and Public Safety during the administration of Governor Brendan T. Byrne. Price Waterhouse has demonstrated success by developing a comprehensive Long Range Master Plan which has been widely acclaimed by the Legislature, the Governor's Management Improvement Program and the media.

It is our understanding that the principals in the Price Waterhouse firm were not active in Governor Thomas H. Kean's campaign for governor. In addition, neither Deputy Director Robert S. Kline nor myself had any business dealings with Price Waterhouse prior to our taking office at the Division of Motor Vehicles.

2. Price Waterhouse has developed a professional relationship with the career management staff at both the Division of Motor Vehicles and the Division of Systems and Communications.
3. On May 23, 1983, Price Waterhouse delivered a draft Driver and Vehicle Data Base Requirements Definition Study which is the first step in redesigning DMV's data base. The existing contract with Price Waterhouse provides for \$500,000 for Price Waterhouse to serve in a coordinating, advisory and review role during the detailed design work. This contract places primary responsibility for design, programming, testing and conversion with the Division of Systems and Communications. This contract, however, could be modified to enable Price Waterhouse to begin working on the detailed design immediately.
4. The extreme technical nature of the Master Plan project would require an extended learning curve if another consultant were to be retained instead of Price Waterhouse.
5. The most optimistic time estimate for completion of the bidding procurement process is nine months. A more likely time schedule would be twelve months for development of the RFP, the review of bids and the award of a contract. During this time delay, DMV would delay anticipated savings of approximately \$3 million per year.
6. If DMV must utilize the bidding process, work on the detailed redesign would not start before March, 1984, and would not be completed before the end of February, 1986.

7. If a waiver of advertisement is granted, the design work can begin in July, 1983, and be finished by the end of June, 1985. The new system would be operational in July, 1985.

LEGALITY OF WAIVER OF ADVERTISEMENT:

Deputy Director Robert S. Kline has spoken with First Assistant Attorney General Thomas W. Greelish concerning the legality of a waiver of advertisement for Price Waterhouse to complete the DMV Master Plan.

It is our impression based upon conversations with Donald Bianco, Division of Systems and Communications who spoke with Michael Cole, Director, Division of Law, that there would be no legal problem with DMV seeking a waiver of advertisement in order to retain Price Waterhouse to complete the Master Plan.

First Assistant Attorney General Greelish will convene a meeting of all parties to discuss the legal ramifications of a waiver of advertisement. This meeting will be held on Thursday, June 9, 1983. If you are unable to attend this meeting, I will provide you with a briefing on the discussion.

CONCLUSION:

In conclusion, DMV and the State face an important decision during the next week to ten days. The Division of Systems and Communications has assured DMV that the normal bureaucratic processes will be able to complete the Master Plan project by July, 1985.

I have serious reservations about SAC's ability to deliver on its promise. A number of times in the past, DMV has attempted to implement priority projects. Each time bureaucratic procedures have caused extended delays. I think that the floundering project to automate the Motor Vehicle agencies should serve as an example of the potential for problems and delays. On February 15, 1980, the Attorney General, the Director of the Division of Motor Vehicles and the Treasurer reached agreement on a plan to expedite agency automation. Three and one-half years later only 23 of the 50 agencies are automated. I do not want the DMV Master Plan implementation to develop into a rerun of the agency automation program.

If the Division of Systems and Communications is assigned primary responsibility for the design, programming, testing, conversion and implementation of the DMV Master Plan, then a detailed schedule and evaluation system must be established. The Governor's Office must take a direct role in reviewing the progress being made by the Division of Systems and Communications.

In addition, a "fast track" task force must be established to expedite all matters relating to DMV's Master Plan. This task force is needed to expedite all Master Plan activities and issues through the involved departments, especially Civil Service and Treasury.

CWS/mad
attachments

Benefits To Be Derived By Implementing the Division of Motor Vehicles
Master Plan By July 31, 1985

Implementation of the Master Plan by July, 1985 will transform the Division into a modern office utilizing state-of-the-art technology and business systems to process work in a timely, accurate and courteous manner. DMV will work better and be a better place to work.

Early implementation of the Master Plan will:

- . Improve accuracy of the information on the data base to avoid inaccurate billing to the public under the insurance surcharge system and provide for a more timely collection of surcharges.
- . Accelerate the realization of over 3 million dollars of savings each year.
- . Increase the accuracy and timeliness of the issuance of motor vehicles documents to the public.
- . Improve vehicle ownership investigations of theft and fraud by computerizing the manual title file.
- . Provide needed access to the vehicle registration data through on-line terminals by owner, vehicle identification and plate number. The current system is primarily manual.
- . Remove unsafe drivers from the roads more rapidly through the elimination of existing delays in processing both restoration and suspension actions.
- . Increase usage and reliance on the central information files by both the law enforcement community and the court system due to more timely updating of violation data.
- . Provide immediate access to suspension and restoration information for central office conferences, visitors, remote conferencing and telephone calls enabling the DMV to complete business at the point of first interaction. This will reduce the need for motorists to visit Trenton or for the DMV to call back or write to citizens.
- . Improve the timeliness of court requested certified records relating to driver violation.
- . Increase the integrity of DMV violation files and reduces the potential for abuse or corruption (fixing) by personal in the DMV by direct entry of violation information at the courts.
- . Eliminate paper files to reduce floor space requirements.

- . Automate cash control system to ensure the same day deposits of funds, provide increased accountability of financial transactions and facilitate audits.
- . Computerize the inventory system to decrease the likelihood of fraudulent or improper use of valuable and negotiable forms, documents and license plates.
- . Provide Division management with better information to manage day-to-day operations and enable the Division to make long range management decisions.
- . Improve the quality and timeliness of personnel information and detailed personnel reports for training, planning and other management purposes.
- . Enable management to reduce the work force and improve the quality and quantity of the work of the individual employees.





State of New Jersey

DEPARTMENT OF LAW AND PUBLIC SAFETY OFFICE OF THE ATTORNEY GENERAL

IRWIN I. KIMMELMAN
ATTORNEY GENERAL

CN080
RICHARD J. HUGHES JUSTICE COMPLEX
TRENTON 08625

M E M O R A N D U M

TO: Greg Stevens
Chief of Staff

FROM: Irwin I. Kimmelman, Attorney General and
Clifford W. Snedeker, Director, Division of Motor Vehicles

DATE: June 29, 1983

SUBJECT: Waiver of Advertisement to Retain Consultants to Design
a Comprehensive System for the New Jersey Merit Rating
Plan Surcharge System and the Implementation of the
Division of Motor Vehicles' Long Range Master Plan

Public Law 1983, Chapter 65 requires the Division of Motor Vehicles (DMV) to implement a violation surcharge system for the New Jersey Merit Rating Plan by January 1, 1984.

Neither the Division of Motor Vehicles nor the Division of Systems and Communications have the personnel resources to complete this project by the January 1, 1984 date.

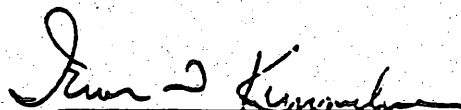
In our June 28, 1983 meeting with you, we discussed the possibility of obtaining consulting services through an informal bid procedure. We recommend that the Division of Motor Vehicles proceed with a waiver of advertisement rather than utilizing an informal bid procedure. The informal bid procedure would not provide DMV with adequate time to prepare a responsible request for proposal (RFP). In addition, the complexity of this project would prevent prospective vendors from adequately analyzing DMV requirements prior to submitting a bid. Consequently, an informal bid process might precipitate public complaints from vendors not selected.

On the other hand, Price Waterhouse is already under contract by the Division of Motor Vehicles to provide consulting services for the implementation of the Master Plan. This new project is a legitimate continuation of current activities. In the event of inquiries from vendors, we think that the Administration would be in a better position if we proceed with a waiver of advertisement rather than utilizing an inadequate informal bidding process.

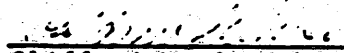
According to the Division of Purchase and Property, Purchase Bureau, there are precedents in other State departments for continuing a consultant without bid (informal or formal) although none of these projects are of the same scale as the DMV Master Plan.

Attached is a copy of our memorandum to Governor Thomas H. Kean asking for his approval to proceed with a waiver of advertisement under the provisions of N.J.S.A. 52:34-9A and N.J.S.A. 52:34-10B in order to award Price Waterhouse a contract to develop, implement and test a comprehensive system for the surcharge program and implementation of DMV's Master Plan.

Deputy Director Robert S. Kline will be the project manager for both the implementation of the surcharge system and the Long Range Master Plan. Deputy Director Kline will coordinate the activities between Price Waterhouse and DMV. In addition, Deputy Director Kline or his designate will serve as the liaison between the Division of Systems and Communications and the Division of Motor Vehicles on this project.



Irwin I. Kimmelman
Attorney General


Clifford W. Snedeker
Director
Division of Motor Vehicles



State of New Jersey

DEPARTMENT OF LAW AND PUBLIC SAFETY OFFICE OF THE ATTORNEY GENERAL

CN630

RICHARD J. HUGHES JUSTICE COMPLEX
TRENTON 08625

IRWIN I. KIMMELMAN
ATTORNEY GENERAL

TO: The Honorable Thomas H. Kean
Governor

FROM: Irwin I. Kimmelman, Attorney General and
Clifford W. Snedeker, Director, Division of Motor Vehicles

DATE: June 29, 1983

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Public Law 1983, Chapter 65 requires the Division of Motor Vehicles (DMV) to implement a violation surcharge system for the New Jersey Merit Rating Plan by January 1, 1984.

Neither the Division of Motor Vehicles nor the Division of Systems and Communications (SAC) have the personnel resources to complete this project by the January 1, 1984 date.

On June 28, 1983 we met with Chief of Staff Greg Stevens to discuss how DMV could implement the surcharge system by January 1, 1984. In that meeting, we agreed to advise you that the Division of Motor Vehicles must proceed with a waiver of advertisement to contract with Price Waterhouse to develop, implement and test a comprehensive system for the surcharge program and full implementation of the DMV Master Plan which the Attorney General issued on March 22, 1982. Such a waiver is authorized under N.J.S.A. 52:34-9A and N.J.S.A. 52:34-10B. It is anticipated that the total cost for full implementation of the DMV Master Plan will be approximately \$6 million.

The New Jersey Merit Rating Plan System must be linked to the Master Plan because the surcharges depend completely on DMV's violation file and accounting systems. The management, security and customer service inadequacies of DMV's systems have been documented numerous times by the Legislature, the media and the Public Advocate. To install the surcharge system without simultaneously implementing the improvements contained in the Master Plan would cause:

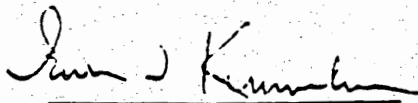
- . delays in billing motorists and collecting surcharges;
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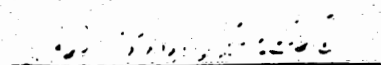
DMV has no option but to contract with Price Waterhouse for the following reasons:

1. A contract could not be awarded through the normal bidding procedures for at least six months. This would delay the implementation of both the surcharge system and the Master Plan;
2. This project is so complex that any new consultant would need to spend at least three months to gain the knowledge and experience necessary just to begin the design of the new systems;
3. In December, 1981 DMV and SAC awarded Price Waterhouse a contract on a restricted bid basis for the development of DMV's Long Range Master Plan. Price Waterhouse competed with seven other large consulting firms for this contract. In March, 1982 Price Waterhouse produced a thorough and comprehensive plan which has received acceptance throughout the State;
4. In January, 1983 Price Waterhouse received a second contract under a waiver to bid to provide consulting assistance to DMV and SAC in the implementation of certain Master Plan projects. Under this second contract, Price Waterhouse has completed a Requirements Definition Study for the redesign of the DMV driver and registration data base;
5. Price Waterhouse is a worldwide professional organization with recognized expertise in the area of data base design;
6. Price Waterhouse guarantees completion of the surcharge system by January 1, 1984 and the Master Plan by June 30, 1985. No other vendor nor the State could complete these two projects by those deadlines.

The systems to be developed by Price Waterhouse will be "turnkey operations". Price Waterhouse will provide comprehensive user documentation and training to enable DMV and SAC to operate and modify the systems after the consultants leave.

Deputy Director Robert S. Kline will be the project manager for both the implementation of the surcharge system and the Long Range Master Plan. Deputy Director Kline will coordinate the activities between Price Waterhouse and DMV. In addition, Deputy Director Kline or his designate will serve as the liaison between the Division of Systems and Communications and the Division of Motor Vehicles on this project. Unless we hear from you to the contrary, we will contact Treasurer Kenneth R. Biederman to initiate the waiver of advertisement and bid waiver procedures.


Irwin I. Kimmelman
Attorney General


Clifford W. Snedeker
Director
Division of Motor Vehicles

85x

REQUEST FOR WAIVER OF ADVERTISING

DEPARTMENT OF THE TREASURY • DIVISION OF PURCHASE AND PROPERTY



Waiver Number: **B-88**
 Document Number: **R-04625**

INSTRUCTIONS: Complete and answer ALL ITEMS 1 thru 16 or write not applicable. See reverse for statutory citations and refer to procurement circular PC-25 for detailed instructions.

PART I—TO BE COMPLETED BY REQUESTING AGENCY

1. Using Agency (Include Department) Law & Public Safety, Division of Motor Vehicles		2. Person to Contact Robert S. Kline	3. Telephone Number: (609) 984-2526								
4. Recommended Vendor (Name and Address) Price Waterhouse & Co. 65 Madison Ave. Morristown, NJ 07960		5. Statutory Citation(s) NJSA 52:34-10 (b)	6. Date Item/Service Needed Immediately								
7. Funding Source		8. Date your agency first realized the need for this item/service: 7/11/83	9. Total Amount Requested: \$6,500,000 \$ 5,995,000								
<table border="1"> <thead> <tr> <th>Fiscal Yr.</th> <th>State</th> <th>Fed.</th> <th>Other</th> </tr> </thead> <tbody> <tr> <td>1984</td> <td></td> <td>%</td> <td>100%</td> </tr> </tbody> </table>		Fiscal Yr.	State	Fed.	Other	1984		%	100%		
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1984		%	100%								

3. Give brief explanation for waiver.
 To procure the services of a consultant with expertise in data base redesign and accounting systems in order to implement an interim surcharge program which PL 1983, Chapter 65 mandates to be operational by January 1, 1984. In addition, the consultant will redesign DMV's data base and implement the systems' improvements contained in DMV's Master Plan. The consultant also will integrate a final surcharge program with the redesigned DMV data base.

4. Explain what attempts were made to obtain competition, if any. (Attach all proposals, price quotations, etc. received).
 In December, 1981 DMV and the Division of Systems and Communications awarded Price Waterhouse a contract on a restricted bid basis for the development of DMV's long range Master Plan. Price Waterhouse competed with seven other large consulting firms for this contract. Copies of proposals are attached. In March, 1982 Price

5. What are the program consequences of not meeting the delivery date given in item 6 above?
 Consequences of Not Implementing the Surcharge Program and the DMV Systems Improvements:

Answer Questions 13, 14 and 15 by checking proper column at right.		YES	NO	NA	16. DEPARTMENT CERTIFICATION: I certify to the accuracy of the above statements and to the following as indicated: <input checked="" type="checkbox"/> This is not a confirming waiver. <input type="checkbox"/> This is a confirming waiver and my signature below also certifies receipt of all or part of the item/service and that the prices charged were reasonable. <i>James D. Kunsch</i> (Signature of Department Head) JK (Date)
13. If required are the following approvals attached: (a) Budget and Accounting for professional services; (b) Data Processing and Telecommunications for consultant services and equipment acquisition in the fields of data processing, word processing and telecommunications; (c) Civil Service for staff training?		(a) X			
		(b) X			
		(c) X			
14. Is a vendor proposal(s) attached detailing the scope of work or item description, including an explanation of rates/prices?		X			
15. Is the Justification Statement required by Procurement Circular No. 25 attached, explaining the circumstances of emergency biddability, compatibility, more favorable terms and/or market conditions necessitating this waiver?		X			

PART II—TO BE COMPLETED BY PURCHASE AND PROPERTY

A. WAIVER STATEMENT AND CERTIFICATIONS
 For consulting services to design and implement the N.J. Merit Rating Plan Surcharge and the Comprehensive On-Line Private/Owner Information and Management System.

Citation(s): 10 (b)	Waiver Previously Authorized? <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO	Waiver Category:	AMOUNT NOT TO EXCEED: \$6,500,000 \$ 5,995,000
Remarks or Explanations of Changes:			<i>gjm - 7/28/83</i>
Certified by: <i>James D. Kunsch</i>		Date: 7-22-83	

B. RECOMMENDATIONS FOR APPROVAL		C. LEGAL: This waiver is approved as to legal form. <i>Michael R. Cate</i> (Deputy Attorney General) 7/25/83 (Date)	
1. <i>Quinn Meyer</i> (Purchase Bureau Supervisor) 7/22/83 (Date)	2. <i>James D. Kunsch</i> (Director - Purchase and Property) 7/25/83 (Date)	D. APPROVED BY STATE TREASURER, DATE <i>James D. Kunsch</i> 7/27/83	

DIVISION OF PURCHASE & PROPERTY
 SUMMARY SCHEDULE

**SPECIAL
 ATTENTION**

AIVER UMBER		VENDOR/ADDRESS	DESCRIPTION	AMOUNT	CIT- ATION
-88	Law & Public Safety, Motor Vehicles	Price Waterhouse & Co. Morristown, NJ	For consulting services to design and implement the N.J. Merit Rating Plan Surcharge and the Comprehensive On-Line Private/Owner Information and Management System.	\$6,500,000 5,995,000	Rev 1/25 lob 1/27/83 87x

REVIEWED BY: *Ch Kaemp*
 DATE: July 25, 1983

APPROVED BY: *[Signature]*
 DATE: 7/25/83

REMARKS: _____

REQUEST FOR WAIVER OF ADVERTISING

DEPARTMENT OF THE TREASURY • DIVISION OF PURCHASE AND PROPERTY



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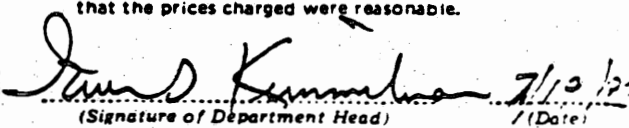
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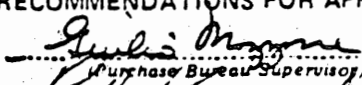
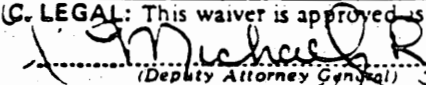

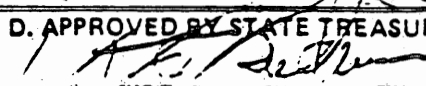
Check here if continued on separate sheet.

Answer Questions 13, 14 and 15 by checking proper column at right.			16. DEPARTMENT CERTIFICATION: I certify to the accuracy of the above statements and to the following as indicated:	
13. If required are the following approvals attached: (a) Budget and Accounting for professional services; (b) Data Processing and Telecommunications for consultant services and equipment acquisition in the fields of data processing, word processing and telecommunications; (c) Civil Service for staff training?	YES	NO	NA	<input checked="" type="checkbox"/> This is not a confirming waiver. <input type="checkbox"/> This is a confirming waiver and my signature below also certifies receipt of all or part of the item/service and that the prices charged were reasonable.  (Signature of Department Head) 7/10/83 (Date)
14. Is a vendor proposal(s) attached detailing the scope of work or item description, including an explanation of rates/prices?	X			
15. Is the Justification Statement required by Procurement Circular No. 25 attached, explaining the circumstances of emergency biddability, compatibility, more favorable terms and/or market conditions necessitating this waiver?	X			

PART II—TO BE COMPLETED BY PURCHASE AND PROPERTY

A. WAIVER STATEMENT AND CERTIFICATIONS
 For consulting services to design and implement the N.J. Merit Rating Plan Surcharge and the Comprehensive On-Line Private/Owner Information and Management System.

Citation(s): 10 (b)	Waiver Previously Authorized? <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO	Waiver Category:	AMOUNT NOT TO EXCEED: \$6,500,000 \$ 5,995,000
Remarks or Explanations of Changes:			
Certified by 		Date 7-22-83	

B. RECOMMENDATIONS FOR APPROVAL		C. LEGAL: This waiver is approved as to legal form.	
1.  (Purchase Bureau Supervisor)	7/22/83 (Date)	1.  (Deputy Attorney General)	7/25/83 (Date)
2.  (Director of Purchase and Property)	7/25/83 (Date)	D. APPROVED BY STATE TREASURER  DATE 7/27/83	

88x

11. Waterhouse produced a thorough and comprehensive plan which has received acceptance throughout the State.

12. . Noncompliance with the mandates of Public Law 1983 Chapter 125;
- . Delay in the realization of a savings of over three million dollars a year;
 - . Delays in billing motorists in collecting surcharges;
 - . Increases of the premiums of all automobile policies in the State in order to maintain a statutory non-loss, non-profit operation for the automobile insurance companies licensed in New Jersey;
 - . Errors in billing the wrong person or an inaccurate surcharge;
 - . Persistent delays in the timeliness of check and money order deposits and subsequent loss of interest;
 - . Continuation of costly manual processing systems;
 - . Continued reliance on massive, inefficient and unwieldy paper files;
 - . Delays in investigations of automobile thefts and other motor vehicle related crimes;
 - . Continued exposure of the motoring public to fraudulent motor vehicle documentation;
 - . Increased inability to provide current driver history information to the Municipal Courts and other law enforcement agencies for traffic violator disposition and processing;
 - . Delays in responding to motorists' questions concerning surcharge system.



IRWIN I. KIMMELMAN
ATTORNEY GENERAL

STATE OF NEW JERSEY
DEPARTMENT OF LAW AND PUBLIC SAFETY
RICHARD J. HUGHES JUSTICE COMPLEX
CN 080
TRENTON, N.J. 08625
609 292-4919

July 19, 1983

Richard C. Kaempfer, Director
Division of Purchase & Property
Department of Treasury
135 W. Hanover St.
First Floor
Trenton, New Jersey 08625

Dear Director Kaempfer:

Attached for your review and approval is a Request for Waiver of Advertising (Form PB-129) to enable the Division of Motor Vehicles to contract with Price Waterhouse for the design and implementation of the surcharge system for the New Jersey Merit Rating Plan and a comprehensive on-line driver/owner information and management system.

Attached to Form PB-129 is a copy of the detailed proposal from Price Waterhouse.

If you have any questions concerning this Request for Waiver of Advertising, please call Deputy Director Robert S. Kline, Division of Motor Vehicles, at 609-984-2526.

Sincerely,

IRWIN I. KIMMELMAN
Attorney General

IIK:cm

cc: Thomas W. Greelish, First Assistant Attorney General
Dennis L. Bliss, Director of Administration, OAG
Clifford W. Snedeker, Director, Division of Motor Vehicles
Robert S. Kline, Deputy Director, Division of Motor Vehicles
Donald J. Bianco, Director, Division of Systems & Communications
Leroy Weber, Director, Div. of Data Processing & Telecommunications

96x



State of New Jersey

DEPARTMENT OF THE TREASURY

DIVISION OF
DATA PROCESSING & TELECOMMUNICATIONS

15 WEST FRONT STREET
TRENTON, NEW JERSEY 08622
(609) 292-5357

MEMORANDUM

JUL 22 1983

TO: G. Mazzone, Supervisor
Purchase Bureau

SUBJECT: Department of Law & Public Safety
Division of Motor Vehicles
R 04625 dated 7/11/83
Account No. 1110-100-030500-50

We approve R 04625 in the amount of \$3,000,000 and support the accompanying waiver in the amount of \$5,995,000 for acquisition of consulting services. Price Waterhouse will design and implement two data processing systems over the next twenty-four months, the New Jersey Merit Rating Plan Surcharge and the Comprehensive On-Line Driver/Owner Information and Management System.

The waiver for \$5,995,000 will provide funding for the entire project, expended over the next two fiscal years, FY84 and FY85. The subject requisition encumbers only FY84 funds of \$3,000,000. Additional funding will be provided at a later date for the FY85 portion of the project. Since the initial waiver covers the entire amount no separate waiver will be required for the FY85 portion.

Even though we have given our approval in order to expedite the start-up of this project, we are still continuing with our detailed review of the Price Waterhouse proposal. Upon completion of this review, we will document the areas of our concern.

HJM
Henry J. Murray, Supervisor
Bureau of Data Processing
Management

cls
cc 1110-307-07
R. Sech
E. Maute
gmhmemlpsdmv (103)

91x



State of New Jersey

IRWIN I. KIMMELMAN
ATTORNEY GENERAL

THOMAS W. GREELISH
FIRST ASSISTANT ATTORNEY GENERAL

DEPARTMENT OF LAW AND PUBLIC SAFETY

DIVISION OF LAW
FINANCIAL SECTION

RICHARD J. HUGHES JUSTICE COMPLEX
CN 112
TRENTON 08625

TELEPHONE (609) 292-7383

MICHAEL R. COLE
ASSISTANT ATTORNEY GENERAL
DIRECTOR

HERBERT K. GLICKMAN
DEPUTY ATTORNEY GENERAL
SECTION CHIEF

HARRY HAUSHALTER
DEPUTY ATTORNEY GENERAL
ASSISTANT SECTION CHIEF

TO: IRWIN I. KIMMELMAN
ATTORNEY GENERAL

FROM: MAUREEN ADAMS
DEPUTY ATTORNEY GENERAL

RE: WAIVER OF ADVERTISING - Division of Motor Vehicles -
Waiver of Advertising - Price Waterhouse
\$5,990,000

THE ATTACHED WAIVER OF ADVERTISING HAS BEEN REVIEWED
AND IS RECOMMENDED FOR:

APPROVAL

UNDER STATUTE: N.J.S.A. 52:34-10(b) the public exigency
requires the immediate delivery of the articles or performance
of the service

DISAPPROVAL

DATE: July 15, 1983

MAUREEN ADAMS
DEPUTY ATTORNEY GENERAL



State of New Jersey

DEPARTMENT OF THE TREASURY

DIVISION OF
BUDGET AND ACCOUNTING

STATE HOUSE
CN-221
TRENTON, NEW JERSEY 08625

EDWARD G. HOFGESANG
DIRECTOR

July 14, 1983

TO: Honorable Irwin I. Kimmelman
Department of Law and Public Safety

FROM: Richard B. Standiford, Deputy Director
Division of Budget and Accounting

SUBJECT: To implement the New Jersey Merit Rating System, P.L.
1983, Chapter 65

Your request of July 1, 1983 to engage the services of a consultant for the subject project is approved in the amount of \$6,000,000 to be charged to account 1110-100-030500-50. Of this amount \$3,000,000 will be encumbered for FY 1984 expenses and that the remaining amount will be utilized in FY 85 subject to the availability of surcharge receipts and the appropriation of said receipts.

This approval permits you to proceed in accordance with existing rules and procedures for procuring such services. Do not notify any consultant to start work without the authorization of the Purchase Bureau.

jak



State of New Jersey

DEPARTMENT OF LAW AND PUBLIC SAFETY
DIVISION OF MOTOR VEHICLES

25 SOUTH MONTGOMERY STREET
TRENTON, NEW JERSEY 08666

IRWIN I. KIMMELMAN
ATTORNEY GENERAL

CLIFFORD W. SNEDEKER
DIRECTOR

M E M O R A N D U M

TO: Irwin I. Kimmelman
Attorney General

DATE: July 14, 1983

FROM: Clifford W. Snedeker
Director

RE: Request for Waiver of Advertising in Order to Contract with Price Waterhouse for the Design and Implementation of the New Jersey Merit Rating Plan Surcharge System and a Comprehensive On-Line Driver/Owner Information and Management System

P.L. 1983, Chapter 65, mandates the Division of Motor Vehicles to implement a surcharge system for the New Jersey Merit Rating Plan by January 1, 1984.

In order to meet the mandate of P.L. 1983, Chapter 65, I recommend that the Division of Motor Vehicles be given approval for a Waiver of Advertising in order to contract with Price Waterhouse for the required professional and technical services.

Attached for your review and approval, is the formal request for Waiver of Advertising (form PB-129). The request includes a copy of the detailed proposal from Price Waterhouse.

If you approve, you must sign the PB-129 in block #16 (Department Certification). Also attached, is a proposed letter from you to Edward G. Hofgesang, Director, Division of Budget and Accounting.

If you have any questions, do not hesitate to call me or Deputy Director Robert S. Kline.



C.W.S.

Attachments

cc: Thomas W. Greelish, First Assistant Attorney General
Edward G. Hofgesang, Director
Dennis L. Bliss, Director
Donald J. Bianco, Director
Leroy Weber, Director
Richard Kaempfer, Director

JUSTIFICATION STATEMENT FOR A WAIVER OF ADVERTISEMENT TO RETAIN
PRICE WATERHOUSE AS A CONSULTANT TO DESIGN A COMPREHENSIVE SYSTEM
FOR THE SURCHARGE PROGRAM REQUIRED BY PUBLIC LAW 1983, CHAPTER 65
AND TO IMPLEMENT THE DIVISION OF MOTOR VEHICLES' LONG RANGE MASTER PLAN

Public Law 1983, Chapter 65 requires the Division of Motor Vehicles (DMV) to implement a Violation Surcharge program for the New Jersey Merit Rating Plan by January 1, 1984.

The implementation of the surcharge program by January 1, 1984 will require the Division of Motor Vehicles and the Division of Systems and Communications (SAC) to:

- . Complete a sophisticated data base design;
- . Establish manual and mechanical procedures for billing, collecting and accounting for surcharge funds;
- . Establish a due process system to handle complaints and appeals from motorists.

These systems design and implementation actions for the surcharge program must be linked to the improvements required under the DMV Master Plan because the surcharges depend completely on DMV's violation file and accounting systems. The management, security and customer service inadequacies of DMV's systems have been documented numerous times by the Legislature, the media and the Public Advocate. To install the surcharge system without simultaneously implementing the improvements contained in the Master Plan would cause:

- . Delays in billing motorists and collecting surcharges;
- . Errors in billing the wrong person or an inaccurate surcharge;
- . Delays in responding to motorists' questions concerning surcharge assessments;
- . Costly manual processing systems.

DMV requests permission to contract with Price Waterhouse to complete this project. Price Waterhouse's responsibilities for the Surcharge System and Master Plan would include:

- . Detailed system design;
- . Program design;
- . Detailed programming and coding;
- . Unit and system testing;
- . Conversion planning;

- . Development of conversion procedures and files;
- . Development of user manuals;
- . Training of all user personnel;
- . Monitoring hardware and software installation;
- . Implementation and post-implementation review.

Neither the Division of Motor Vehicles nor the Division of Systems and Communications have the personnel resources to complete this project while continuing to maintain day-to-day operations. In addition, the technical detailed systems and data base design require additional expertise which neither DMV nor SAC possess. The technical complexity, scope and urgency of this project also preclude the possibility of developing an ad hoc committee from other State agencies to complete the project. The Department of Law and Public Safety will be able to implement the needed systems improvements and the Legislative surcharge program only if the Division of Motor Vehicles contracts with an expert outside consulting firm.

Price Waterhouse has the resources and expertise in data base design and accounting systems to complete an interim surcharge program by January 1, 1984. Price Waterhouse will complete the entire project by July 1, 1985.

DMV requests that a waiver of advertising be approved to allow DMV to contract with Price Waterhouse for the following reasons:

1. The normal bidding procedures would delay the implementation the surcharge system beyond the start up date mandated by Public Law 1983, Chapter 65.
2. This project is so complex that any new consultant would need to spend at least three months to gain the knowledge and experience necessary just to begin the design of the new systems;
3. In December, 1981 DMV and SAC awarded Price Waterhouse a contract after an informal bid procedure for the development of DMV's Long Range Master Plan. Price Waterhouse competed with seven other large consulting firms for this contract. In March, 1982 Price Waterhouse produced a thorough and comprehensive plan which has received acceptance throughout the State;
4. In January, 1983 Price Waterhouse received a second contract under a waiver to bid to provide consulting assistance to DMV and SAC in the implementation of certain Master Plan projects. Under this second contract, Price Waterhouse has completed a Requirements Definition Study for the redesign of the DMV driver and registration data base;

5. Price Waterhouse is a worldwide professional organization with recognized expertise in the area of data base design;
6. Price Waterhouse guarantees completion of the surcharge system by January 1, 1984 and the Master Plan by June 30, 1985. No other vendor nor the State could complete these two projects by those deadlines.

The systems to be developed by Price Waterhouse would be "turnkey operations". Price Waterhouse would provide comprehensive user documentation and training to enable DMV and SAC to operate and modify the systems after the consultants leave.

(1) TRANSACTION CODE S/C	(2) BATCH NUMBER	(3) NEW/ MATCH
40 0		

STATE OF NEW JERSEY
Department of the Treasury
Division of Purchase
and Property

(4) FISCAL YEAR	(5) TRANSACTION DATE	(6) DOC TYP	(7) DOCUMENT NUMBER	(8) REQ IND.
84	071183		05386	

REQUISITION—PURCHASE BUREAU

COUNT NUMBER		(10)	(11)	(12)	(13)	(14)	(15)	(16)		
ORL	FUND	PROGRAM	OBJECT	COST CENTER	PROJECT ACTIVITY	EXTENDED NUMBER	TOTAL AMOUNT	REQ TYP	BUYER CODE	REQUISITION NUMBER
10	100	030500	50		999		*3,000,000 00	1	39	R 04625

Q: Same As Bill To:

CONTACT FOR INFORMATION (NAME, TELEPHONE OR SCAN NO.)

Mr. Robert S. Kline (609) 984-2526

(18) ACCTG USE	(19)
ERRR SUSPENSE	DE
NUMBER	RE

Q: (AGENCY)

N.J. Division of Motor Vehicles
Office of the Deputy Director
25 So. Montgomery St.
Trenton, NJ 08666
Attn: Mr. Robert S. Kline, Deputy Director

Q: (AGENCY CODE) (ONE PER REQUISITION)

9443

CONTACT FOR DELIVERY INSTRUCTIONS (NAME, TELEPHONE)

Same As Above

SIGNATURE OF APPROVAL OFFICER (NAME, TITLE, DATE)

Salvatore F. Marcello 7/11/83
Salvatore F. Marcello, Chief, Bur. of Acct.

BUYER NAME

QUANTITY	UNIT	COMPLETE DESCRIPTION OF ITEMS, SERVICES AND DELIVERY DATES	ESTIMATED COST	
			UNIT	TOTAL
1	ea.	<p align="center"><u>WAIVER REQUEST</u></p> <p>Request for Waiver of Advertising to retain Price Waterhouse as a consultant to design a comprehensive system for the Surcharge Program required by Public Law 1983, Chapter 65 and to implement the Division of Motor Vehicles' Master Plan .</p> <p>*(Funds available this Fiscal Year)</p> <p>Justification, Proposal, and explanation attached.</p> <p>Vendor: WAIVER REQUEST</p> <p>Price Waterhouse & Co. 65 Madison Ave. Morristown, NJ 07960</p> <p>The total cost of this waiver is \$5,995,000.00. The amount expected to be expended in fiscal year 1984 is three million.</p>	Lot Price	3,000,000.00
			TOTAL AMOUNT	3,000,000.00

FOR PURCHASE BUREAU USE ONLY

COMMODITY	OBLIG	BUYER	PROC.	COMPL.	BOND	VENDOR IDENTIFICATION NO.	CONTRACT NO.	CASH DISCOUNT	WAIVER NUMBER
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98x.

A G R E E M E N T

This Agreement is made this 9th day of November, 1983, between the State of New Jersey (the State), acting by and through the Director of the Division of Purchase and Property in the Department of Treasury for and on behalf of the Department of Law and Public Safety, Division of Motor Vehicles, and Price Waterhouse (Consultant).

WHEREAS, the State desires the services of the Consultant to provide the systems design and implementation of (1) the New Jersey Merit Rating Plan Surcharge System (the "Surcharge System"), and (2) the Comprehensive On-Line Driver/Owner Information and Management System (the "Comprehensive System"), and

WHEREAS, the Consultant has represented that it is qualified to perform the required services in the manner and on the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the mutual promises and undertakings contained herein, the State and the Consultant agree as follows:

(1) CONSULTANT'S SERVICES: The Consultant shall provide the systems design and implementation of (1) the Surcharge System, and (2) the Comprehensive System in conformance with the Consultant's proposal dated July 12, 1983 as supplemented in letters to the State from the Consultant dated July 21, 1983 and July 28, 1983, respectively.

(2) COMPENSATION: The Consultant shall be compensated for its work pursuant to this Agreement in an amount not to exceed \$6,500,000. The provisions of any other paragraphs of this Agreement notwithstanding, the Consultant shall be compensated on a monthly basis for actual services performed. The Consultant shall render billings every month and each billing shall include the time and expense charged for services performed during the preceding month. The billing shall be detailed in accordance with procedures and formats prescribed by the State so that the bills may be processed properly through the State's systems for payment, cost distribution, and job monitoring. The State will make its best efforts to process the Consultant's bills expeditiously and make payment thereon within thirty (30) days of the State's receipt of the bills. It is understood that compensation for services performed after June 30, 1984, is expressly contingent upon legislative appropriations. Notwithstanding payment by the State hereunder, the State shall have the right to make a determination at any time, that the Consultant has been overpaid and demand in writing repayment of the amount of overpayment. Upon notification of such determination by the State, the Consultant agrees to promptly repay the State the amount demanded of it.

The parties agree that if there are changes in the scope of the project, a further reasonable amount of compensation may be agreed upon, subject to the approval of the State Treasurer. If the project changes result in a reduction in the scope of the project, the parties may agree to a reduction in compensation.

(3) SURCHARGE SYSTEM:

a. The design and implementation of the Surcharge System shall proceed in the phases specified, with each phase being completed and accepted by the State according to the following schedule:

1. August 1, 1983 - Finalization of the Project Plan. The Consultant shall present a plan which establishes, with respect to the Surcharge System the commencement and termination dates of each project phase, the estimate of total man hours for project completion with a breakdown of hours expected to be devoted by the Consultant's staff to the Surcharge System project by staff classification.
2. September 1, 1983 - Requirements Definitions for Division of Motor Vehicles Insurance Surcharge System. The Consultant shall prepare a report of user requirements, identifying input, processing and output specifications, data elements, transaction sources and management information requirements.
3. September 1, 1983 - Organization and Procedures Overview. The Consultant shall develop an overview of the Division of Motor Vehicles Surcharge Unit and its key functions.
4. September 1, 1983 - System Design. The Consultant shall provide the system design identifying major processing operations, outputs and input transactions by subsystem. The Consultant shall provide the Division of Motor Vehicles with advance reviews of the preliminary systems design to allow required modifications without impacting the schedule.
5. October 15, 1983 - Program Design. The Consultant shall develop program specifications (definitions of tables/arrays to be utilized, transactions and associated edit and validation criteria, and structure charts of programs). The Consultant shall be required to furnish program documentation for the Surcharge System in accordance with the published program standards of the Division of Systems and Communications of the State only as part of the Surcharge System turnover procedures set forth in Subparagraph (3)a.12. of this Agreement.
6. November 1, 1983 - Procedure and User Documentation. The Consultant shall provide a general description of the Surcharge System, block diagram of document flow, processing schedules and a "how to use the system" description.
7. November 15, 1983 - Programming and Unit Testing. The Consultant shall prepare the coding of programs and routines necessary for the computer located at the Division of Systems and Communications to perform the Division of Motor Vehicles' system processing as specified in the approved Requirements and Specifications documents. The Consultant shall also code and test the programs, on a unit-by-unit basis, in accordance with the unit test plans.

8. December 31, 1983 - User Training. The Consultant shall have complete responsibility for developing training materials and conducting initial user training. During this phase, user personnel as designated by the Division of Motor Vehicles and the Division of Systems and Communications shall be trained by the Consultant in how to use the Surcharge System. The Division of Motor Vehicles and the Division of Systems and Communications shall be responsible for conducting any additional training after March 31, 1984.
9. December 31, 1983 - System Testing. The Consultant shall prepare the Surcharge System test plans, consolidate the program/unit testing and review the results. This task consists of the testing of the Surcharge System as a whole. In addition, the Consultant shall submit a detailed advance plan before commencing any test. This advance plan will be reviewed by the State to determine how comprehensive the planned variety and volume of tests will be. The Consultant shall test the planned system functions and shall also attempt to break the system through stress testing of the system logic along with the edit tests and range/limit testing. The Surcharge System test data shall be prepared jointly by the Consultant and the Division of Motor Vehicles staff assigned to the project team. The Division of Motor Vehicle staff will participate actively in the testing activities as part of its training in the use of the Surcharge System. The test plan and the test results shall be included in the subsystem turnover and acceptance activities.
10. December 31, 1983 - Simulation Run. The Consultant shall perform a run of the entire Surcharge System using data from paragraph 9 above.
11. January 1, 1984. The Consultant shall have completed the entire design and implementation of our Surcharge System in order that the Division of Motor Vehicles may be able to perform actual billing. The State and Consultant recognize that the Division of Motor Vehicles may not actually perform billing until some later date in the month of January 1984.
12. January 31, 1984 - System Turnover. During the month of January 1984, the Consultant shall turnover the Surcharge System program, documentation and run instructions to the Division of Systems and Communications. Upon the occurrence of this event, the State shall assume responsibility for the operation and maintenance of the Surcharge System, except for the correction of errors for the warranty period.

The Consultant shall have the necessary flexibility to adjust the project staffing levels and the intermediate phase completion dates with the exceptions of the dates specified in (3)a.12. above. Any change of more than fifteen (15) calendar days in the above schedule shall be brought to the attention of the Project Manager by the Consultant at the Project Status meetings.

- b. Upon completion of each of the phases set forth immediately above, the Consultant shall submit a written Phase Completion report to the Deputy Director of the Division of Motor Vehicles, who has been designated as the Project Manager for the Department of Law and Public Safety. Each report shall describe the tasks completed and shall include a certification of the completion of the phase. If any such Phase Completion report is not submitted within fifteen (15) calendar days of the completion date for a phase, or any such later date as may be agreed upon by the parties, the State shall have the right to withhold further payments until such report is submitted.
- c. In addition to the Phase Completion reports, the Consultant shall submit to the Project Manager written monthly management level summaries on the first business day of each month. Said monthly reports shall be supported by the minutes of the periodic status meetings held during the month. If any monthly report is not submitted within ten (10) calendar days of the date specified herein, the State shall have the right to withhold further payments until such report is submitted.
- d. In connection with Consultant's efforts on the Surcharge System, the Division of Systems and Communications shall provide the Consultant with adequate working facilities for up to twenty-five (25) people, four (4) on-line terminals for coding and testing of the Surcharge System, and appropriate software tools, as specified by the Consultant. The Division of Systems and Communications shall acquire computer hardware and required vendor-supplied systems software, exclusive of application software, necessary to enable the Consultant to develop, test, and implement the Surcharge System as set forth in the Consultant's memorandum of August 25, 1983. The computer hardware supplied by the Division of Systems and Communications will include main frame computer, peripheral equipment, including printer, modem and terminals, and communications network for the operation of the Surcharge System. The Division of Systems and Communications shall provide the Consultant with:
 - 1. file extracts in accordance with the Consultant's specifications,
 - 2. input/output modules as necessary for access to on-line files, and
 - 3. current files and data base file definitions.

In order to facilitate the timely completion of the Surcharge System testing and implementation activities by the Consultant, the Division of Systems and Communications shall provide the Consultant with the file extracts for limited testing purposes by October 15, 1983, and for system testing purposes by November 1, 1983.

The Division of Systems and Communications shall be responsible for unit testing of programs developed by it. In addition, it shall have the responsibility for the maintenance and support of these programs. Systems testing will continue to be Consultant's responsibility.

The Division of Systems and Communications shall retain responsibility for hardware/software technical support for the operating environment, so as to enable the Division of Motor Vehicles to conduct its normal business during the design and implementation stages. The Division of Systems and Communications shall actively participate in appropriate project activities with the Consultant so as to become familiar with the Surcharge System from point of conception through implementation. Operation of the Surcharge System will be the responsibility of the Division of Systems and Communications.

Both the Consultant and the Division of Systems and Communications will work to achieve satisfactory response time.

The Consultant further recognizes that any systems designed for the Division of Motor Vehicles must operate in an environment where the computer resources are shared with other users of the Criminal Justice Data System. The environment of this data center calls for a twenty-four hour, seven-day-a-week operation with a premium on system availability. Therefore, any system designed to operate in this environment must include those special features that this environment demands.

The Division of Motor Vehicles and the Division of Systems and Communications will ensure that the necessary data processing hardware and software resources are available to permit the Consultant to complete the project tasks by the target dates specified in this Agreement. Consultant's initial requirements include the following:

- (i) ROSCOE available at least 90% of the time from 8 A.M. to 10 P.M. daily.
- (ii) CICS (test) available at least 90% of the time from 8 A.M. to 10 P.M. daily.
- (iii) Average batch compile and test turnaround of one hour or less.
- (iv) Technical support available for consultation within one hour.

It is recognized that these requirements may change from time to time. Therefore, the Division of Motor Vehicles and the Division of Systems and Communications agree to review the Consultant's computer hardware and software requirements with the Consultant at regular intervals and to take the necessary steps to ensure the availability of the resources required by the Consultant.

- e. The Division of Motor Vehicles shall establish and communicate to the Consultant the policy for the billing of individual drivers and the suspension of driver's licenses for the nonpayment of surcharges. Any change in the policy will be treated as a change in the requirements for the Surcharge System.
- f. The Consultant shall immediately report in writing to the Project Manager any failure on the part of the Division of Systems and Communications and/or the Division of Motor Vehicles to meet the commitments set forth herein in paragraph (3)d., and (3)e., respectively, and the anticipated effect of this failure or failures on the remaining target dates set forth in paragraph (3)a. above. However, it is understood that the primary responsibility for completing the Surcharge System by January 1, 1984, remains with the Consultant.
- g. The Consultant's responsibility for the development and implementation of the Surcharge System shall be limited to the delivery of the system as described in the Interim Insurance Surcharge System, System Requirements Definition and System Design, revised September 30, 1983, including amendments adopted by subsequent agreement of the parties. The State recognizes that changes to Surcharge System requirements after the above date may result in increased costs and delays in the completion of the project and agrees to assume full responsibility for such additional costs (consultant's fees and out-of-pocket expenses) and delays subject to the approval of the State Treasurer.
- h. The Division of Motor Vehicles and the Division of Systems and Communications agree to promptly review the materials provided to them by the Consultant and to provide their comments to the Consultant in a timely manner.
- i. The Project Manager, after consultation with the Division of Systems and Communications, shall have the authority to approve the Surcharge System outputs. The Project Manager will complete his review and furnish his acceptance or a non-acceptance report to the Consultant within fifteen (15) calendar days of Consultant's delivery of the deliverables and will not unreasonably deny or withhold acceptance of the Surcharge System deliverables by the Consultant.

(4) COMPREHENSIVE SYSTEM:

- a. The design and implementation of the Comprehensive System shall proceed in the phases specified in the Consultant's July 12, 1983 Proposal as supplemented in letters to the State from the Consultant dated July 21, 1983 and July 28, 1983, with each phase being completed and accepted by the State according to the following schedule:
1. September 1, 1983 - Finalization of Project Plan. The Consultant shall present a plan which establishes, with respect to the Comprehensive System, the commencement and termination dates of each Project phase, the estimate of total man hours for project completion, with a breakdown of hours expected to be devoted by Consultant's staff to the Comprehensive System project by staff classification.
 2. October 1, 1983 - Requirements Definition for Division of Motor Vehicles Revenue Accounting Subsystem. The Consultant shall prepare a report of user requirements, identifying input, processing and output specifications, data elements, transaction sources and management information requirements.
 3. November 15, 1983 - Conceptual System Design. The Consultant shall develop the conceptual system design identifying major processing operations, outputs and inputs transactions by subsystem. The Consultant shall provide the Division of Motor Vehicles with advance reviews of the conceptual systems design to allow required modifications without impacting the schedule.
 4. January 1, 1984 - System Architecture. The Consultant shall prepare definitions of logical data segments, access paths, data base design and communication network.
 5. July 1, 1984 - Organization and Procedures Overview. The Consultant shall develop an overview of the Division of Motor Vehicles Organizational Units and their key functions in the planned operation of the Comprehensive System.
 6. June 1, 1984 - Detail Design. The Consultant shall furnish detailed description of output reports, input screens, program definitions, data elements, physical data bases, and control requirements. In addition, the Consultant shall address the external system interfaces with the municipal courts, the insurance industry, and federal, state and local governmental entities.
 7. December 1, 1984 - Program Design. The Consultant shall develop program specifications (definitions of tables/arrays to be utilized, transactions and associated edit and validation criteria, and structure charts and programs).

The Consultant shall be required to furnish program documentation utilizing program standards which are mutually acceptable to both the Division of Systems and Communications and the Consultant only as part of the turnover procedures set forth in Subparagraph (4)a.12. of this Agreement.

8. January 1, 1985 - Program and Unit Testing. The Consultant shall prepare the coding of programs and routines necessary for the computer located at the Division of Systems and Communications to perform the Comprehensive System processing, as specified in the approved Requirements and Specifications documents. The Consultant shall also code and test the programs, on a unit-by-unit basis, in accordance with the unit test plans.
9. April 1, 1985 - Procedures and User Documentation. The Consultant shall provide a general description of the Comprehensive System, block diagram of document flow, processing schedules, and "how to use the system" description.
10. June 30, 1985 - System Testing and Software Acceptance. The Consultant shall prepare the Comprehensive System test plans, consolidate the program/unit testings and review the results. This task consists of the testing of the system as a whole. In addition, the Consultant shall submit a detailed advance plan before commencing any test. This advance plan will be reviewed by the State to determine how comprehensive the planned variety and volume of tests will be. The system test data shall be prepared jointly by the Consultant and the Division of Motor Vehicle staff assigned to the project team. The Division of Motor Vehicle staff will participate actively in the system testing activities as part of its training in the use of the Comprehensive System. Testing shall not only exercise the planned system functions, but also shall attempt to break the system through stress testing of system logic along with the edit tests and range/limit testing. The test plan and the test results shall be included in the Comprehensive System turnover and acceptance activities. The Consultant shall further provide a phased implementation plan, operation documentation and conversion procedures to the Division of Motor Vehicles as part of this phase.
11. June 30, 1985 - User Training. The Consultant shall have complete responsibility for developing training material and conducting initial user training. During this phase, user personnel as designated by Division of Motor Vehicles/Division of Systems and Communications shall be trained by the Consultant in how to use the Comprehensive System. The Division of Motor Vehicles and the Division of Systems and Communications will be responsible for conducting any additional training required after October 31, 1985.

12. April - September, 1985 - System Implementation and Turnover. The Division of Motor Vehicles, the Division of Systems and Communications, and Consultant recognize that a system of the scale of the Comprehensive System must be implemented in discrete phases so as to avoid disruption to ongoing operations. This phased implementation will take place for the Comprehensive System during the period April to September, 1985. The Division of Motor Vehicles and the Division of Systems and Communications personnel will participate actively in the implementation and Comprehensive System turnover activities so as to achieve an understanding of the system. The consultant shall provide the Division of Systems and Communications with the Comprehensive System programs, documentation and run instructions. Upon the turnover of these materials in batches of one or more subsystems as outlined in the system implementation plan, the State shall assume full responsibility for the operation and maintenance of the system except for the correction of errors during the warranty period.

The Consultant shall have the necessary flexibility to adjust the project staffing levels and the intermediate phase completion dates with the exceptions of the dates specified in (4)a.12. above. Any change of more than thirty (30) calendar days in the above schedule shall be brought to the attention of the Project Manager by the Consultant at the Project Status meetings.

- b. Upon completion of each of the phases set forth immediately above, the Consultant shall submit a written Phase Completion report to the Project Manager. Such report shall describe the tasks completed and shall include a certification of the completion of the phase. If any such Phase Completion report is not submitted within fifteen (15) calendar days of the completion date for a phase, the State shall have the right to withhold further payments until such report is submitted.
- c. In addition to the Phase Completion reports, the Consultant shall submit to the Project Manager written monthly management level summaries on the first business day of each month. Said monthly reports shall be supported by the minutes of the periodic status meetings held during the month. If any monthly report is not submitted within ten (10) calendar days of the date specified herein, or any such later date as may be agreed upon by the parties, the State shall have the right to withhold further payments until such report is submitted.
- d. In connection with Consultant's efforts on the Comprehensive System the Division of Systems and Communications shall provide the Consultant with adequate working facilities for up to thirty (30) people, sixteen (16) on-line terminals for coding and testing of the Comprehensive System, and appropriate software tools, as

specified by the Consultant. The Division of Systems and Communications shall acquire computer hardware and required vendor-supplied systems software, exclusive of application software, necessary to enable the Consultant to develop, test, and implement the Comprehensive System. The computer hardware supplied by the Division of Systems and Communications will include main frame computer, peripheral equipment, including printer, modem and terminals, and communications network for the operation of the Comprehensive System. All hardware and software to be supplied by the Division of Systems and Communications shall be fully installed six (6) months prior to June 30, 1985, in order to support final testing, training, and conversion. The Division of Motor Vehicles understands that the Comprehensive System will require additional main frame and peripheral resources beyond those currently in place and agrees to provide same. Consultant will provide an initial estimate of these resources by January 31, 1984, following development of the System Architecture. More detailed estimates will be provided by Consultant following Detail Design. It is further understood that the Division of Systems and Communications shall provide the Consultant with its Data Base Management System from Applied Data Research, which shall be utilized by the Consultant in the development of the Comprehensive System.

The Consultant agrees to develop, test, and implement the Comprehensive System on the State's computer in the MVS computer operating environment as specified by the Division of Systems and Communications. The Division of Systems and Communications shall be responsible for the implementation and support of the MVS operating environment on the computer before April 1, 1984, to facilitate the programming and testing of the Comprehensive System in the specified computer operating environment.

The Division of Systems and Communications shall retain responsibility for hardware/software technical support for the operating environment, so as to enable the Division of Motor Vehicles to conduct its normal business during the design and implementation stages. The Division of Systems and Communications shall actively participate in appropriate project activities with the Consultant so as to become familiar with the Comprehensive System from point of conception through implementation and operation. The Division of Systems and Communications shall retain responsibility for maintenance, enhancement, and completion of the Agency Automation Project. It is understood and agreed that the Consultant shall have responsibility for the design and implementation of any interface between Motor Vehicle Agencies and the Comprehensive System. It is also understood and agreed that the Division of Systems and Communications shall have the responsibility for designing programming and implementing any modifications which might be required in the motor vehicle agencies system.

Both the Consultant and the Division of Systems and Communications will work to achieve satisfactory response time.

The Division of Motor Vehicles and the Division of Systems and Communications recognize that the availability of the necessary data processing hardware and software resources will directly affect the Consultant's ability to perform and complete the project tasks by the target dates specified in this Agreement. Therefore, the Division of Motor Vehicles and the Division of Systems and Communications agree to review the Consultant's computer hardware and software requirements with the Consultant at regular intervals and to take the necessary steps to ensure the availability of the resources required by the Consultant.

The Consultant further recognizes that any systems designed for the Division of Motor Vehicles must operate in an environment where the computer resources are shared with other users of the Criminal Justice Data Center. The environment of this data center calls for a twenty-four hour, seven-day-a-week operation with a premium on system availability. Therefore, any system designed to operate in this environment must include those special features that this environment demands.

The Division of Motor Vehicles and the Division of Systems and Communications will ensure that the necessary data processing hardware and software resources are available to complete the project tasks by the target dates specified in this Agreement. Consultant's initial requirements include the following:

(i)	<u>Software</u>	<u>Date Required</u>
	<u>Item</u>	
	ADR/Datadictionary with User Requirements Model and Collection System	09/30/83
	Data Designer with ADR Interface	10/07/83
	MVS with CICS Command level in	
	Test Environment	12/01/83
	Production Environment	01/01/85
	<u>ADR/IDEAL</u>	
	Test Environment	01/01/84
	Available for Prototyping	02/01/84
	Available for Application Development	04/01/84
	COBOL/DL and MetaCobol	03/01/84
	Data Query	04/01/84
	Data Reporter	04/01/84

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10/1/84

(ii) <u>Hardware</u>	<u>Date Required</u>
<u>Item</u>	
Terminals (with ROSCOE, Librarian, and CICS I.D.'s)	
2 for DB Design Team	09/30/83
8 for program development	03/01/84
8 for program development	06/01/84
local printer	10/31/83
DASD	
for data dictionary (amount not known at present)	09/30/83
for program libraries (est. 200-300 megabytes)	03/01/84
for test (est. 1-2 gigabytes)	07/01/84

- (iii) All software and hardware listed above shall be available at least 90% of the time from 8 A.M. to 10 P.M. daily.
 - (iv) Average batch compile and test turnaround of one hour or less.
 - (v) Technical support available for consultation within one hour.
 - (vi) Appropriate technical reference manuals and installation standards as requested.
- e. The Division of Motor Vehicles shall adopt a pragmatic approach to conversion, including the furnishing of information contained in existing EDP files, the accumulation of new data elements, and title file. The Division of Motor Vehicles shall also provide a timely and prompt review of the Consultant's work throughout the phases of the project.
- f. The Consultant shall immediately report in writing to the Project Manager any failure on the part of the Division of Systems and Communications and/or the Division of Motor Vehicles to meet the commitments set forth herein in paragraphs (4)d. and (4)e., respectively, and the anticipated effect of this failure or failures on the remaining target dates set forth in paragraph (4)a. above.
- g. Programming, testing, and execution of all conversion programs shall be the responsibility of the Division of Systems and Communications. These programs will be used for extracting, formating, and transferring of the data from the existing Division of Motor Vehicles system files to the new system files. The Consultant shall work with the Division of Systems and Communications and the Division of Motor Vehicles personnel in the development of specifications for the conversion programs. The Consultant shall oversee the work done by the Division of Systems and Communications in this area.

- h. The Consultant's responsibility for the development and implementation of the Comprehensive System shall be limited to the delivery of the system described in the Requirements Definition document dated June 24, 1983, and the Revenue Accounting System Requirements Definition developed pursuant to paragraph 4(a)(2), including amendments adopted by subsequent agreement of the parties. The State recognizes that changes to these requirements may result in increased costs and delays in the completion of the project and agrees to assume full responsibility for such additional costs (consultant's fees and out-of-pocket expenses) and delays subject to the approval of the State Treasurer. The scope of the Comprehensive System, in terms of functions and features, is described in the Division of Motor Vehicles Requirements Definition document. The core of the Comprehensive System, including all of the main processing systems and functions, will be installed and operational by July 1, 1985. At the completion of the detailed design, the Division of Motor Vehicles and the Consultant will determine and define which features and functions constitute the core of the Comprehensive System.

All of the features and functions defined in the Requirements Definition Document dated June 24, 1983, and the Revenue Accounting System Requirements Definition as defined in the document dated September 30, 1983, including amendments adopted by the subsequent agreement of the parties, will be installed and operational by September 30, 1985.

- i. The Project Manager, after consultation with Systems and Communications, shall have the authority to approve the Comprehensive System outputs. The Project Manager will complete his review and furnish his acceptance or a non-acceptance report to the Consultant within fifteen (15) calendar days of Consultant's delivery of the deliverables and will not unreasonably deny or withhold acceptance of the Surcharge System deliverables by the Consultant.

(5) WARRANTY: The Consultant shall warrant that the Surcharge System and the Comprehensive System software shall operate in accordance with the agreed upon requirements definitions for a period of three (3) months from the date of turnover of the systems to the State. This warranty shall be implemented only by the correction of errors in the Systems software by the Consultant.

Except as specifically provided in this paragraph (5), Consultant makes no warranties, either expressed or implied, including, without limitation, the condition, quality or freedom from error of the Surcharge System or the Comprehensive System, their merchantability or their fitness for any particular purpose.

(6) ASSIGNMENTS, SUBCONTRACTS AND CONSULTANT'S EMPLOYEES: The Consultant shall not assign this Agreement or its interest therein without the State's prior written consent; nor shall Consultant, without the prior written approval of the State, assign or subcontract any of the work to be performed by it under this Agreement. In the event the State shall approve any such assignment or subcontract, the Consultant

shall nonetheless remain responsible for the work included in the contract. The Consultant shall not knowingly engage on this project any professional or technical personnel who are or have been at any time during the period of this Agreement in the employ of the State of New Jersey.

The Consultant shall assign appropriately qualified staff to meet the requirements of the project. In addition, the Consultant agrees to assign the majority of the project staff on a near full-time basis to this project for the duration of individual project phases and to provide for staff continuity between phases where required.

The State and the Consultant agree that, with the exception of a core management group, the Consultant, at its option, may rotate its staff on to and off of the State project at appropriate times after consultation and approval of the Project Manager. Replacement of staff, where required, will be accomplished by the assignment of other qualified personnel or the reassignment of the existing qualified project personnel. Both parties recognize that the Consultant's staff levels will vary according to the project requirements and over the period of this Agreement.

The Consultant may employ such other experts or consultants in addition to its employees as may be required by the nature of the work and for the proper and expeditious performance of this Agreement. The names of proposed experts or consultants shall be submitted in writing to the Project Manager by the Consultant for review and approval.

(7) INDEMNIFICATION: The Consultant agrees to indemnify, protect, and hold harmless the State, and its agents and employees from any and all suits or claims for personal injuries or damage to personal property and real property arising out of the Consultant's performance of this Agreement, as the result of any negligent Act or omission by the Consultant, its agents, servants or employees.

In any action brought with respect to any of the provisions of any paragraph of this Agreement, the Consultant will not be liable for consequential damages which are defined as loss, damage, and injury which does not flow directly from the act of the party, but only from some of the consequences or results of such act.

(8) AUDIT AND INSPECTION OF RECORDS: The Consultant shall maintain accounting records and other evidence relating to the time devoted to and expenses incurred on the projects which are the subject matters of this Agreement and shall make its time and expense records available to the State at all reasonable times during the contract period and for three (3) full years from the date of final payment. These records are subject to audit by the State.

(9) OWNERSHIP OF DATA: Upon full payment of the amounts specified in paragraph (2) of this Agreement by the State to the Consultant, the State will own the Surcharge System and the Comprehensive System that have been designed and implemented pursuant to this Agreement, provided, however, that nothing contained in this Agreement shall in anyway limit

Consultant's right to prepare and maintain a full set of working papers in connection with this engagement. After the acceptance of the Surcharge System and the Comprehensive System by the State and after the payment in full of the Consultant's final invoice, the Consultant shall have no right whatsoever to utilize any data, material or documentation owned by the State for the benefit of itself or any third party without the prior written consent of the State Treasurer.

(10) TERMINATION: The State reserves the right to terminate this Agreement without cause on thirty (30) calendar days written notice to the Consultant. In such event, the Consultant shall be compensated for work actually performed to the date of termination, as same is determined by the State. Additionally, the State or the Consultant may terminate this Agreement for cause, that is, a breach of this Agreement, including failure to meet the key completion dates defined herein on fifteen (15) calendar days written notice to the other party. In the event of termination for cause, the Consultant shall be compensated for work actually performed, less overpayments, as same is determined by the State.

(11) LIQUIDATED DAMAGES:

a. Non-performance by the Consultant - Surcharge System.

If the Consultant fails to complete the tasks specified in paragraph (3) a. 1. through (3) a. 11. by January 1, 1984, the State shall receive liquidated damages from the Consultant commencing the month immediately following the specified date and for each month thereafter until the above mentioned tasks have been completed. The amounts of the liquidated damages will be determined as follows:

On February 1, 1984, the Consultant shall pay damages in the amount of \$50,000 and an additional \$50,000 for each month that the above mentioned tasks are not completed.

b. Non-performance by the Consultant - Comprehensive System.

If the Consultant fails to complete the tasks specified in paragraph (4) a. 1. through (4) a. 11. by July 1, 1985, the State shall receive liquidated damages from the Consultant commencing the month immediately following the specified date and for each month thereafter until the above mentioned tasks have been completed. The amounts of the liquidated damages will be determined as follows:

On July 2, 1985, the Consultant shall pay damages in the amount of \$10,000. On August 1, 1985, the Consultant shall pay damages in the amount of \$10,000. On September 1, 1985, the Consultant shall pay damages in the amount of \$30,000. Thereafter, the Consultant shall be liable for damages in the amount of \$50,000 per month.

c. Factors beyond Consultant's control - No Liquidated Damages.

In the event that because of an act of God; inevitable accident; fire; strike; riot or civil commotion; act of public enemy; enactment, rule, order, or act of governmental instrumentality (whether federal, State, local or foreign); failure of technical facilities; failure or delay of transportation facilities; or other cause of similar or different nature beyond the control of the Consultant, the Consultant is unable to complete the tasks as specified above, the State will not enforce the provisions of this paragraph. The parties agree that if such events result in delays and additional costs, a further reasonable amount of compensation may be agreed upon, subject to the approval of the State Treasurer.

(12) LIMITATION OF LIABILITY: The Consultant's total liability to the State under this Agreement shall not exceed the amounts paid by the State to the Consultant, less out-of-pocket expenses incurred by the Consultant in connection with the Surcharge System or the Comprehensive System.

(13) NON-SOLICITATION: The Consultant warrants that he has not retained any party, other than a bona fide employee working for the Consultant, to solicit this Agreement, and that he has not paid or agreed to pay any outside party consideration in any form contingent upon securing this Agreement. For breach of this warranty, the State shall have the right to annul this Agreement without any liability.

(14) PROHIBITED INTEREST: No one presently an officer or employee of the State shall have any interest, direct or indirect, in this Agreement or the proceeds thereof.

(15) CONFLICT OF INTEREST: The Consultant will not knowingly perform or accept any work or services independent of this Agreement, which constitute a conflict of interest. If a conflict of interest may exist, it is understood that the Consultant shall have no right to perform services for any such party during the term of this Agreement without the prior written consent of the State.

(16) NON-DISCRIMINATION: The provisions of N.J.S.A. 10:2-1 through 10:2-4, dealing with discrimination in employment on public contracts, and the rules and regulations promulgated pursuant thereunder are hereby made a part of this Agreement. The Consultant will not discriminate against any employee or applicant for employment because of race, creed, color, national origin, ancestry, marital status or sex. The Consultant will take affirmative action when employment opportunities are available to ensure that qualified applicants are employed, and that employees are treated during employment without regard to their race, color, creed, national origin, ancestry, marital status or sex. Such action shall include, but not be limited to the following: employment, upgrading, demotion or transfer, recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training. In addition, the provisions of N.J.S.A. 10:5-4.1, prohibiting the

unlawful discrimination against any person because of a physical handicap, and N.J.S.A. 10:5-31 through 10:5-38 are hereby made part of this Agreement.

(17) MINORITY BUSINESS ENTERPRISE: In connection with the performance of this Agreement, the Consultant shall assist the State in fulfilling its commitment and goals with regard to the appropriate utilization of minority business enterprises, and will use its best efforts to insure that minority business enterprises shall have appropriate opportunities to compete for subcontract work under this Agreement.

(18) NOTIFICATION: Any notice, request, demand, authorization, directive or communication provided for or permitted by this Agreement shall be in writing and shall be delivered by hand or by U.S. mail, addressed as follows:

If to the State:

Robert S. Kline
Deputy Director
Division of Motor Vehicles
CN 012
25 South Montgomery Street
Trenton, New Jersey 08666

If to the Consultant:

William J. Driscoll
Price Waterhouse
65 Madison Avenue
Morristown, New Jersey 07960

With a copy to:

Ranjit R. Advani
Price Waterhouse
153 East, 53 Street
New York, New York 10022

and

Michael Cole, First Assistant Attorney General
Office of the Attorney General
Richard J. Hughes Justice Complex
CN 080
25 Market Street
Trenton, New Jersey 08625

(19) COMPLIANCE WITH LAW: The Consultant shall comply with all applicable laws, regulations, ordinances, and codes of the United States, the State of New Jersey and local governments within the State. If after notice and a hearing the State determines that the Consultant has violated or failed to comply with applicable Federal, State or local laws with respect to its performance of this Agreement, it may withhold payments for such performance and take such other action that it deems appropriate until compliance or remedial action has been accomplished by the Consultant to the satisfaction of the State.

(20) ENTIRE AGREEMENT: This Agreement embodies the entire agreement between the parties. If any provision is determined to be invalid it shall be considered deleted and shall not invalidate the remaining provisions; provided, however, if such invalidation occurs and substantially affects the terms of this Agreement, the State or the Consultant may elect to terminate the Agreement.

(21) AMENDMENTS: All amendments shall be clearly identified as "Amendment to the Agreement" and shall be incorporated into this Agreement upon signing by both parties.

(22) GOVERNING LAW: It is agreed that this Agreement shall be governed by and subject to the laws of the State of New Jersey, and it is understood that it is subject to the statutory law of New Jersey including N.J.S.A. 52, Chapters 32 and 34 and the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1 through 10.

IN WITNESS WHEREOF, the Consultant has duly signed and sealed this Agreement;

And, the State of New Jersey, has likewise caused this Agreement to be signed and sealed by its authorized officers on the date(s) set forth below.

David M. Dirlane

William J. Driscoll
Price Waterhouse

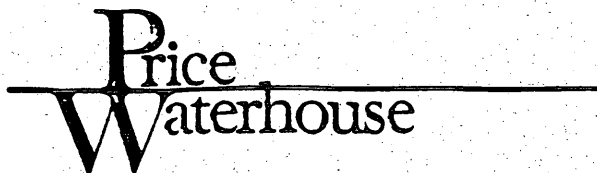
Irwin I. Kimmelman
Irwin I. Kimmelman
Attorney General of New Jersey

Maryanne Piipper

Richard C. Kaempfer
Richard C. Kaempfer, Director
Division of Purchase and Property

Approved as to form:

Maureen Adams
Maureen Adams
Deputy Attorney General



65 MADISON AVENUE
MORRISTOWN, NEW JERSEY 07960
P O BOX 2168
201 540-8980

March 30, 1984

Mr. Robert S. Kline
Deputy Director
Division of Motor Vehicles
25 South Montgomery Street
Trenton, New Jersey 08666

Dear Bob:

As a result of the discussion about ADR, the data base and the related software which took place during the March 14 meeting, I felt it incumbent upon me to follow up with an expanded written discussion of the issues. You are fully cognizant that data base software has been at the focal point of several concerns from the very beginnings of this project. Because of its absolutely critical role in the success of the project, I suspect it will be a continuing concern until we have successfully implemented the system in July, 1985.

Background

ADR's DATACOM/DB, including its family of related software products, had been evaluated extensively by SAC and the DATACOM/DB had been selected and implemented prior to the commencement of the DMV project. PW, as a condition to accepting the DMV contract, reserved the right to select another data base system, if, in their judgement, DATACOM/DB and the support software could not do the job. I think it is of some importance to keep in mind, this condition was more a matter of principle relating to the issue of responsibility and control rather than any immediate reservations about the DATACOM/DB system's technical capabilities to meet the processing requirements of the DMV comprehensive on-line system. PW made its own evaluation of DATACOM/DB and ADR, the vendor and concluded, all factors considered, the best business decision was to use DATACOM/DB, already in place, as well as some of the other tools in ADR's family of software products which were planned for future installation by SAC.

For reference purposes, these tools/products included:

- Data Designer (data base design tool)
- IDEAL (high level programming language)
- Data Query (data base interrogation)
- Data Reporter (user-oriented report writer).

March 30, 1984

Experience to Date with
ADR and the Data Base Software

Without going into a detailed explanation, one can summarize the experience to date as follows:

1. ADR has not provided the level of technical support for the installed software, at this point DATACOM/DB and DATA DESIGNER, which one would have expected to receive. This has resulted in delays which have been very troublesome but not of such magnitude as to jeopardize the July, 1985 implementation target date.

2. ADR had made representations as to certain software features and functions which, in fact, do not exist in the installed software but are scheduled for delivery in future versions. A few of these yet to be delivered features and functions are technically significant, and give rise to justifiable concern on the part of SAC as well as PW.

3. Except for the non-existence of the features and functions referred to above, the balance of the installed software is performing in accordance with expectations.

Conclusions Based Upon Experience To Date

1. Despite the shortcomings in ADR's technical support and the technical deficiencies in the installed software, SAC has not altered its long term commitment to use ADR's data base software and associated products as the solution to meeting its overall processing requirements. SAC has, however, made a decision to defer implementation of certain of the products, in particular, IDEAL, until such time as the technical deficiencies in the installed software have been addressed. Quite naturally, SAC is reluctant to rely completely on software which lacks risk free stability and could be operationally disruptive, when it has a lower risk option of doing business using existing software. Therefore, the decision to defer further ADR software installation is based upon technical reasoning as well as business judgement on their part. SAC's decision to defer use of IDEAL obviates an immediate need for proficient resistant technical support for IDEAL for non DMV applications. However, present SAC plans do include the training and development of this kind of technical resource in order to support the DMV comprehensive system project.

Robert S. Kline
Deputy Director
Division of Motor Vehicles

-3-

March 30, 1984

2. In view of ADR's disappointing support to date, PW has considered the ramifications of replacing DATACOM/DB with more stable software which could be readily available from other vendors. For several reasons, the most significant being that a change in data base software at this point would most certainly cause a three to six month delay in implementation of the On-line System, PW will continue to use ADR's data base software. This decision includes continued use of DATACOM/DB and DATA DESIGNER as well as the planned use of IDEAL, DATA QUERY and possibly DATA REPORTER.

The use of IDEAL as the programming language is most important from the standpoint of the significant productivity gains anticipated during the coding and testing phases of the system development process. At this time, PW is satisfied, the uncertainties associated with the use of IDEAL represent an acceptable risk when measured against the significance of the potential benefits. We believe SAC management understands the basis for PW's decision and does not disagree with our judgement regarding the planned use of IDEAL in the development of the On-line System.

3. That PW has decided to proceed with the use of IDEAL and SAC has made a decision to defer its installation indefinitely represents a significant point of departure between SAC and PW based upon differing priorities.

SAC's decision to defer the adoption of IDEAL also defers the need for SAC's technical staff to become proficient in IDEAL to support the development of SAC applications for other users (i.e., Casino Control Commission, State Police and ABC Board, etc.). At the same time, according to PW's contract with the State of New Jersey, SAC has the responsibility to provide technical support to PW throughout the development process. SAC is also obliged "to participate actively in appropriate project activities with the consultant so as to become familiar with the comprehensive system from point of conception through implementation and operation". Thus, it is quite clear to SAC, the State is contractually obliged to provide PW with the required technical support for IDEAL and indeed intends to satisfy this requirement.

4. It should also be pointed out, the concerns which SAC has raised regarding the features and functions referred to previously which are not yet available, can only be corrected by ADR. They cannot be addressed by SAC technical staff without the specific expertise and exclusive knowledge of ADR support staff.

Price
Waterhouse
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Robert S. Kline
Deputy Director
Division of Motor Vehicles -4-

March 30, 1984

Summary Conclusion

I believe an important principle to establish at this juncture is that SAC and PW, having each made a decision based on their own priorities, will now be following separate paths. This creates the potential for two continuing problems which must be carefully monitored so as not to become disruptive.

1. Even though on separate paths, the need for technical support, mutual cooperation, effective communications and most importantly, management commitment is probably increased rather than diminished. We should all be aware of this now and not lose sight of it in the future when the road gets rougher.

2. In my experience, I have seen jobs with analogous circumstances, where there is a tendency to look back with the advantage of accurate hind sight, thereby clouding the issues and challenges confronting the team when looking ahead. Though it may be easier said than done, as we proceed, we must all be careful to avoid injecting confusion and inefficiency in the process of moving ahead in order to rejustify or reinforce a significant decision which has already been made.

* * * * *

In addressing the issues raised, based upon our experience to date with ADR, we must continue to push for responsive technical support. SAC and PW have pushed ADR independently and jointly for greater attention. We must continue to do so, as well as identify other ways in which to attempt to bring greater pressure upon ADR for support and timely delivery of software.

If you have questions regarding the matters discussed in this letter or other items relating to the project, please contact me at your earliest convenience.

Sincerely yours,

William J. Briscoll
William J. Briscoll

cc: Mr. Robert Meybohm

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C 203

State of New Jersey

DEPARTMENT OF LAW AND PUBLIC SAFETY DIVISION OF MOTOR VEHICLES

IRWIN I. KIMMELMAN
ATTORNEY GENERAL

25 SOUTH MONTGOMERY STREET
TRENTON, NEW JERSEY 08666

CLIFFORD W. SNEDEKER
DIRECTOR

April 18, 1984

Mr. John R. Bennett
Chairman of the Board & President
Applied Data Research, Inc.
Route 206 and Orchard Road, CN-8
Princeton, New Jersey 08540

Dear Mr. Bennett:

The Division of Motor Vehicles has undertaken the significant task of modernizing its data processing systems by developing a comprehensive on-line system which will be in operation by mid-1985. This system development process is a team effort between the Division of Motor Vehicles, our consultant Price Waterhouse, and the Division of Systems and Communications, our data processing center. One significant step in that process was the acquisition of the ADR DATACOM/DB data base management system, the DATA DESIGNER methodology, and the enhanced IDEAL language.

After the initial acquisition of DATACOM/DB, the consultant and the data center began working together to develop the appropriate capabilities for fully implementing this new data base management system. The support which was necessary from ADR was slow and difficult to obtain and, over an eight month period, resulted in a nearly two month delay in the consultant's system architecture recommendations for us. The consultant and the data center continue to work with ADR, having set up regular meetings and training, but are still experiencing less than the level of support required for such an important investment in a system which impacts five million residents in New Jersey.

Various contacts have been made at staff and at executive levels between Price Waterhouse and your company, but I am now writing from a sense of frustration and concern that ADR's efforts still are not what they should be. To continue to rely upon informal contacts does not seem adequate as we reach the programming and system test phase by early summer. Our dependence upon your systems and your people's support cannot be overestimated. When I hear of telephone calls not being returned, and inadequate communication and support from a company whose annual report

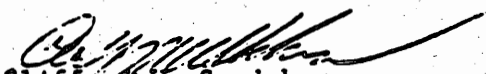
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indicates that ADR remains the leader in software innovation and customer satisfaction, I am perplexed by the situation.

I am sure that these problems can be solved, and I am asking for your assistance to sit down together and resolve how we can move forward to the best benefit of the Division of Motor Vehicles and your company.

To discuss this matter further, please contact Deputy Director Robert S. Kline at 984-7577. We look forward to hearing from you.

Sincerely,


Clifford W. Snedeker
Director

c: Robert S. Kline
William Driscoll
Ranjit Advani
Robert Meybohm

April 25, 1984

Mr. Martin Goetz
Senior Vice President,
Software Products Division
Applied Data Research, Inc.
Route 206 and Orchard Road, CN-8
Princeton, New Jersey 08540

RECEIVED
APR 30 1984

SENIOR ASSISTANT DIRECTOR
DIVISION OF MOTOR VEHICLES

Dear Marty:

As you are aware, Price Waterhouse currently is among the users of ADR's data base management system DATACOM/DB and associated software. Our staff is using this software at the State of New Jersey's Division of Systems and Communications (SAC) facility for developing a new system for the state's Division of Motor Vehicles (DMV). In this environment, along with SAC, which is the ADR client, the Price Waterhouse project team is a major user of the DATACOM/DB, ADR DATADictionary, IDEAL and other ADR software.

For this DMV project, I have the technical review partner responsibility and recently performed such a review of the project. During the course of this review, the project partner, Ranjit Advani, and I discussed a number of issues related to the above software including some issues which had been identified earlier as major concerns. Unfortunately, some of these continue to be of concern at this stage. Our concerns can be summarized as the following:

- incomplete or insufficient documentation of the products
- absence of certain key features (compared with those available in other comparable software products) in the current releases of the above software
- inadequate technical support from the ADR field office (1) to help resolve any technical problems with the software and (2) to facilitate the correct use of the products in their first major system development use at the State of New Jersey.

(overleaf)

I believe that the ADR representatives have been kept informed of the specific problems encountered in the use of the software; however, in a number of cases, they have either not been able to help resolve the problems quickly or have not been able to give an indication as to when and in what release these will be resolved.

SAC management also appears to have similar concerns and, at this stage, has dropped its plans to use IDEAL for developing two or three new application systems in the near future. In addition, Ranjit senses a growing concern at SAC about the level of ADR's commitment to providing the necessary post-installation support for its products.

On the DMV System project, the project team is nearing the completion of the physical data base design and the detail system design. In addition, IDEAL is now being used by the project team in a test environment for determining its suitability and its limitations for development of the application programs. I expect that our technical personnel will continue to seek necessary support in these areas from ADR representatives in coming months.

This is a very important project for the State of New Jersey and one with a rigid implementation schedule. In order to ensure the successful development of the system using the set of ADR software, it is imperative that we address and resolve the concerns expressed in this letter at an early date. I suggest a meeting, perhaps over lunch, sometime soon to discuss these issues. Depending on your schedule, Ranjit and I can meet with you on May 8, 15 or 16. I will telephone you later this week to fix a date for the meeting.

Sincerely,

Norman Statland
Norman Statland
National EDP Director

cc: Mr. Ranjit Advani

MEMORANDUM

RECEIVED
JUN 11 1984

SENIOR ASSISTANT DIRECTOR
DIVISION OF MOTOR VEHICLES

June 8, 1984

To: Robert S. Kline
-Division of Motor Vehicles

From: Ranjit R. Advani
Henry Fryd *H.F.*
-Price Waterhouse

Subject: Driver/Owner Information and Management System (New DMV System)
Project Status Report - April-May 1984

This memorandum summarizes the current status of the DMV System development project. Key events marking the performance or completion of certain major tasks as well as key issues for management consideration are also addressed in this status report.

Project Status:

During the April-May 1984 period, the project team completed the Detail Design phase of the project and began the next phase of the project - the Program Design. A review of the Detail Design document with the appropriate user personnel at DMV was completed during the month of May. Similar reviews and walk throughs of the detail design with SAC management and liaison personnel are scheduled to take place during the current month. Following the completion of this review process and the acceptance of the design by the State, as is required of us, we will review and, if necessary, update the computer resource requirement estimate for the system.

The IDEAL programming language became available for our testing and prototyping purposes during April. However, because of certain IDEAL software installation and stability problems, we were unable to use it effectively for most of April. At this stage, we have developed two test/prototype programs to perform limited on-line driver inquiry using IDEAL. Based on our IDEAL testing to date, we still plan to use it as the primary programming language in the development of the new DMV system. Accordingly, we have begun using IDEAL for definition of system screens and reports as part of our Program Design activities.

During the month of May, we also began a high-level DMV organization and staffing review as part of the DMV System development project. This review is progressing well and is scheduled to be completed at the end of June.

Key Events:

1. Project Status Meeting (April 23, 1984)

We met with you and other members of the DMV System Project Steering Committee to review the status of the project. An agenda of the meeting with summary notes is attached.

2. Detail Design Report (May 4, 1984)

We distributed the Detail Design document for the new DMV System to DMV and SAC management on May 4th. This design document is organized as follows:

Volume I - Executive Summary
Volume II - Detail Design Specifications
Volume III - Detail Design Specifications Supplement

3. ADR Meetings (May 21 and 22, 1984)

On May 21, Bob Kline (DMV), Chris Cox (DMV), Bob Meybohm (SAC), Ron Advani (PW), Bill Drisroll (PW), and Henry Fryd (PW) meet with John Bennett (Chairman and CEO, ADR), Bill Clifford (Vice President, ADR) and Dick Kaufman (Vice President, ADR) to discuss and resolve a number of problems experienced with ADR software and technical support in the course of the project. A copy of the agenda for the meeting is attached. The tone of the meeting was positive and we all were assured by John Bennett of ADR's commitment to provide the required level of technical support for this project. Specific issues concerning these areas were discussed in detail with ADR representatives at their Princeton facilities on May 22nd.

As part of their increased support to the DMV System project, ADR also agreed to review the physical design of the system data base and provide us with comments on the appropriateness of the design as well as performance improvement related considerations. We have provided ADR with a copy of our data base physical design document for this purpose.

We believe that satisfactory resolution of ADR related technical problems would remove a major issue threatening timely completion of the project. We, along with SAC technical personnel, will work with ADR personnel on a regular basis to resolve any problems in the coming months and will keep you informed of our progress in this area.

Key Issues:

1. Design Freeze

Having completed the system design, the project team is now working on specific programs at a detail level to develop various pieces of the system. At this stage, it is important to "freeze" the design of the new DMV System in order to not jeopardize the system development and implementation schedule.

2. Computer Resources for System Development

The DMV, SAC and PW personnel working on the DMV System development project have recognized the need to increase the capacity of the systems development computer at SAC. SAC management is taking steps to provide the necessary computer resources to the system development team by upgrading its computer capacity during the month of June. This action would alleviate the system response time problems we have been experiencing.

3. Work Space

Because of the lack of sufficient available space for the DMV system project team at DMV and SAC facilities, we have not been able to get adequate work space for the PW staff.

At SAC, we now have the necessary space, partitions and furniture to house half of our project team. At DMV, we had expected to occupy an area on the second floor of 137 East State Street by April 1. It appears now that this space will not be ready until sometime in July. As a result of this delay, we have moved our team and the computer terminals to an area on the sixth floor of the building. To ensure the desired productivity level of the project team during the remaining project phases, it is necessary to resolve the work space issue quickly and provide the proper work environment for the team members. We would appreciate an early resolution of this issue.

4. DMV and SAC Participation

We are now beginning to develop and test individual components and subsystems of the new DMV system. This is an appropriate time for DMV and SAC management to identify and assign to the project team a number of their staff on a near full-time basis. In this role their responsibilities would include: (a) becoming familiar with the system and its capabilities at a detail level, (b) working with the project team to build the required system tables, (c) participating in the development of user procedures and (d) coordinating project activities which might require participation of other individuals from their organizations.

We recommend the assignment of four individuals from DMV and four individuals from SAC at this time for these purposes. Additional DMV and SAC staff will need to be added to this team at a later date for system testing and other project activities.

* * * * *

We would be pleased to discuss these issues in more detail or to provide any additional information supporting this status report.

Attachment - . Agenda to April 23, 1984 Status Meeting
 . Agenda to May 21, 1984 ADR Meeting

Copies: R. Meybohm (SAC)
 C. Cox (DMV)
 W. Driscoll (PW)

DRIVER/OWNER INFORMATION MANAGEMENT SYSTEM

AGENDA FOR STATUS MEETING

APRIL 23, 1984

Deliverables Status

- . Detail Design.
 - . Completed reviews with Assistant Directors responsible for Licensing, Registration, and Revenue Accounting components.
 - . Will review Violation component this week.
 - . Complete Detail Design report is scheduled to be issued May 4, 1984.
 - . IMPLEMENTATION PLANNING - DIVISIONAL STAFFING COMMITTEE
- . Organization and Procedures Overview will start this week.

Application Issues

- . Central titling.
- . Automating insurance company interface.
- . Approach to capturing Autopic on registration record.

Environmental Issues / POTENTIAL RISKS

- . Work Space.
- . Secretarial support.
- . Computer resources.
 - . Terminal response time.
 - . Disk space.
- . Technical Support

STATE OF NEW JERSEY
DIVISION OF MOTOR VEHICLES

MEETING WITH ADR MANAGEMENT - MAY 21, 1984

AGENDA

- . **Introductions**
- . **Project Overview/History**
- . **Problem Resolution Requirements**
- . **Key Personnel Identification**
- . **Follow-Up Actions**
- . **Wrap-Up**

PROBLEM RESOLUTION REQUIREMENTS

1. Access to documentation updates and direct access to responsible ADR staff for consultations
2. Technical support on scheduled basis vs. on-request basis (1 - 2 days/week for 4 months).
3. Technical training for SAC & PW staff (40 - 80 Hrs.).
4. Assistance in Physical Data Base ^{design review} ~~segmentation~~ and performance tuning modifications.
5. IDEAL 1.1 installation assistance.
6. Assignment of experienced ADR staff to support the account needs.
(Possible candidates for DATACOM/DB: Charles Hall, Joe Lynn)
(For IDEAL: Richard Anastasia,)
(For ADR/Data Dictionary:)

STATE OF NEW JERSEY

DIVISION OF MOTOR VEHICLES

MEMORANDUM

TO: Christine Cox
Senior Assistant Director

DATE: October 19, 1984

FROM: Raymond D. Trakimas
Price Waterhouse

SUBJECT: IDEAL and COBOL/DL Programming Languages use in the Driver/Owner Information Management System

A meeting was held at the New Jersey Division of Motor Vehicles on October 11, 1984 to discuss the use of the IDEAL and COBOL/DL Programming Languages in the Driver/Owner Information Management System. Present at the meeting were Chris Cox from the Division of Motor Vehicles, Bob Meybohm and Al Bochese from Systems and Communications, and Ranjit Advani and Ray Trakimas from Price Waterhouse. The following is an outline of the points which were discussed:

In the event that ADR is unable to resolve in a timely fashion the potential problems with run times on some-of the batch IDEAL update programs, three alternatives are available to the Price Waterhouse team to minimize the impact of these problems on the new DMV system. These alternatives are:

1. Utilize programs coded in IDEAL and fine tune the associated IDEAL, DATACOM and MUF system operating software parameters to enhance user program run time.

This fine tuning is being addressed by both SAC and ADR. In addition, SAC is installing the most recent versions of the software and appropriate PTF's (Program Temporary Fixes to IDEAL, DATACOM and MUF supplied by ADR to address known problems with their software).

2. Utilize a combination of IDEAL and COBOL/DL. This would be accomplished by having batch update programs coded in IDEAL call COBOL/DL subroutines for reading and writing to files (Input/Output Routines).

This alternative is being investigated by coding the Driver File Input/Output Module in COBOL/DL. This Input/Output Module will be benchmark tested during the week of October 22, 1984 as part of our evaluation of this alternative.

Currently, there are certain technical considerations that are being discussed with SAC and ADR in order for this type of interface to occur. If these cannot be worked out by the end of October, this alternative will not be implemented.

3. The ten to eleven candidate programs (batch updates with high volume and access more than five files) which are affected, as shown in the attached exhibit, can be coded entirely in COBOL/DL. This option will be chosen if alternative 2 cannot be implemented. This alternative will not significantly affect our system implementation target dates.

Based on this evaluation and discussions with ADR, no increase in processing capacity is required from that stated in the September 11, 1985 computer capacity analysis.

c: R. Meybohm - SAC
A. Bochese - SAC
J. Pastushok - SAC
R. Advani - PW

EXHIBIT I

Candidate COBOL/DL Programs

	<u>PROGRAM NUMBER</u>	<u>PROGRAM DESCRIPTION</u>	<u>TRANSACTION VOLUME</u>
<u>Violations:</u>			
1.	AVF 110PB	Violations Edit/Update	5,000/day
2.	AVF300PB	Accident Update	2,000/day
<u>Licensing:</u>			
3.	ALLO01PN	Fetch Driver/Owner I/O Module	N/A
4.	ALD025PB	Driver Test Update	5,500/day
5.	ALL040PB	Licensing Batch Transaction Processing	10,000/day
<u>Revenue Reporting:</u>			
6.	AAS700PB	Revenue Reporting Daily Batch Update	1,000/day
<u>Registrations:</u>			
7.	ARRIOM01	Registrations/Titles I/O Module	N/A
8.	ARR270PB	Registrations Batch Update	10,000/day
9.	ARR600PB	Registration Mail Renewal	350,000/mo.
10.	ARR450PB	License Plate Batch Update	100,000/mo.
<u>Titles:</u>			
11.	ART200PB	Title Batch Update	8,000/day

STATE OF NEW JERSEY
DEPARTMENT OF LAW AND PUBLIC SAFETY
DIVISION OF MOTOR VEHICLES

MEMORANDUM

TO: Robert S. Kline
Deputy Director

FROM: Christine R. Cox
Senior Assistant Director *Chris*

SUBJECT: ADR Good News and Bad News

DATE: October 30, 1984

1. DATACOM DB 7.4 Release - promised in early September; now targeted for late December in a "controlled" mode, i.e., not all features, still some bugs, and not stabilized. As a result, we will not use it at SAC until much later than planned. We had counted on having it, especially to provide some statistical reports which would help to fine tune the data base operation.
2. ADR says they will work with us to stabilize the existing DATACOM 7.3 Release installed at SAC (it was promised in the spring and was just installed this month); this is ongoing with moderately successful results.
3. Security features for DATACOM DB will not be available by January. They had been promised as part of the DATACOM DB 7.4 Release. As a result, we will use the existing CICS (on-line control system) at SAC to rig up basic security features by terminal and password only.
4. The IDEAL enhancement (1.2) promised for November, 1984 is now promised for January, 1985. Price Waterhouse and SAC have to go with the current release (1.1) and not wait. We had not "banked" on getting 1.2 on time; 1.1 was promised in June and arrived in October.
5. The time lapse problem in the interface between IDEAL and COBOL has been improved by ADR.

ADR personnel have been providing assistance; Price Waterhouse recently "demanded" a full time assignment from ADR to get us through some of these problems. ADR seems to talk as if they are responsive, but some earlier promises of dates have not been met, so Price Waterhouse is a little anxious.

Meetings are set for November 2 and November 9 between Price Waterhouse, SAC and ADR personnel. Vice President Joe Farley (Princeton) and Ken Sloan (Dallas) are involved. We thought a call from you to Mr. Bennett expressing concern might be helpful before the November 2 meeting.

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Price Waterhouse

65 MADISON AVENUE
MORRISTOWN, NJ 07960
201 540-8980

1985

January 3, 1984

Mr. Robert S. Kline
Deputy Director
Division of Motor Vehicles
25 South Montgomery Street
Trenton, New Jersey 08666

Dear Bob:

This letter is intended to be a quick response to your initial reaction, and the discussion which followed, during the January 2nd meeting. In that meeting, it was Price Waterhouse's intention to present three alternative approaches for coping with the technical problems (real and potential) posed by the IDEAL software, and for proceeding to work towards a successful DMV systems implementation by July 1, 1985.

Apparently, from the discussion, I believe you may have exaggerated the implications of a previous statement which I made several weeks ago, when I stated that "the solutions to the IDEAL problems might translate to the system being a functional success but a technical compromise". Furthermore, if there is any issue of integrity or any sense of less than full disclosure of the facts on the part of Price Waterhouse, or anyone else, in discussing our ability to define user expectations, it is a misunderstanding and certainly far remote from my intentions.

In the meeting, I conceded to you, three points which you stated were the bottom line of any of the three alternatives:

1. The results will be less than originally expected.
2. The delivery will be later than originally expected and.
3. The cost will be higher than expected.

You also suggested that the compromises inherent in the alternatives were not de minimus.

Price Waterhouse, as requested by you, will be delivering a document to you early next week describing in detail the implications of Alternative #1. It was our intention to prepare such a document after receiving concurrence from you that Alternative #1 was the acceptable approach. However, in the interim before delivery, I felt it was incumbent upon me to expand upon the

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three points enumerated above and convey any judgement as to whether or not they should appropriately be classified as de minimus.

1. The results will be less than expected:

The system we intend to deliver under Alternative #1 is:

Not a compromise of functionality

DMVI transactions for DMV inquiry only users will essentially be identical to the functionality of the inquiry capabilities under IDEAL.

Considered "State-of-the-Art"

The system has all the elements referred to as State-of-the-Art from a technical standpoint in both Price Waterhouse's written proposal as well as our contract with the State of New Jersey, i.e.,

- a. State-of-the-Art integrated database technology and design.
- b. On-line immediate (real time) transaction update capabilities for specified transactions.
- c. Overnight batch update for all other transactions.
- d. Use of fourth-generation programming language (to the extent practicable).

The only significant limitation regarding state-of-the-art technology which represents an initial compromise will be the numbers and timing of implementing additional on-line terminals with update capability beyond those initially required for the core and non-core functions within the scope of this project. While this represents a restriction of importance, the continued ability in the interim to add inquiry only terminals under Alternative #1 without major constraints not only diminishes this restriction but also imposes a healthy discipline and more carefully planned approach to terminal additions after July 1, 1985. In a new on-line system environment in which the user has no immediate constraints on terminal additions, quite often terminals are added at a rapid pace with limited attention given to need or cost justification.

2. The delivery will be later than originally expected:

Under Alternative #1, despite technical difficulties, we are still aiming to meet the most critical of the implementation dates, July 1, 1985 for the core system functions as defined in the Agreement. Additionally, most of the non-core functions will be operational by the September 1, 1985 target date. At this point, under Alternative #1 the only non-core functions which stand to be delayed beyond September 1, are:

- Driver Rehabilitation subsystem.
- Compulsory Insurance and Security Responsibility subsystem.

Under Alternative #1, these subsystems would be targeted for November 1, 1985.

In my estimation, with respect to the overall scope and magnitude of this project, a probable two month delay in two non-core subsystems is, in fact, of very minor significance to the total schedule.

3. The cost will be higher than expected:

The estimated incremental cost for the adoption of Alternative #1 ranges from \$200,000 to \$350,000 (plus \$250,000 cost already incurred to date). This incremental cost represents less than 5% over the total contract price. In my estimation, this incremental cost does not represent an extraordinary additional price to pay under the circumstances in order to deliver most non-core functions by September 1, and the balance by November 1, 1985. The 2,500 additional hours already expended by Price Waterhouse as a result of ADR technical problems encountered to date is a sunk cost regardless of the alternative selected.

In summary, I believe that the best efforts of DMV, SAC and Price Waterhouse working together have brought this very complex project along at a very satisfactory pace while coping with some very challenging problems, many of which were related to ADR's software and support capabilities. I also believe, that at this point in the project, when the going gets toughest, to start focusing upon the short comings and fostering an atmosphere of failure, is not only counter productive, but also can turn a compromise of expectations into a true failure.

I would be pleased to discuss this letter with you at any time.

Sincerely yours,

Bill Driscoll

William J. Driscoll



153 EAST 53RD STREET
 NEW YORK, NEW YORK 10022
 212 371-2000

January 8, 1985

Mr. Robert S. Kline
 Deputy Director
 Division of Motor Vehicles
 25 South Montgomery Street
 Trenton, New Jersey 08666

THE NEW DMV SYSTEM IMPLEMENTATION

Dear Mr. Kline:

I am pleased to report to you that the Driver Licensing Subsystem, the first of the New DMV System components, was put into operation on January 7, 1985 and is being implemented for users at the DMV office and the agencies. It should be fully operational by January 14th. This milestone was reached by the project team three months ahead of the original schedule agreed to at the start of the project. It is clearly the result of an extraordinary team effort by DMV, SAC and PW staff. I believe that this success will set the pace for the implementation of other subsystems in the coming months.

In recent weeks, we have kept you informed of the technical difficulties and limitations experienced by the project team in the use of Applied Data Research, Inc.'s (ADR's) programming software, IDEAL. IDEAL is the high-level programming language used in the development of the New DMV System. In the following paragraphs, I would like to provide you with an update on these problems and propose a modified system implementation approach for your consideration. This proposed approach minimizes the impact of these technical difficulties on the functionality and benefits of the new system as well as on the desired schedule for its implementation.

Technical Problems:

In late October and early November of 1984, ADR informed SAC and PW technical staff of two potential problems associated with the use of IDEAL. These are:

1. Slow response times for on-line users of the system (resulting from slower internal routines of IDEAL as compared with some of the more mature programming languages like COBOL or lower-level languages such as Assembler).
2. Limitation on the number of active on-line users which can be supported by IDEAL. (ADR representatives are unable to identify the threshold of this limitation at this time. However, they have repeatedly cautioned us against adding a large number of

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on-line users under IDEAL in a single step. Their advice is to add a few on-line users at a time while monitoring and tuning the system performance until the threshold is reached.)

It was unfortunate that we were advised of these problems so late in the game. In fact, some 70% of the system coding had already been completed using IDEAL.

ADR management is aware of these technical problems with IDEAL and has committed to giving a high priority to solving them. However, based on their scheduled activities, they do not expect to solve these problems within the next 12 - 15 months.

After a number of discussions with ADR staff on these problems, we tested the performance of a number of IDEAL programs in an on-line environment with 100 - 110 active users. Based on the results of these tests, SAC and PW technical personnel are confident of achieving reasonable response times for on-line system users through the system and communications network tuning efforts. With regard to the number of on-line users, we believe that it would be prudent to increase their number gradually, and further to take whatever steps we can to limit the number of IDEAL users without compromising the functional effectiveness of the system. Our proposed approach, described below, is based on this premise.

Proposed (Modified) Implementation Approach:

The New DMV System provides its users with significantly enhanced on-line capabilities. In addition to on-line inquiry, the new system's features include on-line data entry, editing and file update functions. The on-line inquiry functions of the new system include the functions supported by the present system (through the use of DMV1 series of inquiry transactions) as well as added capability to inquire into other information contained in the system data base, e.g., driver testing and driver rehabilitation program information. One key benefit of the new system in this area is the availability of more current and complete data through inquiry against the new system data bases.

The original system implementation approach called for transferring all system functions from the present system to the new system, one subsystem at a time. This transfer also included a move from the present DMV1 inquiry screens to the new inquiry screens (supported by IDEAL programs) for the users at DMV. The outside users of the system were expected to continue to use the DMV1 inquiry transactions. For this purpose, the DMV1 transaction processing programs were modified to inquire into the new system's data bases. This would give the users the benefit of the new system while keeping the change in systems transparent to them. The DMV1 transaction processing programs are coded in COBOL language and, therefore, would not be affected by limitations of IDEAL.

In the modified approach, we recommend the continued use of DMV1 inquiry transactions for on-line inquiry-only users of the system (e.g., ACD personnel) at the DMV offices as well. This approach offers the following advantages:

1. It will continue to support the on-line inquiry needs of these users.
2. It will provide the key benefits of the new system through inquiry into the new system's data bases containing more complete and current information.
3. It will remove a sizable number of on-line users from the IDEAL environment until such time as ADR furnishes the solution to the technical problems associated with IDEAL.

This last advantage is critical. Inquiry-only DMV users currently account for some 120 of a total population of approximately 270 on-line terminals, as well as 50 - 60% of the on-line transactions. Shifting these users to new DMV1 transactions, and thereby out of IDEAL, will reduce the anticipated IDEAL terminal population to 200 - a number we believe can be reasonably supported successfully irrespective of the known technical problems.

We, of course, plan to code, test and implement on a few terminals at DMV the IDEAL programs which would support the DMV1-like inquiry function as included in the original system design. DMV1 inquiry users at the DMV office can be migrated gradually to this IDEAL environment at a later date after the resolution of the technical problems. All other on-line functions supported by IDEAL programs will be implemented as originally planned.

In addition, our modified approach calls for reprogramming certain selected programs in the new system in COBOL. This would help resolve the system performance problems associated with IDEAL and expedite the processing (both on-line as well as batch) of key functions supported by these programs. We believe that reprogramming of these programs coupled with computer system and communications network tuning efforts will enable the project team to achieve satisfactory levels of system performance.

While this approach differs slightly from the original approach, it is necessary in order to implement the new system with its full functionality and anticipated benefits, without encountering a significant delay in its implementation.

Impact on Project

The modified approach described above is necessitated as a result of (a) technical problems encountered with ADR's software at a late date and (b) ADR's inability to fully investigate and resolve the problems quickly so as not to affect the system implementation schedule adversely.

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Since being notified of these problems by ADR, the PW system development team has spent a considerable amount of time in:

1. testing the performance of IDEAL under various system operating conditions,
2. testing a number of software patches supplied by ADR,
3. recoding and benchmark testing a number of system programs, and
4. discussing the problems as well as test results with ADR personnel.

The objectives of this effort have been to ensure a stable operating environment for the new system when it is implemented, and to minimize the risk of a delay in the implementation of the new system. A result of this extra effort is the implementation of the Driver Licensing subsystem on January 7, as planned.

We are continuing to apply the extra push to the project by maintaining higher than planned staffing levels on all project teams in the system programming and testing phases. However, at this stage, any available slack time in the project schedule has been used up and the slow response time on the system development computer (which has reoccurred with the transfer of the development back to the smaller computer) and technical problem-related delays are beginning to make the actual progress of the project slip a little as compared to the plan. Based on the current status of the project we believe that, in spite of the additional staff assigned to the project, it is possible that the implementation of some of the system components could slip by 3 - 4 months compared to the current implementation plan. If you approve the modified implementation approach discussed in this letter, we would still aim to be ready to implement all the core system functions by July 1, 1985 as called for in our agreement. The implementation of two non-core subsystems - Security Responsibility and Driver Rehabilitation - however, would be delayed from September 1, 1985 to November 1, 1985.

The revised dates listed above are realistic target dates for system implementation. We, however, are continuing our efforts to accelerate the remaining system development and testing activities so as to meet the original schedule dates. It is also important to recognize that continuing poor system development response time or any new computer hardware or software problems not only could make the schedule recovery impossible but also make it slip further. SAC management is aware of this difficulty and is working to improve the response time. We will keep you advised of the impact of our efforts and these related events on the implementation schedule on a regular basis.

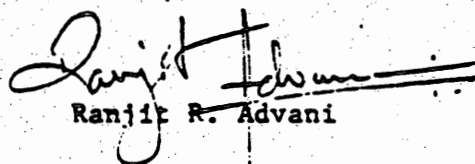
To date, we have spent 2,500-plus staff-hours of effort in dealing with and compensating for the technical problems in IDEAL. In addition, we expect to spend in the range of 2,000 - 3,500 additional staff-hours to modify, test and implement the system in accordance with the proposed approach. This additional effort totaling 4,500 - 6,000 hours is being

expended by PW as a result of the technical problems with ADR software, a factor clearly beyond our control. It was not anticipated as part of our planned system development activity and was not included in our project estimates. Therefore, I am requesting additional compensation authorization for this effort of an amount not exceeding \$600,000 for our fees and out-of-pocket expenses to be billed at the approved rates in effect for the project.

In closing, I want to assure you of our continued commitment to you and to the State of New Jersey in making this project a success. Our record to date clearly demonstrates this commitment.

I would be pleased to meet and discuss the modified approach in more detail with you in the coming days.

Yours very truly,


Ranjit R. Advani

STATE OF NEW JERSEY
DEPARTMENT OF LAW AND PUBLIC SAFETY
DIVISION OF MOTOR VEHICLES
MEMORANDUM TO THE FILES

DECEMBER 4, 1984 MEETING
"PROBLEMS WITH IDEAL"

IN ATTENDANCE:

Robert Kline
Ranjit Advani
William Driscoll

Raymond Trakimas
Christine Cox

CRC

A discussion was held about the problems with IDEAL programming language and the options available to SAC, Price Waterhouse, and DMV. Items discussed were:

- 1) ADR has said that a bigger machine (CPU) could help the response time. Price Waterhouse feels that a software vendor will always fall back on this kind of suggestion where response time is a problem.
- 2) Bill Driscoll stated that he feels that the DMV project will be a success operationally, maybe not technically. We should plan to implement the licensing system in January as scheduled, incrementally putting functions on the new system and carefully fine-tuning with each change.
- 3) In response to Bob Kline's question, Ran Advani stated that DMV is the only IDEAL user who has come this far with this size of project, Bob Kline concluding that we are in fact still a guinea pig.
- 4) Bob Kline asked Price Waterhouse for answers now or later to the questions:
 - a) Will it cost DMV more to fix the problems? If it will, why should it? If so, how much will it cost?
 - b) What about the timetable - will there be change in schedule?

Price Waterhouse indicated that there will be additional costs to do more programming which may be required if the fixes to IDEAL cannot be made. It was concluded that it is unclear at this time where responsibilities lie for payment, depending upon the contractual arrangement between SAC, ADR, Price Waterhouse and DMV. It can't be estimated at this time how much the cost would be, but to Bob Kline's question of are we talking of hundreds of thousands of dollars, Price Waterhouse indicated yes.

- 5) Ran Advani indicated that the timetable change could impact the later pieces (non-driver licensing) by three to four months, until appropriate solutions are found. Price Waterhouse with DMV staff will look at the various pieces of the system to determine what order might make sense if a more limited group of functions can be brought up. For example, the Division could decide to put off all non-core functions until the very end and to focus on only core functions according to their original schedule, if possible.
- 6) It was agreed that all systems are go for January for the licensing system, to be carefully implemented, analyzed and fine-tuned.
- 7) On December 13 a meeting will be held in Bob Kline's office with representatives of ADR to hear from them what they are doing about the problems, in what time period they are taking these steps and feel that they could have an impact, and to confirm their commitment to support the project as much as needed.
- 8) The meeting was concluded with an agreement that we must still wait and see what ADR says, what they can do, and continually assess the impact of that on our system. Bob Kline will wait to say anything to the Attorney General until receiving more information from Price Waterhouse and ADR.



State of New Jersey

DEPARTMENT OF LAW AND PUBLIC SAFETY
DIVISION OF MOTOR VEHICLES

25 SOUTH MONTGOMERY STREET
TRENTON, NEW JERSEY 08646

IRWIN I. KIMMELMAN
ATTORNEY GENERAL

CLIFFORD W. SNEDEKER
DIRECTOR

January 28, 1985

Mr. Ranjit R. Advani
Partner
Price Waterhouse
153 East 53rd Street
New York, New York 10022

Dear Mr. Advani:

Your letter of January 8, 1985 outlines the reasons for and requests the Division of Motor Vehicles' approval for a modified system implementation approach for the Comprehensive System. This modified approach involves bringing all new systems up functionally, but limits the number of terminals using the IDEAL transactions to a maximum of 200. This results from technical unknowns concerning the total number of terminals which can be supported for IDEAL applications, and recognizes that even 200 is an untested number. Integral to the modified approach is the continued use of the DMV1 series inquiries using COBOL/DL for those terminals not requiring IDEAL transactions.

From the standpoint of our original objectives for the Comprehensive System as set forth in the contract, this is not an acceptable approach. The State contracted for a comprehensive system to perform certain functions with no strings or limitations on the number of terminals which could perform these functions. We have always anticipated rapid growth of internal and external users of our new system and with this modified implementation and future uncertainty of volume, our expectations must also be modified. This is not acceptable to the Division, the State, or the public who must interact constantly with DMV. However, we understand that this is the only feasible approach to meet the schedule for the new subsystems, making use of existing programs already written in IDEAL, but substituting some specific "hogs" with rewritten COBOL/DL programs. (list attached hereto, marked "A")

After careful review of the operational impact of the proposed modified approach, to maximize the benefits to DMV and to the public while accepting less than a fully implemented system, we are proposing that:

- 1) DMV accept the operational terms of the modified implementation approach as outlined in the January 8 letter (attached hereto, marked "B");
- 2) Price Waterhouse write additional COBOL/DL programs or modify existing DMV1 series inquiries in accordance with attached list, marked "C."

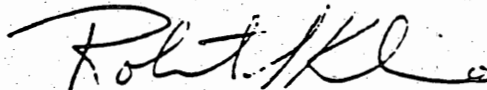
- 3) DMV accept the "functionality" of the various subsystems as they are tested and brought up on limited terminals throughout the schedule, but reserve final sign-off for warranty purposes until the limitation on terminals is lifted or mutually resolved;
- 4) Price Waterhouse provide technical assistance as part of the original contract obligation at such time that ADR provides new releases or patches to expand the use of the terminals.

Under no circumstances does DMV recognize an obligation to pay amounts above the original contract for these tasks, nor will DMV permit the delay of any of the deadlines as set forth in the contract as a result of the modified approach, except for the two non-core functions specifically mentioned, i.e., Security Responsibility and Driver Rehabilitation. Further, DMV's acceptance of the modified implementation approach does not constitute a waiver of any other part of the DMV-PW contract.

We understand that enhancements requested by DMV which have been and will be made generate additional costs, but we believe that the full implementation of the original components of the Comprehensive System is covered by the \$6.5 million obligation.

To put to rest the issue of adequate technical support, we are requesting that Price Waterhouse submit a written definition of the standards of technical support which you expect and think are needed for our project. By being as specific as possible, DMV and O.T.I.S. can take a hard look at whether those standards are acceptable and achievable. We can then work together to insure that the appropriate steps are taken to maintain the Comprehensive System at a standard of excellence.

Sincerely,



Robert S. Kline
Deputy Director

c: C. Snedeker
A. Bochese
C. Cox

STATE OF NEW JERSEY
DIVISION OF MOTOR VEHICLES
DRIVER/OWNER INFORMATION MANAGEMENT SYSTEM

COBOL/DL Programs

<u>SUBSYSTEM</u>	<u>PROGRAM NUMBER</u>	<u>PROGRAM DESCRIPTION</u>	<u>STATUS</u>
<u>Violations:</u>			
1.	AVM010PN	Driver History Inquiry	
2.	AVM020PN	Driver Suspension Detail Inquiry	
<u>Licensing:</u>			
1.	ALLO01PN	Fetch Driver/Owner I/O Module	Partially Coded
2.	ALLO09PN	Driver Data Inquiry	
3.	ALLO05PN	Name Search	
<u>Registrations:</u>			
1.	ARRI0M01	Registrations/Titles I/O Module	Partially Coded
2.	ARR270PB	Registration Batch Update	
3.	ARR351PN	Registration Inquiry	
<u>Titles:</u>			
1.	ART200PB	Title Batch Update	
2.	ART100PN	Special Title Request	Partially Coded
3.	ART400PN	Title Inquiry	Partially Coded
<u>System Wide:</u>			
1.	ADB200PB	Date Conversion Routine	Coded, in Testing
2.	ADB100PN	On-line Error Message Decode Module	
3.	ADB110PN	Batch Error Message Decode Module	
4.	ADB450PB	Date Window Subroutine	
5.	ALD081PN	Day Calculations - 1	
6.	ALD082PN	Day Calculations - 2	
7.	MENUS/ BRIDGES	License, Registrations, Titles, Violations	



153 EAST 53RD STREET
NEW YORK, NEW YORK 10022
212 371-2000

March 15, 1985

Mr. Robert S. Kline
Deputy Director
Division of Motor Vehicles
25 South Montgomery Street
Trenton, New Jersey 08666

Dear Mr. Kline:

In recent weeks, we have discussed with you and Ms. Cox certain issues raised in your letter of January 28, 1985 addressed to me. In this response to the letter, I would like to summarize our resolution of these issues.

Before addressing these issues, however, let me give you a brief update on the status of the implementation of the New DMV System.

System Implementation Status and Schedule:

As of today, five subsystems - Driver Licensing, Driver Testing, Revenue Reporting, Vehicle Inspection and Forms Control - have been implemented and put into production. The implementation of the Violations subsystem has been delayed from March to April, 1985 and the Registrations and Titles subsystems have been delayed from March to May, 1985 at DMV management's request. The remaining subsystems - Compulsory Insurance, Security Responsibility and Driver Rehabilitation - are scheduled for implementation during May and June 1985. The delay in the implementation of the Compulsory Insurance and Security Responsibility subsystems, as compared with the original implementation schedule, is being caused by the delayed implementation of the Registration, Titles and Violations subsystems which need to be implemented earlier because of the system interface requirements.

As discussed above, we will have both the Security Responsibility and the Driver Rehabilitation subsystems ready for implementation well within the contract deadlines. We have added extra programming resources to our project team to ensure that we meet these important time commitments and we are confident of meeting them. We have discussed these implementation schedules and the necessary user activities with DMV management personnel working on the project to ensure timely implementation of these systems. In the coming months, we will keep you informed of this schedule and any developments which might affect it.

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MARCH 16 1985
ASSISTANT DIRECTOR
DIVISION OF MOTOR VEHICLES

Modified Implementation Approach:

The following paragraphs summarize our resolution of the New DMV System implementation issues:

- 1) To facilitate timely implementation of the new system, we will develop some of the large "system resource hog" programs in COBOL/DL (listed in the Attachment "A") and substitute these programs for those already written in IDEAL, as needed.
- 2) DMV accepts the operational terms of the modified implementation approach as outlined in the January 8 letter (attached hereto, marked "B");
- 3) Price Waterhouse will write additional COBOL/DL programs or assist SAC personnel modify existing DMV series inquiries in accordance with attached list, marked "C".
- 4) DMV will accept the "functionality" of various subsystems as they are tested and brought up on limited terminals throughout the implementation schedule; Price Waterhouse, in addition to providing the normal warranty support for each subsystem during the warranty period beginning with its implementation, will provide extended warranty support for the subsystems in operation for a period of one month from the date when limitation on terminals is lifted or mutually resolved. This support would apply to application system problems resulting from the use of the subsystems in operation by the increased number of terminals.
- 5) Price Waterhouse will also provide technical assistance for the application system as part of extended warranty support at such time that ADR provides new releases or patches to expand the use of the terminals as specified in Attachment "D" or as we might mutually agree at a later date.

Implementation of the new system is now proceeding along these lines.

Technical Support:

Earlier, in response to your request, I provided you with a summary statement on the Responsibilities of Technical Support Group in a Computer Installation. A copy of this statement is included as Attachment "E". It briefly describes the standard level of technical support provided by an installation's technical personnel to the application development teams. Our expectations of technical support from SAC/OTIS for this project are the same. Although SAC/OTIS technical personnel have participated in these tasks in the course of the New DMV System development effort, because of their personnel resource limitations, our staff has performed a number of these tasks in this area.

Fees:

With regard to the question of fees, we have now agreed that Price Waterhouse will be paid additional fees and expenses (in addition to the compensation amounts provided for in the Agreement to develop the New DMV System) for extended services provided to date or expected to be provided in connection with the following:

- Project scope changes and new DMV System related projects (e.g., microfilm vendor selection project).
- Additional programming assistance (e.g., to facilitate DMV and SAC's file purification efforts or program changes to accommodate the use of different sets of output document forms).
- System operations support provided by Price Waterhouse at DMV management's request.
- Technical support tasks performed by Price Waterhouse staff to supplement the efforts of SAC's limited technical personnel resources in the areas discussed in Attachment "E".
- Additional time charges incurred by Price Waterhouse as a result of delays caused by factors beyond its control (e.g., availability of forms, terminals, etc.).

Fees for these extended services will be billed at the following billing rates which are currently in effect for the New DMV System project:

<u>Staff Category</u>	<u>Hourly Billing Rate</u>
Partner	\$165
Senior Manager	\$135
Manager	\$ 85
Consultant	\$ 75

These billing rates will be adjusted upward by seven percent (7%) on July 1, 1985 to reflect the annual firm-wide increase in our staff billing rates.

In addition to the fees for our staff time charges, our invoices will include billing for out-of-pocket expenses incurred in connection with the project. Our experience to date with this project shows the out-of-pocket expenses to be at thirteen percent (13%) of our time charges. We plan to use this percentage figure as a guideline for billing the out-of-pocket expenses.

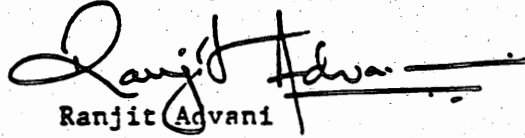
As instructed by you, we have now initiated the submission of separate invoices for certain extended services provided by Price Waterhouse in recent months. We will continue this practice in coming months.

We will prepare a separate invoice in March 1985 for extended services which were provided in 1984.

* * * * *

I will be pleased to discuss the contents of this letter in more detail with you and provide additional clarifications, if necessary.

Yours very truly,

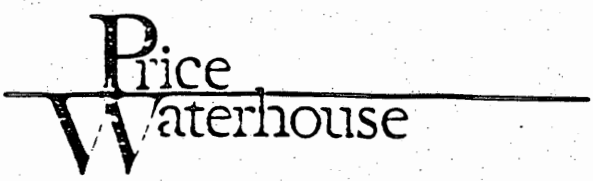

Ranjit Advani

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Attachments

STATE OF NEW JERSEY
DIVISION OF MOTOR VEHICLES
DRIVER/OWNER INFORMATION MANAGEMENT SYSTEM

COBOL/DL Programs

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6.	ALD082PN	Day Calculations - 2	
7.	MENUS/ BRIDGES	License, Registrations, Titles, Violations	



153 EAST 57TH STREET
NEW YORK, NEW YORK 10022
212 371 2000

January 8, 1985

Mr. Robert S. Kline
Deputy Director
Division of Motor Vehicles
25 South Montgomery Street
Trenton, New Jersey 08666

THE NEW DMV SYSTEM IMPLEMENTATION

Dear Mr. Kline:

I am pleased to report to you that the Driver Licensing Subsystem, the first of the New DMV System components, was put into operation on January 7, 1985 and is being implemented for users at the DMV office and the agencies. It should be fully operational by January 14th. This milestone was reached by the project team three months ahead of the original schedule agreed to at the start of the project. It is clearly the result of an extraordinary team effort by DMV, SAC and PW staff. I believe that this success will set the pace for the implementation of other subsystems in the coming months.

In recent weeks, we have kept you informed of the technical difficulties and limitations experienced by the project team in the use of Applied Data Research, Inc.'s (ADR's) programming software, IDEAL. IDEAL is the high-level programming language used in the development of the New DMV System. In the following paragraphs, I would like to provide you with an update on these problems and propose a modified system implementation approach for your consideration. This proposed approach minimizes the impact of these technical difficulties on the functionality and benefits of the new system as well as on the desired schedule for its implementation.

Technical Problems:

In late October and early November of 1984, ADR informed SAC and PW technical staff of two potential problems associated with the use of IDEAL. These are:

1. Slow response times for on-line users of the system (resulting from slower internal routines of IDEAL as compared with some of the more mature programming languages like COBOL or lower-level languages such as Assembler).
2. Limitation on the number of active on-line users which can be supported by IDEAL. (ADR representatives are unable to identify the threshold of this limitation at this time. However, they have repeatedly cautioned us against adding a large number of

on-line users under IDEAL in a single step. Their advice is to add a few on-line users at a time while monitoring and tuning the system performance until the threshold is reached.)

It was unfortunate that we were advised of these problems so late in the game. In fact, some 70% of the system coding had already been completed using IDEAL.

ADR management is aware of these technical problems with IDEAL and has committed to giving a high priority to solving them. However, based on their scheduled activities, they do not expect to solve these problems within the next 12 - 15 months.

After a number of discussions with ADR staff on these problems, we tested the performance of a number of IDEAL programs in an on-line environment with 100 - 110 active users. Based on the results of these tests, SAC and PW technical personnel are confident of achieving reasonable response times for on-line system users through the system and communications network tuning efforts. With regard to the number of on-line users, we believe that it would be prudent to increase their number gradually, and further to take whatever steps we can to limit the number of IDEAL users without compromising the functional effectiveness of the system. Our proposed approach, described below, is based on this premise.

Proposed (Modified) Implementation Approach:

The New DMV System provides its users with significantly enhanced on-line capabilities. In addition to on-line inquiry, the new system's features include on-line data entry, editing and file update functions. The on-line inquiry functions of the new system include the functions supported by the present system (through the use of DMV1 series of inquiry transactions) as well as added capability to inquire into other information contained in the system data base, e.g., driver testing and driver rehabilitation program information. One key benefit of the new system in this area is the availability of more current and complete data through inquiry against the new system data bases.

The original system implementation approach called for transferring all system functions from the present system to the new system, one subsystem at a time. This transfer also included a move from the present DMV1 inquiry screens to the new inquiry screens (supported by IDEAL programs) for the users at DMV. The outside users of the system were expected to continue to use the DMV1 inquiry transactions. For this purpose, the DMV1 transaction processing programs were modified to inquire into the new system's data bases. This would give the users the benefit of the new system while keeping the change in systems transparent to them. The DMV1 transaction processing programs are coded in COBOL language and, therefore, would not be affected by limitations of IDEAL.

In the modified approach, we recommend the continued use of DMV1 inquiry transactions for on-line inquiry-only users of the system (e.g., ACD personnel) at the DMV offices as well. This approach offers the following advantages:

1. It will continue to support the on-line inquiry needs of these users.
2. It will provide the key benefits of the new system through inquiry into the new system's data bases containing more complete and current information.
3. It will remove a sizable number of on-line users from the IDEAL environment until such time as ADR furnishes the solution to the technical problems associated with IDEAL.

This last advantage is critical. Inquiry-only DMV users currently account for some 120 of a total population of approximately 270 on-line terminals, as well as 50 - 60% of the on-line transactions. Shifting these users to new DMV1 transactions, and thereby out of IDEAL, will reduce the anticipated IDEAL terminal population to 200 - a number we believe can be reasonably supported successfully irrespective of the known technical problems.

We, of course, plan to code, test and implement on a few terminals at DMV the IDEAL programs which would support the DMV1-like inquiry function as included in the original system design. DMV1 inquiry users at the DMV office can be migrated gradually to this IDEAL environment at a later date after the resolution of the technical problems. All other on-line functions supported by IDEAL programs will be implemented as originally planned.

In addition, our modified approach calls for reprogramming certain selected programs in the new system in COBOL. This would help resolve the system performance problems associated with IDEAL and expedite the processing (both on-line as well as batch) of key functions supported by these programs. We believe that reprogramming of these programs coupled with computer system and communications network tuning efforts will enable the project team to achieve satisfactory levels of system performance.

While this approach differs slightly from the original approach, it is necessary in order to implement the new system with its full functionality and anticipated benefits, without encountering a significant delay in its implementation.

Impact on Project

The modified approach described above is necessitated as a result of (a) technical problems encountered with ADR's software at a late date and (b) ADR's inability to fully investigate and resolve the problems quickly so as not to affect the system implementation schedule adversely.

Since being notified of these problems by ADR, the PW system development team has spent a considerable amount of time in:

1. testing the performance of IDEAL under various system operating conditions,
2. testing a number of software patches supplied by ADR,
3. recoding and benchmark testing a number of system programs, and
4. discussing the problems as well as test results with ADR personnel.

The objectives of this effort have been to ensure a stable operating environment for the new system when it is implemented, and to minimize the risk of a delay in the implementation of the new system. A result of this extra effort is the implementation of the Driver Licensing subsystem on January 7, as planned.

We are continuing to apply the extra push to the project by maintaining higher than planned staffing levels on all project teams in the system programming and testing phases. However, at this stage, any available slack time in the project schedule has been used up and the slow response time on the system development computer (which has reoccurred with the transfer of the development back to the smaller computer) and technical problem-related delays are beginning to make the actual progress of the project slip a little as compared to the plan. Based on the current status of the project we believe that, in spite of the additional staff assigned to the project, it is possible that the implementation of some of the system components could slip by 3 - 4 months compared to the current implementation plan. If you approve the modified implementation approach discussed in this letter, we would still aim to be ready to implement all the core system functions by July 1, 1985 as called for in our agreement. The implementation of two non-core subsystems - Security Responsibility and Driver Rehabilitation - however, would be delayed from September 1, 1985 to November 1, 1985.

The revised dates listed above are realistic target dates for system implementation. We, however, are continuing our efforts to accelerate the remaining system development and testing activities so as to meet the original schedule dates. It is also important to recognize that continuing poor system development response time or any new computer hardware or software problems not only could make the schedule recovery impossible but also make it slip further. SAC management is aware of this difficulty and is working to improve the response time. We will keep you advised of the impact of our efforts and these related events on the implementation schedule on a regular basis.

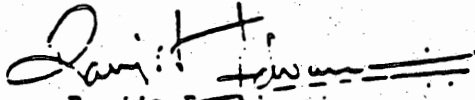
To date, we have spent 2,500-plus staff-hours of effort in dealing with and compensating for the technical problems in IDEAL. In addition, we expect to spend in the range of 2,000 - 3,500 additional staff-hours to modify, test and implement the system in accordance with the proposed approach. This additional effort totaling 4,500 - 6,000 hours is being

expended by PW as a result of the technical problems with ADR software, a factor clearly beyond our control. It was not anticipated as part of our planned system development activity and was not included in our project estimates. Therefore, I am requesting additional compensation authorization for this effort of an amount not exceeding \$600,000 for our fees and out-of-pocket expenses to be billed at the approved rates in effect for the project.

In closing, I want to assure you of our continued commitment to you and to the State of New Jersey in making this project a success. Our record to date clearly demonstrates this commitment.

I would be pleased to meet and discuss the modified approach in more detail with you in the coming days.

Yours very truly,


Ranjit R. Advani

Additional COBOL/DL Programs Required by DMV

SUBSYSTEM: Licensing

Screen: ALD010S1 "Driver Permit Status Display

(Addition of this screen to the "DMV1" lookup capabilities will aid the Telephone Center (6500) in responding to calls without requiring full IDEAL screens).

(Note: This will be treated as a non-core function which may be required after July, 1985).

Modify the following:

1. Add zip code to all DMV1 series screens
2. Reverse the order of the violation transaction chronology on the DMV1V and DMV1GV lookups.

(Note: 1. Modification of existing SAC programs to include zip code to DMV1 screens is being investigated by SAC personnel. If appropriate, this change will be made by SAC personnel.

PLANNED DMV TERMINAL AVAILABILITY

USER AREA/FLOOR	CURRENT NUMBER OF TERMINALS	CURRENT CAPABILITY	PLANNED NUMBER OF TERMINALS AS OF JULY 31, 1985	AVAILABILITY		FUTURE ESTIMATES AT SEPT. 30, 1985	
				CYCS/DMV	IDEAL	DMV	IDEAL
ACD - 2nd SM	72	A	114	70	44		
Driver Control - 1st, 5th, 6th SM	73	A	93	20	73		
Licenses and Registrations - Direct Entry	31	C	43	3	40		
Insurance Surcharge - 3rd SM	15	A	15	15	0		
System Testing/Training - 6th ES	15	A	4 used as needed	0	4		
Price Waterhouse - 2nd ES	9	A	0 will not be needed	0	0		
Customer Service - 1st SM	5	A	5	5	0		
Security Responsibility - 4th SM	5	A	5	0	5		
Call Back - 1st SM	4	A	4	4	0		
Records Management/Numeric Files - 5th SM	4	A	4	4	0		
License and Registrations Correspondence and Controls - 3rd SM	6	A	6	3	3		
Violations Processing 15-4, Accidents Scofflaws - 5th ES	3	A	50	10	40		
Compulsory Insurance Compliance - 4th ES	3	A	8	2	6		
Fee Collection - 1st SM	3	C	3	1	2		
Tape Corrections - 4th	3	A	0 no longer needed	0	0		
Alcohol Countermeasures - 1st SM	2	A	2 transferred to Dept. of Health	2	0		
Bureau of Agencies - 3rd Quaker	2	C	6	2	4		
Enforcement - 3rd SM	2	A	2	2	0		

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ATTACHMENT "D"

USE/AREA/FLOOR	CURRENT NUMBER OF TERMINALS	CURRENT CAPABILITY	PLANNED NUMBER OF TERMINALS AS OF JULY 31, 1985	AVAILABILITY		FUTURE ESTIMATES AT SEPT. 30, 1985	
				CTCS/DNVI	DPAL	DNVI	DPAL
Records Management	2	A	2	0	2		
Certificate of Ownership - 3rd FS	2	A	12	2	10		
Probationary Driver - 1st Quaker	2	C	4	0	4		
Hall Renewals - 6th FS	2	A	5	2	3		
Citizen Complaints - 2nd SM	1	A	1	1	0		
Director's Office - 7th SH	1	C	1	0	1		
Hall Issue - 6th FS	1	A	1	1	0		
Correspondence Area - 6th SM	1	A	1	0	1		
DMV Agency - 1st SM	1	A	1	1	0		
Duplicate Service 3rd SM	1	A	1	0	1		
Driver Testing - 2nd Quaker	1	A	40	0	40		
UCJ - 1st Quaker	1	A	1	0	1		
Special Plate Unit - 1st Quaker	1	A	1	0	1		
Budget and Accounting - 7th SM, 6th FS	0	N/A	4	0	4		
	TOTAL	274	439	150	289		350-400
				352	652		

CURRENT CAPABILITY:

- A - DNVI, DMV, ATSS, DMVH, DMV (CTCS)
- B - DNVI, DMVZ, S/R (CTCS)
- C - 5oth (CTCS, CTIS)

x/9/

includes field
40 locations

RESPONSIBILITIES OF
TECHNICAL SUPPORT GROUP IN A COMPUTER INSTALLATION

A computer installation's technical support responsibilities for all projects underway at the installation include the following:

- All inhouse technical support responsibility for the installation's hardware and software environment, including data base, query, communications, and any special purpose software (e.g., security, performance monitor, network simulation, etc.).
- Primary contact with all hardware and software vendors.
- Installation and testing of all software upgrades/patches/fixes provided by vendors.
- Technical support to application development teams during the period of system development activity. This includes:
 - reviewing, analyzing, and solving hardware and software related problems;
 - assignment of file space, movement of programs and data files during testing, implementation, and production activities;
 - full involvement in implementation activities, such as setting up on-line user tables and file recovery procedures;
 - full maintenance and support responsibility for system libraries.
- Primary Data Base Administration (DBA) responsibility for all data bases in production.
- Full and direct involvement in system performance tuning activities.



153 EAST 53RD STREET
NEW YORK, NEW YORK 10022
212 371-2000

August 15, 1985

Director Robert S. Kline
Division of Motor Vehicles
25 South Montgomery Street
Trenton, New Jersey 08666

Dear Bob:

As we stated at the conclusion of our meeting on Wednesday, August 7, 1985, it was necessary for us to go back and discuss the State's position and the other related matters with our executive group. We have reviewed the State's position together with the status of our engagement and contract. The Price Waterhouse response to the State's position has been developed and reviewed with our outside counsel, Cravath, Swaine & Moore.

Our assessment is that the State's position is extreme, and furthermore, the situation has deteriorated to the point where Price Waterhouse, as a professional matter, is compelled to take a strong and aggressive position of leadership, even if above and beyond contractual commitments, in order to satisfy the desires of our client, DMV.

In summary, our position with respect to engagement status is:

1. Price Waterhouse has made every effort to comply with and in fact has complied with the engagement arrangements and provisions of our contract with the State.

2. Specifically with respect to the product offerings of ADR, the decision to use those products and the IDEAL programming language was a decision for which PW and DMV share responsibility.
3. DMV agreed earlier this year to a modified implementation approach as satisfying our contractual arrangements with the State. This agreement was reached based on mutual agreement that ADR would eliminate the performance problems associated with the IDEAL programming language at some reasonable future time.

Your concern, based upon subsequent developments, that ADR's present attitude provides no basis for any assurance that a future release of IDEAL will solve the performance problems underlies the State's current position that acceptance of the comprehensive system will only occur if the presently implemented system is completely reprogrammed in COBOL. We do not dispute this position, since we cannot provide you any present assurances that ADR will solve these problems. We also agree there are serious existing performance problems in the comprehensive system as now implemented.

Accordingly, we will work with OTIS and DMV in converting the comprehensive system from IDEAL to COBOL/DL. In view of comments that were made at Wednesday's meeting, it is clear the State does not believe that a line by line IDEAL to COBOL conversion may necessarily provide the complete solution. Therefore, we intend to initiate a technical review of the systems, their design and current operations, with OTIS in order to identify and agree upon those essential changes which go beyond the line by line conversion. As a result of this step, specific agreement can be reached with the State as to scope and level of effort for the conversion, thus providing the basis for establishing the commitments of Price Waterhouse, DMV and OTIS to the conversion program. Our preliminary estimates of a line by line, program by program conversion from

IDEAL to COBOL/DL indicates efforts in the range of 25,000 to 30,000 hours over a period of approximately one year. We are prepared to meet the agreed upon commitments for the conversion program at an average hourly rate of \$25. Obviously, this rate represents a fraction of our costs; however, we believe this demonstrates our willingness to proceed and the strength of our professional commitment to satisfying the State's desires.

In order to move expeditiously toward final agreement on the conversion program, we are making arrangements for a series of review sessions with OTIS and SAC so that agreement may be reached on the scope of the conversion effort. At the conclusion of these sessions, we will present a project plan for delivery of the DMV comprehensive system programmed in COBOL which will specify clearly the roles and responsibilities of Price Waterhouse, OTIS and DMV in this project. It is essential that we reach agreement on specific management roles and project responsibilities in order to avoid any future disagreements on our performance or performance of the other parties.

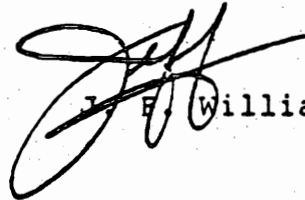
With respect to the position that the State will not issue the check which was promised to us in early July, our counsel has advised us that under the specifications of Paragraph 2 of our contract with the State, we are entitled to monthly payments for services irrespective of any unresolved contention by the State of non-compliance on our part. They also advised us that your refusal to issue this check is a substantial breach of our contract.

Price
Waterhouse & Co.

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We are prepared to move ahead with this conversion effort on a mutually acceptable and cooperative basis and to continue to support the current implementation efforts. We believe that it is absolutely essential for the parties to put any difficulties which we may have had behind us and focus our entire efforts on completing the project to your satisfaction.

Sincerely,



J. F. Williams



State of New Jersey

DEPARTMENT OF LAW AND PUBLIC SAFETY
OFFICE OF THE ATTORNEY GENERAL

IRWIN I. KIMMELMAN
ATTORNEY GENERAL

CN081
RICHARD J. HUGHES JUSTICE COMPLEX
TRENTON 08625

MICHAEL R. COLE
FIRST ASSISTANT ATTORNEY GENERAL
DIRECTOR, DIVISION OF LAW

Tel. (609) 292-4965

August 26, 1985

Price Waterhouse
153 East 53rd Street
New York, New York 10022

ATTENTION: J.F. WILLIAMS

Dear Mr. Williams:

The Comprehensive On-line Driver/Owner Information and Management System designed and implemented by Price Waterhouse for the Division of Motor Vehicles under its November 9, 1983 contract with the State was brought on-line on or about July 1, 1985, and as you know the operation of the system has revealed that it has major deficiencies. The new system simply will not handle the workload of the Division, cannot process known backlogs, and daily generates additional backlogs in the processing of information. It cannot support the requisite number of terminals necessary for the Division's daily workload. The effect of these deficiencies is devastating for the Division and the public. There are backlogs of transactions exceeding 1.4 million. There are delays in signing on to the system each day and response time is slow in obtaining information from the system. As a result, the data base cannot be kept current. You are already familiar with these problems, from our complaints and reports and from your own observations.

The State of New Jersey must have the problems with the Comprehensive System solved and promptly, and the purpose of this letter is to make our position known. If Price Waterhouse does not undertake in accordance with its contract to correct the deficiencies, the State will make independent arrangements to do so and will hold Price Waterhouse accountable under its contract for the State's costs and damages. The State also takes the position that there is a major design deficiency in the system as designed by Price Waterhouse, namely the utilization of the IDEAL programming language, and that this deficiency must be eliminated. Price Waterhouse as the designer of the Comprehensive System selected the

IDEAL language and is responsible for this design deficiency in the system. You on the other hand have recently taken the position that Price Waterhouse has fulfilled its contract despite the deficiencies, and that you are not responsible for your decision to use the IDEAL language. Your position is not in accordance with the contract or the facts.

There can be no doubt that the system as it presently operates is inadequate and is not in accordance with the requirements of your contract with the State. In your July 12, 1983 proposal which was incorporated into the contract you undertook to design and implement a quality "State of the Art" on-line information and management system which the Division needed to meet its complex data processing and information requirements, and you undertook to utilize "proven project management techniques, system developments methods and administrative policies." You also undertook in your proposal to "utilize a sophisticated data base management system that will facilitate efficient data processing and updating, eliminate redundant data and provide data access capabilities to a series of on-line computer terminals."

The system as delivered by you does not conform to your proposal and the contract, and is grossly inadequate. It cannot even handle half of the Division's computer terminals. The processing of information which should take one day takes seven days. When individual terminals are signed on each day it sometimes takes 10 minutes and sometimes an hour. When information is requested it sometimes takes 3 seconds, but sometimes 30 seconds and sometimes 3 minutes. The backlog has reached 1.4 million transactions. The Division has been forced to pay approximately \$160,000 per month in overtime to process information at night, because the system cannot perform all the required functions simultaneously during normal working hours. These are but examples of symptoms of a grossly deficient system which simply does not have adequate programming capacity to handle the basic volume of data processing required by the Division of Motor Vehicles. You have not attempted to deny the problems now being encountered. Nor could you in view of their magnitude and seriousness.

You have already acknowledged that the system as designed by you is deficient and that a major cause of the deficiency is the IDEAL program language selected by you. For example, in a letter dated January 3, 1984 you said in discussing the problem and proposed solutions, "the only significant limitation regarding state-of-the-art technology which represents an initial compromise will be the numbers and timing of implementing additional on-line terminals with update capability beyond those initially required for core and non-core functions within the scope of project." You thus conceded that for some period the system could not handle all of the Division's terminals. Toward the end of the same letter you said that many of the problems which had begun to surface at that time, which you called "challenging," were "related to ADR's

software and support capabilities" -- meaning the IDEAL language selected by you. Thus you acknowledged that the IDEAL language was a significant problem.

In a letter dated January 8, 1985 proposing implementation alternatives because of problems then becoming apparent, you confirmed that you had advised the Division "of the technical difficulties and limitations experienced by the project team in the use" of the IDEAL programming software. You also said in that letter that two of the technical problems were "slow response times for on-line users of the system (resulting from slower internal routines of IDEAL as compared with some of the more mature programming languages like COBOL or lower-level languages such as Assemblers)," and limitations on the number of active on-line users which could be supported by the IDEAL language. These are precisely the problems which are now being experienced. Earlier, when questions were raised concerning your decision to use the IDEAL language rather than the more "mature" COBOL language, you assured the Division that the IDEAL language would work and stated what appears to be your reason for selecting it. In a letter dated March 30, 1984 you acknowledged concerns and deficiencies relating to the IDEAL language and that they were critical to the success of the project, but said that you decided to use it despite these problems. You said in part in that letter:

ADR's DATACOM/DB, including its family of related software products, had been evaluated extensively by SAC and the DATACOM/DB had been selected and implemented prior to the commencement of the DMV project. PW as a condition to accepting the DMV contract, reserved the right to select another data base system, if in their judgment, DATACOM/DB and the support software could not do the job. I think it is of some importance to keep in mind, this condition was more a matter of principle relating to the issue of responsibility and control rather than any immediate reservations about the DATACOM/DB system's technical capabilities to meet the processing requirements of the DMV comprehensive on-line system. PW made its own evaluation of DATACOM/DB and ADR, the vendor and concluded, all factors considered, the best business decision was to use DATACOM/DB, already in place, as well as some of the other tools in ADR's family of software products which were planned for future installation by SAC.

One of the tools then listed in the letter was the IDEAL language. You later said in the same letter:

The use of IDEAL as the programming language is most important from the standpoint of significant productivity gains anticipated during the coding and testing phases of the system development process. At this time, PW is satisfied, the uncertainties associated with the use of IDEAL represent an acceptable risk when measured against the significance of the potential benefits.

The quoted language seems clearly to say that you decided to use the less "mature" IDEAL language because you would save money in performing your contract, and in the letter you persuaded the Division to accept your decision by representing that you had fully evaluated the IDEAL language and by assuring the Division that it would perform adequately.

Just last week you again expressed agreement with the conclusion that there are serious problems with the system, and you also agreed that the system must be programmed in COBOL language to correct the problems. In a letter to the Division dated August 15, 1985 you said:

Your concern, based upon subsequent developments, that ADR's present attitude provides no basis for any assurance that a future release of IDEAL will solve the performance problems underlies the State's current position that acceptance of the comprehensive system will only occur if the presently implemented system is completely reprogrammed in COBOL. We do not dispute this position, since we cannot provide you any present assurances that ADR will solve these problems. We also agree there are serious existing performance problems in the comprehensive system as now implemented.

In the present circumstances we believe that we must insist that Price Waterhouse reprogram the system in COBOL language and do so on an expedited basis. The Division must insure that its data management system functions adequately on a current basis so that it can adequately serve the public. The system since it went on line in July has operated in a seriously deficient manner. The question of your selection of the IDEAL language was raised long ago, and you insisted on using it as was your prerogative and responsibility under the contract and gave assurances that it would work. The present major deficiencies in the system are precisely the type which were anticipated from the use of the IDEAL language. Finally, you have conceded that there are major deficiencies in the system, that they are caused by your use of the IDEAL language, and that that language must be replaced if the system is to function properly. In the face of this evidence including your own admis-

sions we have no choice but to require you to replace the IDEAL language in the system. Any other solution is a waste of time, and delays spent pursuing inadequate remedies further threatens the Division's ability to serve the public.

Your position as to the responsibility for and the resolution of the problems in the system as reflected in a letter from you dated August 15, 1985 and in a subsequent meeting following our complaints is also unacceptable. On August 7, 1985 we called a meeting to reemphasize our concerns, and thereafter received the August 15, 1983 letter. In that letter you said the State's position was extreme -- presumably referring to our request that you undertake to remedy the problems in the system and our indication that we would not pay your outstanding invoices because of the problems and the absence of a proposed solution by you. You said this compelled you to "take a strong and aggressive position of leadership." You then said that your position was that 1) you complied with the contract, 2) that the Division shares in the responsibility for selecting the IDEAL language, and 3) that the Division agreed to a modified implementation approach as satisfying your contract with the understanding that ADR, the manufacturer of the IDEAL language, would remedy the performance problems at some future time. Thus you apparently contend that the Division must accept your grossly deficient system but pay you the full contract price. You then offered to remedy the system by converting it to COBOL language -- provided the State paid you extra money over and above the contract price for implementing the fix necessitated by the deficiency in your design of the system. In a subsequent meeting on August 17, 1985 you said you would not charge the State to fix the system, but said the State must determine what actions were needed to fix the system.

Price Waterhouse's position is ridiculous and unconscionable, and in our view it is not acting in good faith in this matter. Under the contract the State is entitled to a properly functioning system for "an amount not to exceed \$6,500,000" -- the contract price, plus agreed upon changes and extras. You are not entitled to extras for remedying defects in the system as designed and implemented by you under the contract. You have not complied with the contract because the system does not function properly as required by the contract, your proposal, the system requirements definition study and the state of the art. Under the contract you as the expert designing the system -- not the Division -- were to select the language, and as is obvious from your March 30, 1984 letter, you insisted on your right under the contract to use the IDEAL language even after we expressed concerns. Thus the decision was yours, and the Division does not have a shared responsibility as you claim. Moreover, the Division did not agree to modify your contract in any way which would effect the requirement that your system function properly, or even the time for performance except in two minor respects. The Division only agreed to a staged implementation. This is apparent from your January 8, 1985 letter which

requested the modifications because of the problems attributable to the IDEAL language, our January 28, 1985 letter response, and your March 15, 1985 follow-up letter which memorialized our ultimate agreement. Your suggestion that the Division must look to ADR to solve the present problems is also ridiculous. Under the contract you are responsible for the design and implementation of the system. Thus the Division looks to you for its deficiencies. Moreover, your present position ignores the fact that the problem with the IDEAL language is that it is not by design suitable for this system. You are the party which selected this language for this system and you are the party which ignored concerns premised on suggestions that the language might not be suitable. Finally, you are responsible for designing and implementing the system and are the expert. It is for you -- not the Division -- to deliver a proper system and to determine what is necessary to make the system work.

For the foregoing reasons, the State must call upon you to commit to remedy the system and to put it into proper working order in accordance with the contract and at your expense, and in the circumstances to replace the IDEAL language with COBOL language. Moreover, because time is of the essence, we must ask you to make a written commitment no later than Friday, August 31, 1985 and to complete all necessary remedial work expeditiously. Finally, the State will not pay outstanding Price Waterhouse invoices until the system is brought into compliance with the contract or until we are adequately assured that it will be corrected expeditiously. If Price Waterhouse fails to remedy the system as required, the State will look to others to repair it and will hold Price Waterhouse accountable for the State's costs in doing so, and also all damages suffered by the State. The State will also hold Price Waterhouse's contract balance and apply it to the State's claims in that event. Please favor us with your response within the time frame requested so that the State can make a prompt decision as to what actions must be taken to put the system in good and acceptable working order.

Very truly yours,

IRWIN I. KIMMELMAN
ATTORNEY GENERAL OF NEW JERSEY

By: 

Michael R. Cole
First Assistant Attorney General

MRC:gp

cc: William J. Driscoll

Price
Waterhouse

153 EAST 53RD STREET
NEW YORK, NEW YORK 10022
212 371-2000

August 30, 1985

Honorable Michael R. Cole
First Assistant Attorney General
Office of the Attorney General
Richard J. Hughes Justice Complex
CN 081
Trenton, N. J. 08625

AUG 30 1985

Dear Mr. Cole:

We have received your letter of August 26, 1985 in which you reiterate the State's position with respect to Price Waterhouse's performance and responsibilities under its contract with the Division of Motor Vehicles. Our letter of August 15, 1985 to the State included a Price Waterhouse position on these same issues, which you have characterized as "ridiculous and unconscionable, and in our view (the State's) it is not acting in good faith in this matter." We believe this characterization is not justified under the circumstances inasmuch as Price Waterhouse has made every effort to comply with the provisions of our contract with the Division and we will continue to do so in the future.

With respect to responsibility for the deficiencies noted by the State in system performance, the State has taken the position that Price Waterhouse is unilaterally responsible. The existing contract however does not hold Price Waterhouse unilaterally responsible for all aspects of the performance of the system.

Notwithstanding our differences in position on the issues of contract performance, to continue to engage in protracted discussions to reconcile these differences as a prerequisite for rapidly moving ahead with a constructive solution, i.e., a comprehensive system which meets the State's expectations, is counter-productive.

Price Waterhouse during the past two weeks has had meetings with OTIS/SAC senior management and project management people in order to establish the framework for a cooperative ongoing working relationship aimed at providing the desired technical solutions. These meetings have been positive first steps to working out an effective and productive arrangement with OTIS.

Over the near term, Price Waterhouse is working closely with OTIS to establish immediate priorities as to reprogramming and/or redesign tasks which are based on the results of analysis of system performance currently underway by OTIS or Price Waterhouse. In addition, Price Waterhouse will continue to provide application knowledge as a participant in any other efforts to improve system performance. The recoding and testing of programs which have been assigned the highest priority is already underway.

Longer term, beyond 2-3 months, Price Waterhouse would operate more independently of OTIS under a mutually developed long term strategy and work plan. This document will provide the definition of exactly what has to be done as well as clearly specifying the OTIS/Price Waterhouse working relationship and their respective responsibilities and the responsibilities of DMV. OTIS is in agreement with Price Waterhouse that this document can be developed within the next two months.

Meaningful strides have been made during the past two weeks to establish the type of cooperative working relationship necessary to move ahead with a technical recovery program. However, your letter makes it obvious even this significant progress will not satisfy the State's present demands for a written commitment, quoting your letter, "to remedy the system and to put it into proper working order in accordance with the contract and at your (Price Waterhouse) expense, and in the circumstances to replace the IDEAL language with COBOL language".

We have previously registered our concern with Price Waterhouse being asked to make an open-ended commitment which might go beyond our contractual commitments. The uncertainties associated with the open-ended commitment are two-fold:

1. The unspecified scope, schedule, and level of resources which will be required to "remedy the system...expeditiously", and
2. The potential for material system design changes which might be considered during the course of developing the long-term strategy and workplan and in fact may go well beyond the objectives of "remedial work" and "repair."

Notwithstanding the first uncertainty, we commit to "remedy the system.... expeditiously," within the terms and conditions of our existing contract with the Division. Under this commitment, we are prepared to replace the IDEAL language with COBOL language at our expense.

With respect to the second uncertainty, we wish to avoid ongoing counter-productive debate regarding proposed system design changes as to whether they be categorized as "remedial work" and "repair" versus "changes and extras." Here again, we would expect to rely in good faith on existing contract provisions which provide for compensation for "agreed upon changes and extras."

Yours very truly,

Price Waterhouse

CC: Robert S. Kline
Acting Director
Division of Motor Vehicles



State of New Jersey

DEPARTMENT OF LAW AND PUBLIC SAFETY
OFFICE OF THE ATTORNEY GENERAL

CN081

RICHARD J. HUGHES JUSTICE COMPLEX
TRENTON 08625

MICHAEL R. COLE
FIRST ASSISTANT ATTORNEY GENERAL
DIRECTOR, DIVISION OF LAW

WIN I. KIMMELMAN
ATTORNEY GENERAL

Tel. (609) 292-4965

September 5, 1985

Price Waterhouse
153 East 53rd Street
New York, New York 10022

Attn: J. F. Williams

Dear Mr. Williams:

Thank you for your letter of August 30, 1985 in response to ours of August 26, 1985. We appreciate your commitment, expressed toward the end of your letter, to remedy the problems in our Comprehensive On-line Driver/Owner Information and Management System expeditiously within the terms and conditions of your contract with the Division of Motor Vehicles at your expense, and your commitment that the remedial work will include replacing the IDEAL language with COBOL language as well as any redesign work necessary to make the system function in accordance with the contract.

You indicate that in the near future you will be discussing with OTIS steps to be taken on a short term basis to remedy the problems in the system, and that for the longer term you will develop a strategy and work plan in about 2 or 3 months which outlines the work required and the relationship and responsibilities of the parties in connection with the long term solution. We assume that you wish to have input from OTIS because they are to operate the system on behalf of the State and from that vantage are in a position to observe the problems in the actual operation of the system. However, we understand your commitment to be that Price Waterhouse will be responsible for identifying the causes of the current problems in the system and the steps needed to remedy them, and then to effect the necessary remedial work at your expense. OTIS will, of course, cooperate in the effort by making such information as it has available to you, but your contract requires you to develop and deliver a properly functioning system, and in the

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present setting to identify and implement the steps needed to redesign the system so that it will meet the Division's requirements and needs. With this in mind, we accept your commitment and are prepared to rely upon Price Waterhouse to deliver a properly working system in accordance with its contract.

You mention in your letter the possibility that work undertaken on the system may be additional work rather than remedial work to be performed at Price Waterhouse's own expense. As we indicated in our August 26, 1985 letter the evidence available to us indicates that the cause of the present problems in the system is a design deficiency for which Price Waterhouse is responsible. We are not requesting any changes in the system as called for in the original contract and thus believe that none of the work required justifies extra compensation beyond that provided for in your contract. Nor did we request an open ended commitment by you. Rather, we asked you to take such steps as are necessary to make the system conform to the contract. Thus the undertaking is defined and limited by the terms of your contract.


It is important for us to know when you intend to complete the necessary remedial work and we assume this will be included in your work plan which will be finalized in two to three months. As you know, the contract provides for liquidated damages for delays in the completion and delivery of the system. We hope not to be in a position in which we feel obliged to pursue liquidated damages, and hope that the time frames set forth in your remedial work plan are such that we will not feel obliged to pursue such remedies as are available in the contract based on the completion dates specified in the contract. We will also appreciate your setting a deadline for the completion of your remedial work plan, and advising us of the deadline as soon as possible.

The State appreciates the willingness of Price Waterhouse to stand behind its name and contract and to identify and remedy the deficiencies in our system. We also look forward to a successful relationship and the development of our comprehensive system into an effective and efficient on-line information system which will enable the Division to better serve the public.

Very truly yours,

IRWIN I. KIMMELMAN
Attorney General of New Jersey

BY



Michael R. Cole
First Assistant Attorney General

MRC/tc

cc: William J. Driscoll

177x

