

Minutes
Legislative Audit Commission
AUDIT SUBCOMMITTEE
April 15, 2026

Members Present:

Senator Calvin K. Bahr
Senator Mark W. Koran
Senator Tou Xiong
Representative Steven Jacob

Other LAC Members Present:

Senator Steve J. Drazkowski
Representative Duane Quam

Members Absent:

Representative Emma Greenman
Representative Rick Hansen

Senator Calvin K. Bahr, Chair, called the Legislative Audit Commission Audit Subcommittee to order at 3:15 p.m. in Minnesota Senate Building room 2412. The purpose was to hear from the Office of the Legislative Auditor (OLA) the concerns and recommendations of the special examination, *Department of Natural Resources: Electronic Licensing System*.

Senator Bahr introduced Lori Leysen, Deputy Legislative Auditor of OLA's Financial Audit Division, and Joe Sass, IT Audit Director. Ms. Leysen began by saying that the Department of Natural Resources (DNR) has been in the process of replacing their existing electronic licensing system (ELS) for fishing licenses, and titling and registration of boats and recreational vehicles. Due to the delay of the system and concerns about the project status, OLA did a real-time examination of the system and concluded that the system was not ready to launch in the timeframe that DNR and Minnesota IT Services (MNIT) had planned. She turned to Joe Sass, IT Audit Director, to explain further.

Mr. Sass said the ELS is the state system used to sell hunting and fishing licenses, manage hunting lotteries, title and register watercraft and recreational vehicles, and sell ski and trail passes. It processes over \$90 million in transactions and 2.3 million licensing transactions annually. The existing system has been in use for more than 25 years. In April 2023, DNR and MNIT selected Sovereign Sportsman Solutions (S3) through a competitive request for proposal with 245 functional and 100-plus nonfunctional requirements. Approximately one month later, S3 was acquired by PayIt, and the platform being deployed is PayIt's "Outdoors Core."

Mr. Sass said PayIt will be paid through per-transaction fees after go-live, with no significant upfront cost to the state, and the state has paid \$300,000 to build a custom enforcement mobile app for offline officer use. Through the end of FY 2025, DNR and MNIT have spent approximately \$4.2 million, primarily in payroll on the project, and ongoing state expenses are expected to be approximately \$93,000 per month. The total contract obligation (for fees, hosting, and the enforcement app) is not to exceed \$16.4 million through contract-end in April 2028.

For the project timeline, Mr. Sass explained that the original, March 2025 planned launch was missed due to persistent functional gaps. The revised target of March 2026 for the full system was also missed. The current plan (announced in February 2026) is for a phased launch starting with licensing functionality in late spring/early summer 2026, and no specific go-live date has been announced. Mr. Sass then highlighted four of OLA's seven ongoing concerns from the report:

Critical Success Criteria Not Met. DNR and MNIT had defined 11 success criteria after the March 2025 delay. As of the end of February 2026, 6 of 11 had not been met.

No Finalized Service Level Agreement (SLA). No SLA defining uptime, response times, and remedies for nonperformance has been finalized, even though MNIT standards require one.

Statutory Ambiguity. A 2024 law made statutory changes that take effect “upon full implementation” of the ELS, but the law assumed a single launch. The phased approach creates ambiguity around when these provisions are effective, potentially causing enforcement confusion.

Legacy System Complexity. Rather than consolidating to one system, the phased launch means DNR, MNIT, license agents, and deputy registrars will simultaneously operate the legacy ELS, the firearm safety certification system, and the new ELS, increasing support complexity and migration risk while staff remain in ongoing project mode.

In summary, Mr. Sass said that OLA recommends not launching the system until critical success criteria are met, an SLA is in place, statutory ambiguity for each phase is addressed, and opportunities to reduce operation complexities and prioritize project tasks that simplify ongoing operations are identified.

Senator Bahr thanked Mr. Sass for the presentation and invited Jon Eichten, MNIT Commissioner, to speak. Mr. Eichten said MNIT agreed with all OLA recommendations. He said a contract amendment with PayIt is underway to formalize the phased launch approach and that as of this meeting, only 2 of 11 success criteria remain incomplete. He also stated that the system would not be permitted to go live without a finalized SLA. He acknowledged a past stalemate period between the state and the vendor, attributing it partly to S3’s acquisition by PayIt, leadership changes at the vendor and the state, and a transition from a requirements-driven to a product/outcomes-driven approach. Finally, he noted that OLA’s real-time audit was unprecedented, but was handled professionally without disrupting the project.

Members raised concerns around how the invitation to negotiate process took place, which could have allowed for pre-contract discovery of how the vendor’s product worked before requirements were finalized, potentially avoiding scope conflicts and delays. Members also raised concerns around the lack of a finalized SLA and the importance of protections to the state that an SLA can provide for future phased deliverables (e.g., retainage mechanisms if vehicle rollout or fall hunting season features are late).

Senator Bahr asked Bob Meier, DNR Assistant Commissioner, and Kelly Straka, DNR Fish and Wildlife Director, to speak. Mr. Meier said that DNR staff had done an extensive statutory review, with 51 statute changes identified, most converting the language of “field tag” validation to “app” validation. He said that recent legislation passed in the Senate Environment Committee now clarifies the phased effective dates and extends appropriations through 2027. He added that six statutory changes regarding vehicle registration have also been addressed, and that DNR does not anticipate further needed changes but is committed to working quickly with legislative committee chairs if any arise. Ms. Straka added that the plan is to launch after fishing opener to avoid the risk of deploying a major system immediately before a high-volume seasonal event.

Senator Bahr asked questions around MNIT’s funding structure with this project. Mr. Eichten explained that MNIT operates as a chargeback organization—most staff salaries are funded by the agencies they serve, not MNIT’s direct legislative appropriation. He said a revolving fund covers enterprise services (e.g., laptops, service desk), while a small number of positions (e.g., cybersecurity, geospatial, leadership, accessibility) are directly appropriated. Senator Bahr said he would like more information on the chargeback model that state agencies use, and if state agencies receive an appropriation and also charge other agencies for services, where the “extra” money is going.

Senator Bahr noted that the vendor, PayIt, had provided a written statement, which was in members’ packets. Seeing no further discussion, Senator Bahr adjourned the meeting at 4:26 p.m.