

MINNESOTA SUPREME COURT

FINANCIAL AUDIT

FOR THE TWO YEARS ENDED JUNE 30, 1993

SEPTEMBER 1994

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

94-41

MINNESOTA SUPREME COURT
FINANCIAL AUDIT
FOR THE TWO YEARS ENDED JUNE 30, 1993

Public Release Date: September 1, 1994

No. 94-41

OBJECTIVES:

- **ASSESS INTERNAL CONTROL STRUCTURE:** Revenues, including attorney registration and filing fees and Eighth Judicial District receipts, payroll, purchased services, and grant expenditures.
- **TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.**

CONCLUSIONS:

We found five areas where the internal control structure needed improvement:

- Three counties within the Eighth Judicial District need to improve controls over its receipt process.
- Procedures over outstanding accounts receivable in the Eighth District need improvement.
- The court needs to monitor its payroll reimbursements to the counties.
- Stability payments on lump sum salary increases are not based on performance.
- Timesheets are not always properly signed.

We found three departures from finance-related legal provisions:

- Chippewa County's court administrator does not comply with proper NSF check procedures.
- Accumulated vacation leave balances exceed the maximum.
- The court is inappropriately advancing funds to the Second Judicial District.

Contact the Financial Audit Division for additional information.
296-1730

FINANCIAL AUDIT DIVISION



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

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JAMES R. NOBLES, LEGISLATIVE AUDITOR

Senator Phil Riveness, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

The Honorable A.M. Keith, Chief Justice
Supreme Court

Audit Scope

We have completed a financial related audit of the Minnesota Supreme Court (including the Office of the State Court Administrator, the Lawyers Professional Responsibility Board, the Law Examiners Board, the Lawyers Trust Account Board, the Client Security Board, the Legal Certification Board, the Continuing Legal Education Board, and the State Law Library), the Court of Appeals, and the trial courts for the two years ended June 30, 1993 as outlined below, and as further discussed in the Introduction. We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we consider the internal control structure in order to plan our audit, and that we perform tests of the department's compliance with certain material provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on the internal control structure or on overall compliance with finance-related legal provisions.

Internal Control Structure

For purposes of this report, we have classified the significant internal control structure policies and procedures into the following categories:

- Employee Payroll
- Attorney Registration Fees
- Eighth Judicial District Receipts
- Purchased Service Expenditures
- Grant Expenditures

For the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Management Responsibilities

Management of the Supreme Court, the Court of Appeals, and the trial courts are responsible for establishing and maintaining the internal control structure. This responsibility includes compliance with applicable laws, regulations, contracts, and grants. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- assets are safeguarded against loss from unauthorized use or disposition;
- transactions are executed in accordance with applicable legal and regulatory provisions, as well as management's authorization; and
- transactions are recorded properly on the statewide accounting system in accordance with Department of Finance policies and procedures.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the internal control structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Conclusions

Our audit disclosed the conditions discussed in findings 1, 2 and 4 through 6, involving the internal control structure of the courts. We consider these conditions to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial activities being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable


Senator Phil Riveness, Chair
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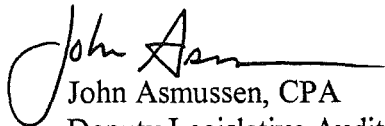
conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

The results of our tests of compliance indicate that, except for the issues discussed in findings 3, 7 and 8, with respect to the items tested, the courts complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to the items not tested, nothing else came to our attention that caused us to believe that the courts had not complied, in all material respects, with those provisions.

We also noted other matters involving the internal control structure and its operation and/or compliance with laws and regulations that we reported to the management of the courts at the exit conference held on August 10, 1994.

This report is intended for the information of the Legislative Audit Commission and management of the courts. This restriction is not intended to limit the distribution of this report, which was released as a public document on September 1, 1994.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: April 29, 1994

Report Signed On: August 26, 1994

Minnesota Supreme Court

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Audit Participation

The following members of the Office of the Legislative Auditor prepared this report:

John Asmussen, CPA	Deputy Legislative Auditor
Thomas Donahue, CPA	Audit Manager
David Polisen, CPA	Auditor-in-Charge
Mark Johnson	Audit Staff
Laura Puig-White	Audit Staff

Exit Conference

The findings and recommendations in this report were discussed with the following staff of the Minnesota Supreme Court on August 10, 1994:

Judith Rehak	Administrative Services Director
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Minnesota Supreme Court

Introduction

Article six of the Minnesota Constitution establishes the judicial branch. This branch of state government is responsible for interpreting the laws and cases that are brought before it and must be certain that challenged laws do not violate the constitution. The state judicial branch has three levels. Each court has specific jurisdictions which determine which types of cases it can hear. Our audit focused on three of the courts -- the Supreme Court, the court of appeals, and the district court. Funding for these courts is primarily through General Fund appropriations. See Tables 1-1 and 1-2 for a summary of expenditures.

District Court

The district court in Minnesota is the trial court of general jurisdiction. The state is divided into ten judicial districts. Each district has from one to seventeen counties in it. The district court hears all civil, criminal, family, juvenile, traffic and ordinance violation matters. The governor initially appoints judges to vacant seats. The judges then stand for election by the voters of the respective districts for six-year terms. Each district has at least three judges. Every two years judges of each district elect a chief judge and an assistant chief judge, who have the administrative responsibility for coordinating the business of the court in that district. In addition, the chief judges form a conference of chief judges to set policies and operating procedures for the districts to follow. Each district also has a district administrator who is responsible for managerial functions, such as developing budgets, handling personnel matters, overseeing the processing of cases, and planning and implementing judicial policies.

Court of Appeals

The court of appeals has jurisdiction over all appeals from trial courts, except conciliation court and individuals convicted of first degree murder. The court of appeals also hears appeals from the commissioner of economic security and various administrative agencies. All appeals are heard by a rotating panel of three judges. Cases are brought to the court of appeals by litigants from lower courts. Cases never originate at this level. There must be a legal basis for an appeal, such as judicial error, failure to follow proper procedure, or that the law violates the constitution. Judges of the court of appeals are elected statewide to a six-year term. Eight of the 16 judges sitting on the court of appeals must be a resident of each of the eight congressional districts. The other judges serve at-large.

Supreme Court

The Supreme Court is the highest court in the state. The court hears appeals of cases from the court of appeals and other agencies. The Supreme Court's main function is to hear appeals, along with administering the court system and regulating the practice of law. The court has jurisdiction over appeals from the workers' compensation court of appeals, the tax court, defendants convicted of first-degree murder, and discretionary review of decisions of the court of appeals.

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The court also has jurisdiction over legislative contests and may issue writs of mandamus, prohibition, and habeas corpus.

There are no witnesses, no juries, no evidence, and no trials in the handling of a case before the Supreme Court. Instead of one judge, there are seven justices. All of the decisions of the Supreme Court are written. A justice is assigned to write the opinion of the court, explaining the legal basis, and other justices review it and make revisions. The opinions are then released and printed immediately in a legal newspaper and later bound in books for law libraries.

Minnesota's six associate justices and one chief justice also are charged with other duties. The Supreme Court supervises and coordinates the work of the state's courts. The justices are elected to six-year terms on a non-partisan ballot. Vacancies during a term on the court are filled by the governor. The Supreme Court also oversees various boards related to the judicial process. See Table 1-3 for a summary of board responsibilities and funding sources.

Table 1-1
Summary of Expenditures for Fiscal Year 1992

<u>Expenditure Type</u>	<u>(1) Supreme Court</u>	<u>Court of Appeals</u>	<u>District Courts</u>	<u>Total</u>
Payroll	\$ 8,579,645	\$4,302,627	\$42,141,283	\$55,023,555
Purchased Services	130,340	2,920	229,736	362,996
Grants	3,138,471	0	322,617	3,461,088
Other	6,179,286	1,168,399	4,805,071	12,152,756
Total Expenditures.	<u>\$18,027,742</u>	<u>\$5,473,946</u>	<u>\$47,498,707</u>	<u>\$71,000,395</u>

Table 1-2
Summary of Expenditures for Fiscal Year 1993

<u>Expenditure Type</u>	<u>(1) Supreme Court</u>	<u>Court of Appeals</u>	<u>District Courts</u>	<u>Total</u>
Payroll	\$ 8,712,707	\$4,392,566	\$51,168,846	\$64,274,119
Purchased Services	221,834	44,085	3,588,086	3,854,005
Grants	3,919,671	0	0	3,919,671
Other	6,821,011	1,115,311	8,497,080	16,433,402
Total Expenditures	<u>\$19,675,223</u>	<u>\$5,551,962</u>	<u>\$63,254,012</u>	<u>\$88,481,197</u>

Source: 1992 and 1993 closing Manager's Financial Report.
(1) Includes expenditures for the boards shown in Table 1-3

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Table 1-3
Summary of Board Responsibilities and Funding Source

Board of Continuing Legal Education

<u>Members</u>	Eight lawyers nominated by the bar association; one district judge; and three other citizens appointed by the court without compensation.
<u>Funding</u>	Supreme Court appropriations.
<u>Responsibilities</u>	Accredits courses and programs which will satisfy continuing legal education requirements, discovers and encourages the offering of such courses and programs, and ensures compliance by lawyers licensed by the court.

Lawyers Professional Responsibility Board

<u>Members</u>	Six lawyers nominated by the bar association; and seven lawyers and nine nonlawyers appointed by the Supreme Court without compensation.
<u>Funding</u>	Supreme Court appropriations.
<u>Responsibilities</u>	Advises lawyers about ethical questions arising from the practice of law and responds to citizen complaints. Ensures that the public is served by lawyers whose legal practices conform to the Code of Professional Responsibility adopted by the Supreme Court.

Board of Legal Certification

<u>Members</u>	Three lawyers nominated by the bar association; and six lawyers and three nonlawyers appointed by the Supreme Court without compensation.
<u>Funding</u>	Supreme Court appropriations.
<u>Responsibilities</u>	Approves the designation of areas of legal specialization, specifies the certification requirements, and accredits the certifying agency.

Board of Law Examiners

<u>Members</u>	Seven lawyers and two other citizens appointed by the Supreme Court without compensation.
<u>Funding</u>	Bar application and attorney registration fees.
<u>Responsibilities</u>	Screens and tests candidates for admission to the practice of law and advises the court of developments in the field of bar admissions. Administers procedures and develops standards which reasonably guard against the admission to the practice of law by unqualified persons.

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Table 1-3
Summary of Board Responsibilities and Funding Source
(Continued)

Client Security Board

<u>Members</u>	Five lawyers -- three nominated by the bar association and two by the Supreme Court; and two other citizens appointed by the court.
<u>Funding</u>	Special assessment on attorneys and judges as needed.
<u>Responsibilities</u>	Reviews claims by clients who have been defrauded by lawyers and reimburses clients for financial losses. Sue on behalf of the client security fund to recover payments made, where possible.

Lawyers Trust Account Board

<u>Members</u>	Three lawyers nominated by the bar association, three nominated by the Supreme Court, and three other citizens appointed by the Supreme Court.
<u>Funding</u>	Proceeds from interest on funds lawyers hold briefly for clients.
<u>Responsibilities</u>	Temporarily invest interest earned on lawyers trust account funds so the yield can be spent for tax-exempt public purposes.

Law Library

<u>Members</u>	No formal board; law librarian oversees the operations.
<u>Funding</u>	Supreme Court appropriations.
<u>Responsibilities</u>	Provides research and information services on a statewide basis to users of legal data. Offers advisory services to all 87 county libraries, manages a computerized legal data service, and participates in interlibrary consortium and mutual projects on a local, state, and national level.

Current Findings and Recommendations

Eighth Judicial District Receipts

Minnesota is divided into ten judicial districts, each of which has a district administrator whose responsibilities include assisting the chief judge with administrative duties. The district administrator also manages the administrative affairs of the courts of the judicial districts, and supervises the court administrators and other support personnel, except court reporters. In 1990, the Legislature mandated a state funded pilot project for court operations in the 13 county Eighth Judicial District, located in west central Minnesota. The purpose of the pilot project was to resolve the administrative issues arising out of state funding of the courts at this level. The 13 county court administrative offices are responsible for creating and maintaining the official court records and for the effective operations of the court in their respective county.

Each county court administrator in the district collects various receipts and deposits them into the state depository in tact. The allocation and subsequent disbursement of the receipts is performed and warrants are drawn out of the state's treasury and sent to the appropriate recipient. The receipts for the two fiscal years ending June 30, 1993 totaled \$5,390,152. We reviewed the operations at three counties within the Eighth Judicial District -- Chippewa, Kandiyohi, and Meeker and also the district headquarters at Montevideo. Our review disclosed the following concerns:

1. Internal controls over the receipts process needs improvement.

In the three counties that we reviewed, receipt duties were not adequately segregated and checks were not restrictively endorsed until just prior to being deposited. The counties did not restrictively endorse the checks when the mail was opened. This increases the risk that checks could be cashed by unauthorized individuals.

There is an inadequate separation of duties in the depositing process. Deputy court administrators collected, deposited, posted, and reconciled the daily receipts. These administrators also had security access to the Trial Courts Information System (TCIS) which maintains the court's records. The number of staff involved in the process varies from county to county depending on its size. For instance, in Chippewa County, three employees are responsible for the entire process. The three employees open the mail and prepare the deposit. All three employees also had access to TCIS and can update or modify records. Two of the three employees are responsible for the bank reconciliations and one of the two employees takes the deposit to the bank. Controls would be improved if the three employees had specific duties and were not involved in the entire process.

Access to TCIS is not adequately controlled. Employees that were responsible for the receipt process also had clearance to the related accounting records. TCIS links court records for the county, district, and Supreme Court. The informational database also serves as an on-line

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accounting function for the courts. The information systems division at the Supreme Court grants access to individual users based on their job functions. We found that the same individuals (such as the ones mentioned above) had complete access to TCIS and its records. Incompatible duties such as opening the mail and depositing, posting, and reconciling the related receipts, should be segregated to ensure that receipts are properly deposited and records.

Recommendations

- *Checks should be restrictively endorsed immediately upon receipt.*
- *The duties of collecting, depositing, posting, and reconciling receipts should be segregated.*
- *Employees should only have access clearance to TCIS for the transactions necessary to perform their duties.*

2. The procedures over outstanding accounts receivable need improvement.

The court administrators are not properly managing the court's accounts receivable. Outstanding accounts receivable balances for Chippewa, Kandiyohi, and Meeker counties as of January, 1994 were \$120,849, \$510,193 and \$188,752, respectively. Some of the receivables have been outstanding since 1986. TCIS produces a monthly exception report which lists each accounts outstanding balance and the number of days outstanding. The deputy court administrators allow the receivables to stay on the system indefinitely or until collection is made. The court administrators do not utilize a collection agency or pursue the uncollectible receivables through the Department of Revenue's Revenue Recapture Program. The uncollectible accounts receivables are lost revenues for the courts and law enforcement. The receivables should be reviewed and either turned over to Revenue Recapture or written off as uncollectible.

Recommendation

- *The county administrators should review their outstanding receivables and either turn them over for collection or write them off. Perhaps the eighth district court administrator could provide some uniform guidance to the counties in establishing appropriate timeframes.*

3. Chippewa County's court administrator does not comply with the proper NSF checks procedures.

Chippewa County is not following the procedures in the Trial Courts Information System (TCIS) manual for checks returned by banks due to insufficient funds (NSF checks). The manual requires the county to establish a receivable under the special account field in the TCIS system for each NSF check. However, the court administrator does not use a special account field for the NSF check. Rather, the county administrator holds the NSF check until the county receives a replacement check to deposit. This practice violates their policy and increases the risk that collection on the NSF check will not happen.

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Recommendation

- *Chippewa County should comply with the TCIS manual method for handling NSF checks.*

4. Prior Finding Not Resolved: The Supreme Court does not monitor the payroll reimbursements made to the counties.

The Supreme Court accounting staff does not monitor the payroll reimbursements made to the counties for trial court employees. In July 1990, administrative employees at the district court offices throughout the state became state employees. Statutory provisions gave these employees the option of maintaining their county benefits or accruing state benefits. Staff maintaining county benefits are paid through the counties payroll systems and the state reimburses the counties for the cost of their salaries and benefits.

The Supreme Court does not verify the reimbursement requests to supporting documentation or review the requests for reasonableness. Biweekly time sheets submitted to the court and the judicial district offices are not compared to the monthly or quarterly reimbursement request. Unless the Supreme Court or the judicial district offices consistently review the supporting documentation available, the court could be paying for unallowable expenses.

To prevent nonjudicial salary and benefits from being paid, the Supreme Court needs to become more involved in reviewing the reimbursement requests or delegating that responsibility to the judicial district office. Either the court or the district offices should verify the accuracy of the counties reimbursement request.

Recommendation

- *The Supreme Court or the district offices should review and verify county reimbursement requests to supporting documentation for accuracy. The Supreme Court should also review the reimbursement requests for reasonableness.*

5. Prior Finding Not Resolved: The controls over stability pay and merit increases are not adequate.

The Supreme Court, District Trial Courts, and Court of Appeals need to improve controls over stability pay and merit increases. Stability payments are not performance based payments. They are made to employees based solely on salary levels and years of service. In addition, evaluations are not done on a consistent basis for determining merit increases.

Stability payments are made to Supreme Court, Court of Appeals, and Trial Court employees who have reached the top of their salary range and have five years of service. Although stability pay is provided by the judicial payroll plan, we question whether or not such payments should be made to employees without some link to job performance. Currently, the payments are automatically paid to employees who are at the top of their range. Without job evaluations, such increases

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could be paid to employees who are not performing satisfactorily. The Supreme Court should consider changing its policy on such increases.

Finally, some supervisors did not comply with Judicial Policy 6.1a and 6.1d. This policy states that written performance evaluations shall be made prior to completion of 1) six months of service, 2) twelve months of service and 3) annually thereafter on the employee's anniversary date. The employee must be given the opportunity to sign the document. Performance evaluations are the basis for annual salary increases (but not stability payments). Job evaluations also provide valuable feedback to both the employee and employer regarding job satisfaction and opportunities for improvement or training.

Recommendations

- *The Supreme Court should base stability payments on satisfactory job performance.*
- *The Supreme Court should perform annual evaluations as described in the Judicial Plan rule 6.1a and 6.1d.*

6. Time sheets are not always properly signed.

District Trial Courts, Court of Appeals, and the Supreme Court staff did not always properly sign and/or approve employee time sheets. A sample of 28 time sheets tested found six time sheets lacked an authorized signature. A separate sample of the 8th District time sheets showed that three out of ten time sheets lacked an authorized signature. Time sheets should be signed by both the employee and the supervisor. Without the authorized signatures, there is no assurance that the employee is being paid for the proper number of hours worked and that all leave taken was properly accounted for.

Recommendation

- *Time sheets should be signed by both the employee and the supervisor.*

7. Some accumulated vacation leave balances exceed the maximum limits.

Some accumulated vacation leave balances for division supervisors exceeded the maximum limits. Three directors in fiscal year 1992 and five directors in 1993 did not reduce their leave balances below the 275 limit at least once for those years. According to the Judicial Branch Personnel Plan rules 14.2 and 14.3, vacation leave may be accumulated to any amount provided that, once a year, each director's referee or judicial officer must be reduced to 275 hours or less. Additionally, rule 14.3b states that in emergency situations, the Director of Personnel may temporarily suspend the maximum number of hours which may be accumulated. However, some individuals consistently obtain waivers and never reduce their leave balance below the limit. Waivers should only be granted in unusual and infrequent circumstances, with the employee producing and following a plan to reduce the balance.

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Recommendation

- *Employees should comply with the accumulated leave balance limits. Waivers should only be granted due to unforeseen circumstances with a plan in place to reduce the balance in a timely manner.*

8. The Supreme Court is inappropriately advancing funds to the second judicial district for certain expenditures.

The Supreme Court staff advances, rather than reimburses, the second judicial district for compensation and travel costs of jurors. The second judicial district requests advances from the Supreme Court staff for anticipated juror costs. The Supreme Court staff processes the advance from the receipt of a request. However, Minn. Stat. Section 593.48, states that, except for the eighth judicial district where the state shall pay directly, payments shall be paid out of the county treasury upon receipt of authorization to pay from the jury commissioner. The jury cost shall be reimbursed monthly by the Supreme Court upon submission of an invoice by the county treasurer. The Supreme Court staff also advances the second judicial district payroll costs for employees electing to receive county benefits. This practice results in inequities to the other districts.

Recommendations

- *The Supreme Court staff should reimburse, rather than advance, the districts for jury costs. The Supreme Court staff should work with the districts to eliminate advancing them funds for their operations.*



THE SUPREME COURT OF MINNESOTA
MINNESOTA JUDICIAL CENTER
25 CONSTITUTION AVENUE
SAINT PAUL, MINNESOTA 55155

CHAMBERS OF
A. M. KEITH
CHIEF JUSTICE

(612) 297-5454

August 25, 1994

James R. Nobles, Legislative Auditor
First Floor - Centennial Office Building
658 Cedar Street
St. Paul, Minnesota 55155

RE: FY92-93 Audit Recommendation Response

Dear Mr. Nobles:

The Supreme Court on behalf of the Judicial Branch makes the following response to the FY92-93 Audit Recommendations of the Legislative Auditor.

1. Eighth Judicial District: Internal controls over the trial court receipts process needs improvement. A. Checks should be restrictively endorsed immediately upon receipt. B. The duties of collecting, depositing, posting, and reconciling receipts should be segregated. C. Employees should only have access clearance to TCIS for the transactions necessary to perform their duties.

The Offices in the Eighth Judicial District operate with a minimal number of employees. Many offices have four or five employees, some even fewer. These employees are required to process court documents, serve as courtroom clerks to record the events which transpire in the courtroom, receive filing fees and fines, and perform other ministerial duties. Given the heavy volume but often irregular nature of deputy duties, specialization in small offices is not feasible. The Court will, however, work with the Eighth Judicial District to implement in individual counties as much of the recommendations regarding segregation of financial duties as are feasible.

2. Eighth Judicial District: The procedures over outstanding accounts receivable need improvement. The county administrators should review their outstanding receivables and either turn them over for collection or write them off. Perhaps the Eighth District Court Administrator could provide some uniform guidance to the counties in establishing appropriate timeframes.

This issue has been referred to a courtwide Fine Management Committee for further definition. The Committee will make recommendations for improvement to the Conference of Chief Judges for implementation in the trial courts. Since this issue involves sentencing practices and policies, further discussion with judges is required.

3. Chippewa County's court administrator does not comply with the proper NSF checks procedure.

The problem has been raised with the court administrator who is now using the appropriate NSF check procedure.

4. The Supreme Court does not monitor the payroll reimbursements made to the counties. The Supreme Court or the district offices should review and verify county reimbursement requests to supporting documentation for accuracy. The Supreme Court should also review the reimbursement requests for reasonableness.

The Supreme Court delegated the monitoring of payroll reimbursements to the judicial district administrators. All timesheets are submitted to the judicial district administrator offices to be reviewed. The Supreme Court maintains a list of the names and number of employees who are still on the county payroll. At the beginning of each fiscal year the Supreme Court staff with the assistance of the district staff closely estimate the payroll costs for the employees still on the county payroll. Payments against that estimate are monitored quarterly. District administration are required to certify the reimbursement requests are accurate. Counties itemize the reimbursement request by employee and by cost item such as salary and fringe benefits. 28% of the total number of employees transferred remain on the county payroll. In half of the districts 3 or fewer employees remain on the county payroll. In the metropolitan counties having the largest number of employees on the county payroll detailed

computerized payrolls are submitted to the Supreme Court detailing the basis for the claim for reimbursement.

The Supreme Court will remind the judicial districts of their obligation to verify time records as the basis for the payroll and will require increased efforts on the part of its staff to scrutinize the claims for reimbursement.

5. Controls over stability pay and merit increases are not adequate. The Supreme Court should base stability payments on satisfactory job performance. The Supreme Court should perform annual evaluations as described in the Judicial Personnel Plan Rule 6.1a and 6.1d.

The court presumption is that an employee will be disciplined for unsatisfactory job performance. Otherwise the employee is entitled to a stability payment under the court plan.

The Judicial Branch will strive to improve the regularity of its written performance evaluations as required by the plan to supplement the verbal feedback given to employees.

6. Time sheets are not always properly signed. The timesheets should be signed by both employee and the supervisor.

The court will admonish all supervisors and employees to sign timesheets.

7. Some accumulated vacation leave balances exceed the maximum limits. Employees should comply with the accumulated leave balance limits. Waivers should only be granted due to unforeseen circumstances with a plan in place to reduce the balance in a timely manner.

Because of limited staffing and the need for significant overtime by some professional employees to meet the demands of the positions, vacation balances have exceeded the limits. No staff have been paid for more than the limit upon termination. The Court declines to change its policy.

8. The Supreme Court is inappropriately advancing funds to the Second Judicial District for jury costs.

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The policy of Ramsey County is not to underwrite state obligations. In this regard, Ramsey County has required an advance of jury costs. The Court advances funds on a monthly basis to Ramsey County. Detailed expenditure records are submitted by Ramsey County for reconciliation. Advances are adjusted so that the advance is always reasonable in proportion to the usual expenditures. No harm has occurred or is expected to occur by continuing this practice. The Court believes this administrative accommodation is reasonable and declines to change its practice.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "A. M. Keith".

A. M. Keith
Chief Justice