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Audit Report

841345
JUDICIAL AGENCIES

Minnesota Supreme Court
State Board on Judicial Standards
State Board of Law Examiners
State Law Library
State Board of Continuing Legal Education
Lawyers Professional Responsibility Board
Office of the State Public Defender

Year Ended June 30, 1983

Operating Under Minn. Stat.
Chapters 2, 480, 484, 487, 488A, 490, and 611

OFFICE OF THE LEGISLATIVE AUDITOR
FINANCIAL AUDIT DIVISION

SEPTEMBER 1984



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Dick Welch, Chairman
Legislative Audit Commission,

and

Members of the Legislative Audit Commission

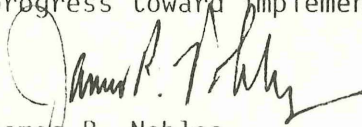
This report contains the results of our audits of selected judicial branch agencies for the year ended June 30, 1983. The seven judicial agencies audited were:

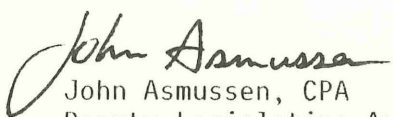
Minnesota Supreme Court
State Board on Judicial Standards
State Board of Law Examiners
State Law Library
State Board of Continuing Legal Education
Lawyers Professional Responsibility Board
Office of the State Public Defender

For each agency we have included a management letter with:

- findings and recommendations developed during our review of accounting procedures and controls;
- individual financial statements prepared by the auditors for general informational purposes only; and
- the agency's response to the recommendations included in the current management letter.

The recommendations included in this report have been discussed with the appropriate agency personnel. During our next audit, we will review the progress toward implementing those recommendations.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

September 11, 1984

STATE SUPREME COURT

JUDICIAL STANDARDS
BOARD

LAW EXAMINERS BOARD

LAW LIBRARY

LAWYERS CONTINUING
LEGAL EDUCATION
BOARD

LAWYERS PROFESSIONAL
RESPONSIBILITY BOARD

STATE PUBLIC
DEFENDER

Audit Report

MINNESOTA SUPREME COURT

Year Ended June 30, 1983

Operating Under Minn. Stat.
Chapters 2, 480, 484, 487, and 488A

OFFICE OF THE LEGISLATIVE AUDITOR
FINANCIAL AUDIT DIVISION

AUGUST 1984



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Dick Welch, Chairman
Legislative Audit Commission,

Members of the Legislative Audit Commission,

and

Douglas K. Amdahl, Chief Justice
Minnesota Supreme Court

We have made an internal control and compliance audit of the Minnesota Supreme Court, including the State Court Administrator and the Trial Courts Administration, for the year ended June 30, 1983. The field work was completed on June 20, 1984. Our audit was made in accordance with generally accepted auditing standards, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

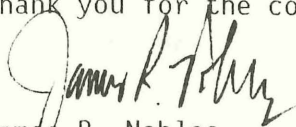
The objectives of this audit were to:

- determine that effective control is being maintained over revenues, expenditures, assets and liabilities of the court; and
- verify that expenditures are made in accordance with applicable laws, regulations, and budget requirements.

The recommendations included in this report are presented to assist you in improving accounting procedures and controls. Progress on implementing these recommendations will be reviewed during our next audit.

The financial statements in this report are presented for the general information of the reader only, and do not purport to represent financial position or results of operations in accordance with generally accepted accounting principles. The financial statements were not audited by us, and accordingly we do not express an opinion on them. See Note 1 of the financial statements for an explanation of the basis of financial statement presentation.

Thank you for the cooperation extended our staff during this audit.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

August 29, 1984

MINNESOTA SUPREME COURT
STATE COURT ADMINISTRATION/TRIAL COURTS ADMINISTRATION

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AUDIT PARTICIPATION

Staff from the Office of the Legislative Auditor:

John Asmussen, CPA, Deputy Legislative Auditor
Tom Donahue, MBA, Audit Manager
Tim Corrigan, CPA, Auditor-in-Charge
Lori Pellicci, Staff Auditor
Sonya Hill, Staff Auditor
Kerrin Lahr, Staff Auditor

EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following administrative staff of the Minnesota Supreme Court on July 25, 1984:

Judith Rehak, Director of Court Personnel and Budget
Virginia Hames, Accounting Officer

MINNESOTA SUPREME COURT
STATE COURT ADMINISTRATION/TRIAL COURTS ADMINISTRATION

INTRODUCTION

The Supreme Court, the highest court of the state, exercises supervisory and adjudicative authority. It is responsible for adjudicating appeals and writs brought to it by citizens of the state and for regulating practice and procedure in the courts throughout the state. The court also supervises the maintenance of the state law library and the distribution of civil filing surcharge funds to legal services and alternative dispute resolution programs for low income clients.

With the assistance of the State Court Administrator, the Chief Justice exercises general supervisory powers over the courts of the state and specific supervisory powers over the court's financial affairs, programs of continuing legal education, court community education, and planning and research.

In order to assure a more uniform delivery of judicial services, the state has assumed the responsibility for the salaries and expenses of all trial court judges. To improve the administrative procedures of the court and coordinate court business within a judicial district, the state funds the salaries of ten judicial administrators and the operating expenses of the offices in the Fifth and Eighth Judicial Districts.

The Supreme Court establishes the rules and procedures which govern the courts in the 87 counties, the 227 judges, the approximately 1,500 judicial system personnel, and the 12,000 lawyers who appear in them.

MINNESOTA SUPREME COURT
STATE COURT ADMINISTRATION/TRIAL COURTS ADMINISTRATION

CURRENT FINDINGS AND RECOMMENDATIONS

Administrative control procedures over payroll need to be strengthened.

During our review of payroll procedures, we noted the following weaknesses:

- an inadequate separation of duties within the payroll function;
- the absence of leave request slips to document leave taken or overtime worked;
- the court's personnel plan is not consistently applied to all positions; and
- the absence of positive time reporting requirements for the law clerk positions.

Currently, the accounting division is responsible for entering payroll transactions into the on-line system, distributing payroll checks to employees, and maintaining the personnel records. The accounting division also has the authority to process personnel transactions. The court also has a personnel division which processes personnel transactions. Strong internal controls require the adequate separation of these responsibilities. The personnel division and not the accounting division should be responsible for processing and maintaining all personnel transactions and records. The accounting division should continue to be responsible for the payroll functions while maintaining adequate separation of duties within the division. For example, the individual who enters the payroll transactions into the on-line system should not pick up or distribute the checks to employees.

The Supreme Court's personnel plan requires employees to submit written requests for vacation and sick leave in advance of the period of absence whenever practicable. We found several errors in the use of annual and sick leave which might have been detected if written requests were submitted in advance, such as employees taking leave in less than the one-half hour increments allowed by the personnel plan. We also found several payments for overtime which were not documented by approved written overtime requests. Strong controls require written overtime requests to be approved by an appropriate supervisor.

Currently, each Supreme Court Justice hires two law clerks for a period of nine months to a year. The court's personnel plan states that the plan is for all Supreme Court employees, however, it is not followed for the law clerk positions. Some of the inconsistencies we noted are listed below:

- clerks are classified as permanent full time employees but do not serve a probationary period;
- clerks receive 80 hours of vacation time immediately, rather than accrue 4 hours per pay period; and

MINNESOTA SUPREME COURT
STATE COURT ADMINISTRATION/TRIAL COURTS ADMINISTRATION

-- clerks do not accrue sick leave.

A personnel plan should address all employees of an organization and be consistently applied.

The law clerks are not required to prepare biweekly time sheets. They are paid for 80 hours unless the payroll input person is informed otherwise. Positive time reporting should be used to ensure strong controls and adequate documentation for payroll expenditures.

RECOMMENDATIONS:

1. To strengthen internal control, the duties associated with the personnel and payroll functions should be separated between the personnel and accounting divisions, respectively.
2. Written leave request slips should be used and properly approved for all annual and sick leave used as well as overtime worked.
3. The court's personnel plan should be consistently applied to all court employees or rewritten to specifically address the law clerk positions.
4. The Supreme Court should establish a positive time and leave reporting system for its law clerk positions.

Payments to retired district judges for work performed have not been properly certified or approved.

The Supreme Court does the accounting work and pays the expenses of the district court judges from the funds appropriated for the district courts. Minn. Stat. Section 484.61 allows the appointment and assignment of court cases to certain retired district judges. Minn. Stat. Section 484.62 provides compensation for the appointed judges ". . . on certification by the chief judge of the judicial district or by the chief justice of the supreme court of the State of Minnesota." We noted several instances where the district court administrator pursuant to Minn. Stat. Section 484.68, Subd. 3, certified payments.

During fiscal year 1983 retired judges appointed pursuant to Minn. Stat. Section 484.61-484.62 were paid \$241,390 upon submission of daily work reports. However, our review of these payments revealed a substantial number of payments which were not certified by a chief district judge, a district court administrator, or the chief justice. We tested a statistical sample of payments to retired judges for fiscal year 1983 and found the proper certifications missing on numerous occasions. We estimated that the maximum occurrence rate of payments without the required certification to be over 55 percent. The certifications are required by statute and also

MINNESOTA SUPREME COURT
STATE COURT ADMINISTRATION/TRIAL COURTS ADMINISTRATION

are an important internal control over payments to retired judges. The certification supplies certain assurances that the work was properly authorized and performed.

RECOMMENDATION:

5. Payments to retired district judges should be properly certified in accordance with Minn. Stat. Section 484.62.

Administrative controls over receipts need to be strengthened.

The Supreme Court collects two major types of receipts: civil surcharge fees and attorney registration fees. Although the court collects the attorney registration fees, the funds are deposited to the accounts of the Continuing Legal Education Board, the Lawyers Professional Responsibility Board, and the Law Examiners Board in the manner established by the court. For fiscal year 1983 fee collections amounted to \$882,700 and \$662,100 for civil surcharges and attorney registration fees, respectively. Our review of the receipt process indicated the following internal control weaknesses:

- duties are not adequately separated for attorney registration fees; and
- the manually prepared civil surcharge receipt record and subsequent deposits are not reconciled to SWA.

We noted that the same employee sends out the attorney registration statements, receives the payments, opens the mail, prepares the deposits and updates the attorney registration system.

As civil surcharges are received from the clerks of court throughout the state, they are recorded on a worksheet and deposited. However, the worksheet is not reconciled to the deposits nor are the deposits reconciled to SWA receipt reports. The SWA accounting operations manual procedure 06:06:03 requires agencies to reconcile their deposit slips each month to either the receipts by deposit report or the receipts by appropriations report.

Strong internal controls help to safeguard agency assets and to provide reasonable assurance as to the accuracy and reliability of the accounting records. This is accomplished in part through an adequate separation of duties between individuals and the use of independent reconciliations. The separation of duties and reconciliations performed provide a system of checks and balances designed to detect errors that may occur and to verify that the proper amounts were collected and deposited.

MINNESOTA SUPREME COURT
STATE COURT ADMINISTRATION/TRIAL COURTS ADMINISTRATION

RECOMMENDATIONS:

6. The duties of receiving payments, opening the mail, preparing deposits, and posting receipts to registration records should be separated.
7. The civil surcharge worksheet should be reconciled monthly to the deposit slips and SWA reports.

Control over fixed assets needs to be improved.

The Supreme Court uses the Department of Administration's State Property Inventory (SPI) system to record their fixed assets. The SPI listing records asset location, acquisition date, cost, asset number, and net book value. Our examination of SPI records for the court indicated the following control problems:

- the SPI listing is not updated on a timely basis for additions and location changes of fixed assets;
- an annual physical inventory of fixed assets is not taken;
- the cost of several items on the SPI listing were incorrectly recorded; and
- State Employees Personal Property forms are not used to record employee property.

The SPI users manual recommends periodic spot checking or an annual inventory be done for fixed assets. It requires the timely update of agency records for additions, location changes, and discrepancies arising from physical inventories. The last complete inventory of the court's fixed assets was in December 1976. We tested a sample of assets listed on SPI and also a sample of new asset purchases. We found several occasions of new assets not being added to the SPI system, assets were not located where SPI indicated, assets could not be located, and the incorrect recording of asset costs on SPI.

The SPI manual also requires state employees who use their own personal property in connection with their state employment to verify the ownership of these assets by completing the State Employee's Personal Property form. Completion of this form will protect the employee's ownership of the item and will prevent claims against the state for injury, damage, or loss incurred in connection with the use of this item in state employment. Court employees are not completing this form for the personal property they have at their place of employment. Proper control over fixed asset inventory is essential in order to safeguard the property of the State of Minnesota as well as to accurately report the value of those assets.

MINNESOTA SUPREME COURT
STATE COURT ADMINISTRATION/TRIAL COURTS ADMINISTRATION

RECOMMENDATIONS:

8. The Supreme Court should update the SPI listing for all additions, deletions, and location changes in a timely manner.
9. Procedures should be developed for a periodic physical inventory of all fixed assets.
10. State Employee Personal Property forms should be used as required by the SPI users manual.

MINNESOTA SUPREME COURT
STATE COURT ADMINISTRATION/TRAIL COURTS ADMINISTRATION

EXHIBIT A

UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

STATEMENT OF FINANCIAL RESOURCES, EXPENDITURES, AND AVAILABLE BALANCE
Fiscal Year Ended June 30, 1983

	GENERAL FUND			FEDERAL FUND	GIFT FUND
	Supreme Court	State Court Administrator	Trial Courts	Supreme Court	Supreme Court
Available Balance - July 1, 1982					\$2,000
State Appropriations	\$2,303,803	\$1,595,893	\$12,320,957		
Prior Year Appropriation Carryover		337,998	215,248		
Receipts - Note 2	882,712				5,000
Transfers In:					
Salary Supplements	144,960	206,230	199,335		
Other - Note 3	39,642			10,256	
Appropriation Cancellations	(42,578)	(96,863)	(444,894)		
TOTAL FINANCIAL RESOURCES	\$3,328,539	\$2,043,258	\$12,290,646	\$10,256	\$7,000
Expenditures:					
Personal Services	\$1,941,046	\$1,025,044	\$11,681,745		
Rents and Leases	245,954	253,211	7,800		
Advertising	1,448	6,030			
Repair Services	13,747	93,798	383		
Printing and Binding	32,686	47,916	942	\$ 276	
Professional and Technical Services	2,103	23,916		1,082	\$5,000
Data Processing Services	17,492	174,139			
Purchased Services	8,592	34,803	1,233	1,972	
Communications	24,685	61,725	39,736		
Travel	21,112	61,449	525,538	2,883	
Utility Services		6,234			
Fees and Fixed Charges	57,308	10,109	22,311	4,043	
Supplies and Materials	19,502	52,057	10,958		
Equipment	69,097	17,324			
Grants and Subsidies - Note 2	857,304	58,978			
Other Expenditures	641	2,429			
TOTAL EXPENDITURES	\$3,312,717	\$1,929,162	\$12,290,646	\$10,256	\$5,000
AVAILABLE BALANCE JUNE 30, 1983	\$ 15,822	\$ 114,096	\$ -0-	\$ -0-	\$2,000

MINNESOTA SUPREME COURT
STATE COURT ADMINISTRATION/TRIAL COURTS ADMINISTRATION

EXHIBIT B

UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

STATEMENT OF REVENUES DEPOSITED WITH THE STATE TREASURER
Year Ended June 30, 1983

GENERAL FUND

Civil Surcharge Fees	\$882,712
TOTAL GENERAL FUND - Exhibit A	<u>\$882,712</u>

GIFT FUND

Gifts and Donations	\$ 5,000
TOTAL GIFT FUND - Exhibit A	<u>\$ 5,000</u>

EXHIBIT C

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: The financial statements do not represent financial position or results of operations in accordance with generally accepted accounting principles. The Statewide Accounting (SWA) reports through September 3, 1983 were used in preparing these statements. Consequently, these statements are not prepared using the accrual basis of accounting.

NOTE 2: Under the Civil Surcharge program, the Supreme Court collected \$882,712 in receipts and made \$857,304 in grants for the Civil Surcharge Program which provides legal services in civil cases for low income individuals. For fiscal year 1984, the Civil Surcharge Program was accounted for in the Special Revenue Fund.

NOTE 3: The Supreme Court received a supplemental appropriation from the Executive Council's Contingency Fund for the purchase of equipment.

THE SUPREME COURT OF MINNESOTA

SUE K. DOSAL
STATE COURT ADMINISTRATOR
LEGAL EDUCATION CENTER
SUITE 300, 40 NORTH MILTON STREET
SAINT PAUL, MINNESOTA 55104

August 29, 1984

Mr. James R. Nobles
Office of the Legislative Auditor
Veterans Service Building
St. Paul, Minnesota 55155

Dear Mr. Nobles:

I am writing on behalf of the Minnesota Supreme Court in response to the audit recommendations raised by the audit staff who reviewed the accounting procedures of the court. Our responses to specific recommendations are as follows:

Recommendation 1: To strengthen internal control, the duties associated with the personnel and payroll functions should be separated between the personnel and accounting divisions, respectively.

Response: The process has been changed so that the Director of Personnel will authorize all personnel transactions to insure separation of personnel and accounting functions. Procedures have been revised to separate the payroll input and payroll review processes.

Recommendation 2: Written leave request slips should be used and properly approved for all annual and sick leave used as well as overtime worked.

Response: The Director of Personnel will recommend that the court amend its personnel plan to delete the requirement for advance written notice of sick and vacation leave. Working units at the court are small and verbal requests for leave have been adequate notice. The additional paperwork involved in receiving written notice does not justify the benefit.

The court has small budgetary control units. Each unit has a limitation on the amount of overtime allowed. Since overtime has not exceeded the budgetary limitations without prior negotiation with the budget authority more formal controls have not been deemed necessary.

Recommendation 3: The court's personnel plan should be consistently applied to all court employees or rewritten to specifically address the law clerk positions.

Response: The court in FY84-85 amended its personnel plan to make explicit the separate leave benefits for law clerks who are short term confidential employees of individual judges. At its August 29, 1984 court meeting the court amended its personnel policy to increase the leave granted to law clerks so that it is in conformance with the leave granted to other court and state employees.

Recommendation 4: The Supreme Court should establish a positive time and leave reporting system for its law clerk positions.

The court sees no need to take action on recommendation number 4.

Recommendation 5: Payments to retired district judges should be properly certified in accordance with Minn. Stat. Section 484.62.

Procedure has been changed to require that per diem payments be certified by the Chief Judge or, in the absence of the Chief Judge, by the District Administrator or Assistant Chief Judge.

Recommendation 6: The duties of receiving payments, opening the mail, preparing deposits, and posting receipts to registration records should be separated.

While the court recognizes the value of the recommendation, budgetary constraints prevent the implementation of this recommendation.

Recommendation 7: The civil surcharge worksheet should be reconciled monthly to the deposit slips and SWA reports.

Procedures have been changed to implement this recommendation.

Recommendation 8: The Supreme Court should update the SPI listing for all additions, deletions, and location changes in a timely manner.

The Director of Administrative Services has directed accounting personnel to comply with state procedures.

Recommendation 9: Procedures should be developed for a periodic physical inventory of all fixed assets.

The Director of Administrative Services will develop a procedure for a periodic physical inventory.

Recommendation 10: State Employee Personal Property forms should be used as required by the SPI users manual.

State Employee Personal Property forms will be used as recommended.

Sincerely yours,

Judith L. Rehak
Judith L Rehak
Budget and Personnel Director

JLR/jw

JUDICIAL STANDARDS
BOARD

LAW EXAMINERS BOARD

LAW LIBRARY

LAWYERS CONTINUING
LEGAL EDUCATION
BOARD

LAWYERS PROFESSIONAL
RESPONSIBILITY BOARD

STATE PUBLIC
DEFENDER

Audit Report

STATE BOARD ON JUDICIAL STANDARDS

Year Ended June 30, 1983

Operating Under Minn. Stat.
Chapter 490

OFFICE OF THE LEGISLATIVE AUDITOR
FINANCIAL AUDIT DIVISION

AUGUST 1984



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

VEITRANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Dick Welch, Chairman
Legislative Audit Commission,

Members of the Legislative Audit Commission,

and

James J. Schumacher, Chairman
State Board on Judicial Standards

We have made an internal control and compliance audit of the State Board on Judicial Standards for the year ended June 30, 1983. The field work was completed on June 20, 1984. Our audit was made in accordance with generally accepted auditing standards, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

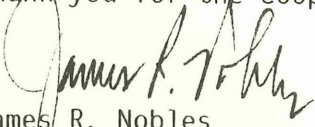
The objectives of this audit were to:

- determine that effective control is being maintained over revenues, expenditures, assets and liabilities of the board; and
- verify that expenditures are made in accordance with applicable laws, regulations, and budget requirements.

No recommendations have resulted from our audit of the board.

The financial statement in this report is presented for the general information of the reader only, and does not purport to represent financial position or results of operations in accordance with generally accepted accounting principles. The financial statement was not audited by us, and accordingly we do not express an opinion on it. See Note 1 of the financial statement for an explanation of the basis of financial statement presentation.

Thank you for the cooperation extended our staff during this audit.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

August 17, 1984

STATE BOARD ON JUDICIAL STANDARDS

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AUDIT PARTICIPATION

Staff from the Office of the Legislative Auditor:

John Asmussen, CPA, Deputy Legislative Auditor
Tom Donahue, MBA, Audit Manager
Tim Corrigan, CPA, Auditor-in-Charge
Kerrin Lahr, Staff Auditor

STATE BOARD ON JUDICIAL STANDARDS

INTRODUCTION

The State Board on Judicial Standards consists of one judge each from a district court, a municipal court, and a county court, two lawyers who have practiced law in the state for ten years, and four citizens who are not judges, retired judges, or lawyers. The board ordinarily meets on a monthly basis to review, examine and investigate complaints against specific judges. Based on its findings, the board may make recommendations to the Supreme Court.

STATE BOARD ON JUDICIAL STANDARDS

EXHIBIT A

UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

STATEMENT OF FINANCIAL RESOURCES, EXPENDITURES, AND AVAILABLE BALANCE
Fiscal Year Ended June 30, 1983GENERAL FUND

State Appropriations	\$114,521
Prior Year Appropriation Carryover	32,757
Transfers in:	
Salary Supplements	5,069
Appropriation Cancellations	<u>(11,264)</u>
 TOTAL FINANCIAL RESOURCES	 <u>\$141,083</u>
 Expenditures:	
Personal Services	\$ 61,899
Rents and Leases	4,905
Repair Services	106
Printing and Binding	3,155
Professional and Technical Services	45,915
Purchased Services	1,143
Communications	1,831
Travel	9,192
Fees and Fixed Charges	1,300
Supplies and Materials	822
Equipment	<u>10,165</u>
 TOTAL EXPENDITURES	 <u>\$140,433</u>
 AVAILABLE BALANCE - June 30, 1983	 <u>\$ 650</u>

NOTE 1: This financial statement does not represent financial position or results of operations in accordance with generally accepted accounting principles. The Statewide Accounting (SWA) reports through September 3, 1983 were used in preparing this statement. Consequently, this statement is not prepared using the accrual basis of accounting.

Audit Report

STATE BOARD OF LAW EXAMINERS

Year Ended June 30, 1983

Operating Under Minn. Stat.
Chapter 480

OFFICE OF THE LEGISLATIVE AUDITOR
FINANCIAL AUDIT DIVISION

AUGUST 1984



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Dick Welch, Chairman
Legislative Audit Commission,

Members of the Legislative Audit Commission,

Douglas K. Amdahl, Chief Justice
Minnesota Supreme Court

and

Richard E. Klein, Director
State Board of Law Examiners

We have made an internal control and compliance audit of the State Board of Law Examiners for the year ended June 30, 1983. The field work was completed on June 20, 1984. Our audit was made in accordance with generally accepted auditing standards, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

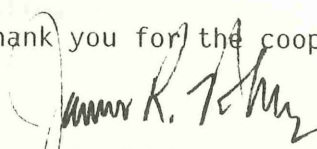
The objectives of this audit were to:

- determine that effective control is being maintained over revenues, expenditures, assets and liabilities of the board; and
- verify that expenditures are made in accordance with applicable laws, regulations, and budget requirements.

The recommendations included in this report are presented to assist you in improving accounting procedures and controls. Progress on implementing these recommendations will be reviewed during our next audit.

The financial statements in this report are presented for the general information of the reader only, and do not purport to represent financial position or results of operations in accordance with generally accepted accounting principles. The financial statements were not audited by us, and accordingly we do not express an opinion on them. See Note 1 of the financial statements for an explanation of the basis of financial statement presentation.

Thank you for the cooperation extended our staff during this audit.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

August 28, 1984

STATE BOARD OF LAW EXAMINERS

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AUDIT PARTICIPATION

Staff from the Office of the Legislative Auditor:

John Asmussen, CPA, Deputy Legislative Auditor
Tom Donahue, MBA, Audit Manager
Tim Corrigan, CPA, Auditor-in-Charge
Kerrin Lahr, Staff Auditor
Darlya Ecklund, Staff Auditor
Sonya Hill, Staff Auditor

EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following administrative staff of the Law Examiners Board on July 27, 1984:

Richard E. Klein, Director
Leonora Johnson, Administrative Assistant
Deborah Flanagan, Accounting Coordinator

STATE BOARD OF LAW EXAMINERS

INTRODUCTION

Under the supervision and direction of the Supreme Court, the State Board of Law Examiners screens and tests candidates for admission to the practice of law.

The purpose of the board is to ensure that candidates admitted to the practice of law are qualified to provide legal services.

The board operates from a Special Revenue Fund. The operating funds come from attorney registration fees collected by the Supreme Court and deposited into the board's account, and from application fees collected by the board.

STATE BOARD OF LAW EXAMINERS

CURRENT FINDINGS AND RECOMMENDATIONS

Controls over receipts need to be strengthened.

During fiscal year 1983, the State Board of Law Examiners collected \$150,000 in fees from individuals taking the bar exam. The receipts are recorded in a "journal report" along with other pertinent information concerning each applicant. Our review of receipts indicated the following internal control weaknesses:

- the board does not reconcile its' journal report to Statewide Accounting (SWA) deposit reports; and
- receipts are not deposited on a timely basis.

One objective of internal controls is to assure that receipts are properly classified, recorded, and reported. By reconciling their "journal report" to SWA, the board is assured its records are accurate and that all receipts have been recorded and reported properly.

Minn. Stat. Section 16A.275 requires receipts to be deposited daily or when they aggregate to \$250. The board is making deposits on the average of once every two weeks regardless of the amount collected on a given day. We noted daily receipts of \$6,825, \$9,450, and \$850 which were deposited 3 days, 8 days, and 16 days later, respectively.

RECOMMENDATIONS:

1. The board should reconcile their "journal report" to SWA receipt reports.
2. The board should deposit its receipts daily or when they aggregate to \$250 or more in accordance with Minn. Stat. Section 16A.275.

Controls over fixed assets need improvement.

The Law Examiners Board maintains a manual listing of their fixed assets. This manual list records locations, cost, and acquisition date. However, after examining the fixed assets, we found the assets were not marked as state property nor were they assigned asset numbers. In order to provide better control over fixed assets and to provide proper accountability for them, fixed assets belonging to the state should be properly numbered and identified as such.

RECOMMENDATION:

3. The board should properly identify its fixed assets as state property and assign asset numbers to each asset.

STATE BOARD OF LAW EXAMINERS

EXHIBIT A

UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

STATEMENT OF FINANCIAL RESOURCES, EXPENDITURES, AND AVAILABLE BALANCE
Fiscal Year Ended June 30, 1983SPECIAL REVENUE FUND

Available Balance - July 1, 1982	\$136,921
Receipts - Exhibit B	<u>289,550</u>

TOTAL FINANCIAL RESOURCES	<u>\$426,471</u>
---------------------------	------------------

Expenditures:

Personal Services	\$124,275
Rents and Leases	24,934
Repair Services	7,081
Printing and Binding	7,360
Professional and Technical Services	76,333
Data Processing Services	1,086
Purchased Services	1,950
Communications	12,895
Travel	1,990
Fees and Fixed Charges	323
Supplies and Materials	6,646
Equipment	3,010
Other Expenditures	<u>2,234</u>

TOTAL EXPENDITURES	<u>\$270,117</u>
--------------------	------------------

AVAILABLE BALANCE - June 30, 1983	<u>\$156,354</u>
-----------------------------------	------------------

EXHIBIT B

UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

STATEMENT OF REVENUES DEPOSITED WITH THE STATE TREASURER
Fiscal Year Ended June 30, 1983SPECIAL REVENUE FUND

Law Examination Fees	\$150,000
Professional Licenses	88,949
All Other Service Charges	<u>50,601</u>

TOTAL SPECIAL REVENUE FUND - Exhibit A	<u>\$289,550</u>
--	------------------

NOTE TO THE FINANCIAL STATEMENTS

NOTE 1: The financial statements do not represent financial position or results of operations in accordance with generally accepted accounting principles. The Statewide Accounting (SWA) reports through September 3, 1983 were used in preparing these statements. Consequently, these statements are not prepared using the accrual basis of accounting.

GERALD S. RUFER, FERGUS FALLS, PRESIDENT
MARY P. WALBRAN, OWATONNA, SECRETARY
H. CARL BAER III, BE MIDJI
JOSEPH R. CADE, MINNEAPOLIS
JOHN W. FRITZ, ST. PAUL
JOHN D. KELLY, DULUTH
RICHARD H. KYLE, ST. PAUL
TOYSE A. KYLE, EAGAN
WILLIAM J. RIDLEY, ST. PAUL

RICHARD E. KLEIN
DIRECTOR OF BAR ADMISSIONS



STATE OF MINNESOTA
STATE BOARD OF LAW EXAMINERS

200A MINNESOTA STATE BANK BUILDING
200 SOUTH ROBERT STREET

ST. PAUL, MINNESOTA 55107-1480 • TELEPHONE (612) 222-2050

August 28, 1984

Tom Donahue
Audit Manager
Office of the Legislative Auditor
Veterans Service Building
St. Paul, MN 55155

RE: AUDIT OF STATE BOARD
OF LAW EXAMINERS

Dear Mr. Donahue:

In response to the Draft of the Audit Report of the Audit of the State Board of Law Examiners, I am of the opinion that some explanation is due from this office.

The Journal which is kept in this office and referred to in the Draft as the "journal report" is not the proper document to be reconciled with statewide accounting (SWA) deposit reports. We have, in fact, always reconciled the copies of the receipts issued to a listing of each receipt and when the copy of the deposit is returned from the Finance Department, it is reconciled with the Statewide Accounting Report. The main reason the Journal is not used is that entry to the Journal is made only after the application is finalized and the applicant either admitted or denied. In the case of attorneys previously admitted in other jurisdictions, the fee may have been received in the previous fiscal year and always at least three or four months before being entered in the Journal.

With regard to depositing receipts daily, this would be impossible since we do not have a large enough staff to permit doing so. Before a receipt can be deposited the application must be reviewed and a determination made whether it is complete and acceptable. If not, the entire application must be returned. At peak times, we receive way too many applications per day to be able to screen all of them. Sometimes it takes a week or more before files can be screened. Since we do not deal in cash but rather required payment by certified check, bank draft or money order, payable to the Board of Law Examiners, there is little or no risk of loss by not depositing daily.

Tom Donohue
August 28, 1984
Page 2

As far as the fixed assets are concerned, we do have an inventory but have not identified them as state property.

Yours very truly,

A handwritten signature in dark ink, appearing to read "R.E. Klein", written in a cursive style.

Richard E. Klein
Director

REK:gk

CC: Chief Justice Douglas K. Amdahl
Judy Rehak

LAW LIBRARY

LAWYERS CONTINUING
LEGAL EDUCATION
BOARD

LAWYERS PROFESSIONAL
RESPONSIBILITY BOARD

STATE PUBLIC
DEFENDER

Audit Report

STATE LAW LIBRARY

Year Ended June 30, 1983

Operating Under Minn. Stat.
Chapter 480

and
financial
presentation

Thank you for

Joseph R. Holden
Legislative Auditor

OFFICE OF THE LEGISLATIVE AUDITOR
FINANCIAL AUDIT DIVISION

AUGUST 1984

John A. Hansen, CPA
Deputy Legislative Auditor



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Dick Welch, Chairman
Legislative Audit Commission,

Members of the Legislative Audit Commission,

Douglas K. Amdahl, Chief Justice
Minnesota Supreme Court

and

Marvin R. Anderson, Librarian
State Law Library

We have made an internal control and compliance audit of the State Law Library for the year ended June 30, 1983. The field work was completed on June 20, 1984. Our audit was made in accordance with generally accepted auditing standards, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The objectives of this audit were to:

- determine that effective control is being maintained over revenues, expenditures, assets and liabilities of the library; and
- verify that expenditures are made in accordance with applicable laws, regulations, and budget requirements.

The recommendations included in this report are presented to assist you in improving accounting procedures and controls. Progress on implementing these recommendations will be reviewed during our next audit.

The financial statements in this report are presented for the general information of the reader only, and do not purport to represent financial position or results of operations in accordance with generally accepted accounting principles. The financial statements were not audited by us, and accordingly we do not express an opinion on them. See Note 1 of the financial statements for an explanation of the basis of financial statement presentation.

Thank you for the cooperation extended our staff during this audit.

A handwritten signature in cursive script, reading "James R. Nobles".

James R. Nobles
Legislative Auditor

A handwritten signature in cursive script, reading "John Asmussen".

John Asmussen, CPA
Deputy Legislative Auditor

September 4, 1984

STATE LAW LIBRARY

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FINANCIAL STATEMENTS	3
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Exhibit B - Statement of Revenue Deposited With the State Treasurer	
Exhibit C - Note to the Financial Statements	4
AGENCY RESPONSE	5

AUDIT PARTICIPATION

Staff from the Office of the Legislative Auditor:

John Asmussen, CPA, Deputy Legislative Auditor
Tom Donahue, MBA, Audit Manager
Tim Corrigan, CPA, Auditor-in-Charge
Sonya Hill, Staff Auditor
Lori Pellicci, Staff Auditor

EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following administrative staff of the State Law Library on July 25, 1984:

Marvin R. Anderson, State Law Librarian

STATE LAW LIBRARY

INTRODUCTION

The State Law Library has been in operation since 1849. The library is one of the state's principal legal resource centers and serves the needs of the judicial, executive, and legislative branches of government; the legal profession; various units of local and metropolitan government; other law, public, and academic libraries; and the public. The library employs approximately 13 personnel to meet the needs of its' users.

The Law Library Committee of the Minnesota Supreme Court is the governing body for the library. The committee recommends the appointment of the state law librarian, who administers daily operations. The current State Law Librarian, Marvin R. Anderson, was appointed by the Supreme Court in 1980.

During fiscal year 1983, all library operations were financed through General Fund appropriations. A Special Revenue Fund has been established to fund certain operations for years after 1983.

STATE LAW LIBRARY

CURRENT FINDINGS AND RECOMMENDATIONS

Internal controls over payroll need strengthening.

During our review of payroll procedures, we noted the following internal control weaknesses:

- an inadequate separation of duties; and
- leave request forms are not being used.

Currently, one individual has authority to authorize personnel transactions, input payroll transactions, and distribute payroll checks. Strong internal controls require the separation of these duties among different individuals. For example, the librarian or assistant librarian could authorize all personnel transactions and the accounting officer could input all payroll transactions.

The Supreme Court Personnel Plan, which covers the State Law Library, requires employees to submit written requests for vacation and sick leave in advance of the period of absence whenever practicable. The use of leave slips strengthens controls over payroll by allowing better review, documentation, and authorization of leave taken.

RECOMMENDATIONS:

1. To strengthen internal control, the duties associated with the personnel and payroll functions should be separated. Payroll warrants should be picked up and distributed by an independent person not involved in the payroll function.
2. Written leave request slips should be used and properly approved for all annual and sick leave used.

STATE LAW LIBRARY

EXHIBIT A

UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

STATEMENT OF FINANCIAL RESOURCES, EXPENDITURES, AND AVAILABLE BALANCE
Fiscal Year Ended June 30, 1983GENERAL FUND

State Appropriations	\$438,920
Prior Year Appropriation Carryover	49,874
Receipts - Exhibit B	30,643
Transfers In:	
Salary Supplements	46,309
Appropriation Cancellations	<u>(38,863)</u>
 TOTAL FINANCIAL RESOURCES	 <u>\$526,883</u>

Expenditures:	
Personal Services	\$226,933
Rents and Leases	80,190
Repair Services	4,870
Printing and Binding	15,050
Data Processing Services	3,851
Purchased Services	3,949
Communications	6,408
Travel	1,248
Fees and Fixed Charges	840
Supplies and Materials	140,866
Other	<u>200</u>

TOTAL EXPENDITURES	<u>\$484,405</u>
--------------------	------------------

AVAILABLE BALANCE - June 30, 1983	<u>\$ 42,478</u>
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EXHIBIT B

UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

STATEMENT OF REVENUES DEPOSITED WITH THE STATE TREASURER
Fiscal Year Ended June 30, 1983GENERAL FUND

Service Charges	\$ 6,734
Sale of Documents and Publications	5,913
Copy Machine Earnings	5,393
All Other Earnings	833
All Other Reimbursements	<u>11,770</u>
 TOTAL GENERAL FUND - Exhibit A	 <u>\$30,643</u>

NOTE TO THE FINANCIAL STATEMENTS

NOTE 1: The financial statements do not represent financial position or results of operations in accordance with generally accepted accounting principles. The Statewide Accounting (SWA) reports through September 3, 1983 were used in preparing these statements. Consequently, these statements are not prepared using the accrual basis of accounting.

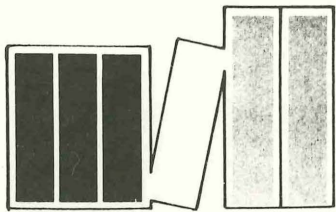
By _____

By _____
that the _____
Supreme Court _____
don leave to _____
the form for _____

Thank you for your contribution to the _____
library. Please contact me if you _____

Very truly yours,

Dorvin Roger Andler, Jr.
State Law Librarian



MINNESOTA STATE LAW LIBRARY



117 UNIVERSITY AVENUE • SAINT PAUL, MINNESOTA 55155 • (612) 296-2775

September 4, 1984

Tom Donahue, Audit Manager
Office of the Legislative Auditor
Veterans Service Building
St. Paul, Minnesota 55155

Dear Mr. Donahue:

I have reviewed the current finding and recommendations submitted by the Office of the Legislative Auditor for the State Law Library. This letter is my formal response to these items.

RECOMMENDATION #1 - Strengthen Internal Controls; Separation of Personnel and Payroll Functions; Payroll Warrants, Etc.

RESPONSE

In cooperation with the Supreme Court Office of Budget and Personnel, I have agreed to the immediate implementation of procedures that will correct the practices identified during your review. As State Law Librarian, I will authorize all personnel transactions. The payroll functions have been separated so that an independent person will verify all payroll transactions.

RECOMMENDATION #2 - Written Leave Requests, Etc.

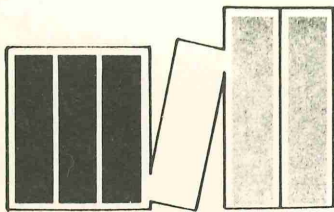
RESPONSE

By Memorandum dated August 8, 1984, I have informed the staff that they are required to comply with the provisions of the Supreme Court Personnel Plan regarding the completion of written leave request forms whenever possible as well as completing the form for explaining absence from work for illness.

Thank you for your cooperation and assistance in the audit of the Law Library. Please contact me if you require further information.

Very truly yours,


Marvin Roger Anderson
State Law Librarian



MINNESOTA STATE LAW LIBRARY



117 UNIVERSITY AVENUE • SAINT PAUL, MINNESOTA 55155 • (612) 296-2775

September 7, 1984

Tom Donahue, Audit Manager
Office of the Legislative Auditor
Veterans Service Building
St. Paul, Minnesota 55155

Dear Mr. Donahue:

I want to amend my formal response to the current finding and recommendations submitted by the Office of the Legislative Auditor for the State Law Library. This letter supercedes my letter dated September 4, 1984.

RECOMMENDATION #1 - Strengthen Internal Controls; Separation of Personnel and Payroll Functions; Payroll Warrants, Etc.

RESPONSE

In cooperation with the Supreme Court Office of Budget and Personnel, I have agreed to the immediate implementation of procedures that will correct the practices identified during your review. As State Law Librarian, I have delegated my responsibility to authorize all personnel transactions to the Director of the Supreme Court Office of Budget and Personnel. I will provide the Director with all pertinent personnel information on which this authorization will be based.

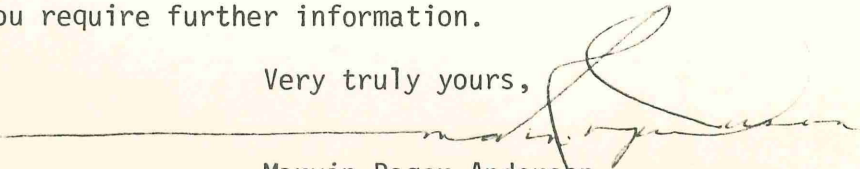
RECOMMENDATION #2 - Written Leave Requests, Etc.

RESPONSE

By Memorandum dated August 8, 1984, I have informed the staff that they are required to comply with the provisions of the Supreme Court Personnel Plan regarding the completion of written leave request forms whenever possible as well as completing the form for explaining absence from work for illness.

Thank you for your cooperation and assistance in the audit of the Law Library. Please contact me if you require further information.

Very truly yours,


Marvin Roger Anderson
State Law Librarian

MRA:jw
cc: J. Rehak

LAWYERS CONTINUING
LEGAL EDUCATION
BOARD

LAWYERS PROFESSIONAL
RESPONSIBILITY BOARD

STATE PUBLIC
DEFENDER

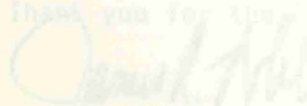
Audit Report

MINNESOTA STATE BOARD OF
CONTINUING LEGAL EDUCATION

Year Ended June 30, 1983

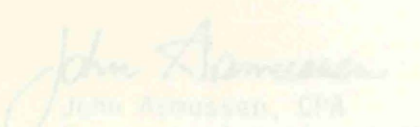
Operating Under Minn. Stat.
Chapter 480

For the year ended
June 30, 1983
Financial statement
presentation.

Thank you for the

James R. Noyes
Legislative Auditor

OFFICE OF THE LEGISLATIVE AUDITOR
FINANCIAL AUDIT DIVISION

AUGUST 1984


John Amussen, CPA
Deputy Legislative Auditor

August 14, 1984



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Dick Welch, Chairman
Legislative Audit Commission,

Members of the Legislative Audit Commission,

Douglas K. Amdahl, Chief Justice
Minnesota Supreme Court

and

Douglas R. Heidenreich, Executive Secretary
Lawyers Continuing Legal Education Board

We have made an internal control and compliance audit of the Lawyers Continuing Legal Education Board for the year ended June 30, 1983. The field work was completed on June 20, 1984. Our audit was made in accordance with generally accepted auditing standards, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The objectives of this audit were to:

- determine that effective control is being maintained over revenues, expenditures, assets and liabilities of the board; and
- verify that expenditures are made in accordance with applicable laws, regulations, and budget requirements.

No recommendations have resulted from our audit of the board.

The financial statements in this report are presented for the general information of the reader only, and do not purport to represent financial position or results of operations in accordance with generally accepted accounting principles. The financial statements were not audited by us, and accordingly we do not express an opinion on them. See Note 1 of the financial statements for an explanation of the basis of financial statement presentation.

Thank you for the cooperation extended our staff during this audit.

A handwritten signature in dark ink, appearing to read "James R. Nobles".

James R. Nobles
Legislative Auditor

A handwritten signature in dark ink, appearing to read "John Asmussen".

John Asmussen, CPA
Deputy Legislative Auditor

August 14, 1984

LAWYERS CONTINUING LEGAL EDUCATION BOARD

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Exhibit B - Statement of Revenue Deposited With the State Treasurer	2
Exhibit C - Note to the Financial Statements	2

AUDIT PARTICIPATION

Staff from the Office of the Legislative Auditor:

John Asmussen, CPA, Deputy Legislative Auditor
Tom Donahue, MBA, Audit Manager
Tim Corrigan, CPA, Auditor-in-Charge
Kerrin Lahr, Staff Auditor
Darlya Ecklund, Staff Auditor

LAWYERS CONTINUING LEGAL EDUCATION BOARD

INTRODUCTION

Under the supervision and direction of the Supreme Court, the Lawyers Continuing Legal Education Board reviews continuing legal education courses and determines the hours of credit to be allowed for attending each course.

The purpose of the Lawyers Continuing Education Board is to certify the hours of credit earned by each attorney and to report recommendations to the Supreme Court of noncompliance with the rules.

The Lawyers Continuing Legal Education Board operates from a Special Revenue Fund. The operating funds come from attorney registration fees collected by the Supreme Court and deposited into the board's accounts.

SPECIAL REVENUE FUND

Professional Fees

TOTAL

LAWYERS CONTINUING LEGAL EDUCATION BOARD

EXHIBIT A

UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

STATEMENT OF FINANCIAL RESOURCES, EXPENDITURES, AND AVAILABLE BALANCE Fiscal Year Ended June 30, 1983

SPECIAL REVENUE FUND

Available Balance - July 1, 1982	\$ 95,357
Receipts - Exhibit B	<u>63,110</u>

TOTAL FINANCIAL RESOURCES	<u>\$158,467</u>
---------------------------	------------------

Expenditures:

Personal Services	\$ 16,460
Rents and Leases	2,447
Advertising	1,954
Printing and Binding	1,694
Professional and Technical Services	31,353
Purchased Services	5
Communications	2,825
Travel	1,864
Supplies and Materials	<u>1,549</u>

TOTAL EXPENDITURES	<u>\$ 60,151</u>
--------------------	------------------

AVAILABLE BALANCE - June 30, 1983	<u>\$ 98,316</u>
-----------------------------------	------------------

EXHIBIT B

UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

STATEMENT OF REVENUES DEPOSITED WITH THE STATE TREASURER Fiscal Year Ended June 30, 1983

SPECIAL REVENUE FUND

Professional Licenses	<u>\$63,110</u>
-----------------------	-----------------

TOTAL SPECIAL REVENUE FUND - Exhibit A	<u>\$63,110</u>
--	-----------------

EXHIBIT C

NOTE TO THE FINANCIAL STATEMENTS

NOTE 1: The financial statements do not represent financial position or results of operations in accordance with generally accepted accounting principles. The Statewide Accounting (SWA) reports through September 3, 1983 were used in preparing these statements. Consequently, these statements are not prepared using the accrual basis of accounting.

Audit Report

LAWYERS PROFESSIONAL RESPONSIBILITY BOARD

Year Ended June 30, 1983

Operating Under Minn. Stat.
Chapter 480

OFFICE OF THE LEGISLATIVE AUDITOR
FINANCIAL AUDIT DIVISION

AUGUST 1984



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Dick Welch, Chairman
Legislative Audit Commission,

Members of the Legislative Audit Commission,

Douglas K. Amdahl, Chief Justice
Minnesota Supreme Court

and

Michael J. Hoover, Director
Lawyers Professional Responsibility Board

We have made an internal control and compliance audit of the Lawyers Professional Responsibility Board for the year ended June 30, 1983. The field work was completed on June 20, 1984. Our audit was made in accordance with generally accepted auditing standards, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

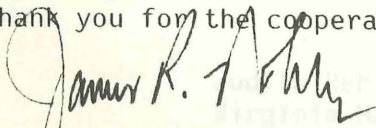
The objectives of this audit were to:

- determine that effective control is being maintained over revenues, expenditures, assets and liabilities of the board; and
- verify that expenditures are made in accordance with applicable laws, regulations, and budget requirements.

The recommendations included in this report are presented to assist you in improving accounting procedures and controls. Progress on implementing these recommendations will be reviewed during our next audit.

The financial statements in this report are presented for the general information of the reader only, and do not purport to represent financial position or results of operations in accordance with generally accepted accounting principles. The financial statements were not audited by us, and accordingly we do not express an opinion on them. See Note 1 of the financial statements for an explanation of the basis of financial statement presentation.

Thank you for the cooperation extended our staff during this audit.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

August 28, 1984

LAWYERS PROFESSIONAL RESPONSIBILITY BOARD

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Exhibit B - Statement of Revenue Deposited With the State Treasurer	
Exhibit C - Note to the Financial Statements	
AGENCY RESPONSE	6

AUDIT PARTICIPATION

Staff from the Office of the Legislative Auditor:

John Asmussen, CPA, Deputy Legislative Auditor
Tom Donahue, MBA, Audit Manager
Tim Corrigan, CPA, Auditor-in-Charge
Lori Pellicci, Staff Auditor
Sonya Hill, Staff Auditor
Kerrin Lahr, Staff Auditor

EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following administrative staff of the Minnesota Supreme Court on July 25, 1984:

Judith Rehak, Director of Court Personnel and Budget
Virginia Hames, Accounting Officer

LAWYERS PROFESSIONAL RESPONSIBILITY BOARD

INTRODUCTION

Under the supervision and direction of the Supreme Court, the Lawyers Professional Responsibility Board advises lawyers about ethical questions arising from the practice of law. The board investigates complaints about lawyers and recommends disciplinary action where appropriate to the Supreme Court.

The purpose of the Lawyers Professional Responsibility Board is to ensure that the public is served by lawyers whose legal practices conform to the Code of Professional Responsibility adopted by the Minnesota Supreme Court.

The Lawyers Professional Responsibility Board operates from a Special Revenue Fund. The majority of the operating funds come from attorney registration fees collected by the Supreme Court and deposited into the board's accounts.

LAWYERS PROFESSIONAL RESPONSIBILITY BOARD

CURRENT FINDINGS AND RECOMMENDATIONS

Controls over receipts need to be strengthened.

The Lawyers Professional Responsibility Board collects various types of receipts. They collect professional corporation fees, honorariums, and lawyer fines including assessed court costs.

During fiscal year 1983, receipts for professional corporation registrations were \$24,075. We found an inadequate separation of duties over these receipts. One person is responsible for receiving the payments, preparing the deposits, posting to the corporate registration records, and reconciling the deposit slip to the Statewide Accounting (SWA) receipt reports. Additional control weaknesses for corporate registration receipts include the lack of a daily mail listing prepared by the person opening the mail, the untimely deposit of receipts, and the lack of a reconciliation of the number of corporations registered to total receipts.

Strong internal controls help to safeguard assets and provide reasonable assurance of the accuracy and reliability of accounting records. Adequate separation of duties and independent reconciliations ensure that one individual does not have control of a process from beginning to end and provides a system of checks and balances which help to detect any errors which may occur. The reconciliations also verify that the proper amounts were collected and deposited. Minn. Stat. Section 16A.275 requires receipts to be deposited daily if exceeding \$250. The board is currently holding the registration fees until the application is fully processed, which can take from 20 to 25 days. Receipts should be deposited promptly to avoid lost interest and lost, misplaced, or stolen checks.

The board investigates complaints against lawyers and recommends disciplinary action where appropriate to the Supreme Court. The court's Rules of Lawyers Professional Responsibility state that the prevailing party in any disciplinary proceeding shall recover costs in the amount of \$500 as well as other costs incurred after filing a petition for disciplinary action. These amounts are in addition to any fines assessed as part of the disciplinary action. We found that the controls over the recovery of these costs to be weak. Fines and costs collected in fiscal year 1983 were \$11,798. However, an additional \$13,504 in fines and assessments from fiscal year 1983 and before has still not been collected. The Board does not actively attempt to collect these costs and fines. The amounts which were collected were paid voluntarily by the lawyers. There also does not appear to be any penalty for not paying any fines and assessments, unless the lawyer was suspended or disbarred from practice and wishes to be reinstated.

RECOMMENDATIONS:

1. The duties of receiving payments, preparing deposits, posting receipts to registration records, and reconciling receipts to SWA should be separated.

LAWYERS PROFESSIONAL RESPONSIBILITY BOARD

2. The board should deposit its receipts daily or when they aggregate to \$250, in accordance with Minn. Stat. Section 16A.275.
3. The professional corporation registration receipts should be reconciled to the number of registered corporations on a periodic basis.
4. Procedures should be developed to ensure that all fines and assessments against lawyers are collected on a timely basis. The board should also work with the Supreme Court to incorporate penalties for nonpayment of fines and assessments into the court's Rules of Lawyers Professional Responsibility.

Controls over fixed assets need to be improved.

The Lawyers Professional Responsibility Board maintains manual listings of its fixed assets. Office furniture is listed by location with brand names and model or serial numbers shown.

Our examination of the board revealed that none of the assets are marked as state property, nor do the items have asset numbers assigned to them. In order to provide better control over fixed assets and to provide proper accountability for them, fixed assets belonging to the state should be properly marked. The manual inventory lists should also be modified to include asset cost and acquisition date.

RECOMMENDATION:

5. The board should properly identify its fixed assets as state property, assign and affix asset numbers to each asset, and include cost and acquisition date on their records.

LAWYERS PROFESSIONAL RESPONSIBILITY BOARD

EXHIBIT A

UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

STATEMENT OF FINANCIAL RESOURCES, EXPENDITURES, AND AVAILABLE BALANCE
Fiscal Year Ended June 30, 1983

SPECIAL REVENUE FUND

Available Balance - July 1, 1982	\$183,840
Receipts - Exhibit B	<u>547,256</u>
TOTAL FINANCIAL RESOURCES	<u>\$731,096</u>
Expenditures:	
Personal Services	\$370,670
Rents and Leases	32,297
Advertising	749
Repair Services	2,273
Printing and Binding	7,151
Professional and Technical Services	7,551
Purchased Services	3,063
Communications	10,857
Travel	8,488
Fees and Fixed Charges	1,413
Supplies and Materials	9,461
Equipment	<u>6,739</u>
TOTAL EXPENDITURES	<u>\$460,712</u>
AVAILABLE BALANCE - June 30, 1983	<u>\$270,384</u>

EXHIBIT B

UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

STATEMENT OF REVENUES DEPOSITED WITH THE STATE TREASURER
Fiscal Year Ended June 30, 1983

SPECIAL REVENUE FUND

Professional Licenses	\$510,226
All Other Earnings	35,403
Statutory Fines	1,172
All Other Agency Deposits	<u>455</u>
TOTAL SPECIAL REVENUE FUND - Exhibit A	<u>\$547,256</u>

LAWYERS PROFESSIONAL RESPONSIBILITY BOARD

EXHIBIT C

NOTE TO THE FINANCIAL STATEMENTS

NOTE 1: The financial statements do not represent financial position or results of operations in accordance with generally accepted accounting principles. The Statewide Accounting (SWA) reports through September 3, 1983 were used in preparing these statements. Consequently, these statements are not prepared using the accrual basis of accounting.

DIRECTOR OF
LAWYERS PROFESSIONAL RESPONSIBILITY

444 LAFAYETTE ROAD
4TH FLOOR
ST. PAUL, MINNESOTA 55101

612-296-3952

MICHAEL J. HOOVER
DIRECTOR

JANET DOLAN

ASSISTANT DIRECTOR

RICHARD J. HARDEN

NANCY W. MCLEAN

WILLIAM J. WERNZ

ATTORNEYS

August 28, 1984

PERSONAL AND CONFIDENTIAL

Tom Donahue
Audit Manager
Office of the Legislative Auditor
Veterans Service Building
St. Paul, MN 55155

Re: Legislative Audit of the Lawyer's Professional
Responsibility Board

Dear Mr. Donahue:

Please consider this the response of the Director on Lawyers
Professional Responsibility to your Audit Report of the Lawyers
Responsibility Board for the year ended June 30, 1983.

Recommendation No. 1--The duties of receiving payments,
preparing deposits, posting receipts to registration records,
and reconciling receipts to SWA should be separated.

Response: The Director appreciates the recommendation.
However, the Director does not presently have the staff to
allow for the division of duties with regard to the receipt
and processing of monies received by the Director. If future
staffing resources allow the implementation of this
recommendation, the Director will consider it.

Recommendation No. 2--The Board should deposit its receipts
daily or when they aggregate to \$250.00, in accordance with
Minn. Stat. Section 16A.275.

Response: The Director has implemented this recommendation.

Recommendation No. 3--The professional corporation registration
receipt should be reconciled to the number of registered
corporations on a periodic basis.

Response: The Director has adopted this recommendation. A
reconciliation of the professional corporation registration
receipts for the past year has been completed.

Tom Donahue
August 28, 1984
Page two

Recommendation No. 4--Procedure should be developed to insure that all fines and assessments against lawyers are collected on a timely basis. The board should also work with the Supreme Court to incorporate penalties for non-payment of fines and assessment into the court's Rules of Lawyers Professional Responsibility.

Response: The Director has adopted the recommendation with regard to the collection of fines and assessments. The Director will communicate to the board, the recommendation of, the auditor regarding the court rules.

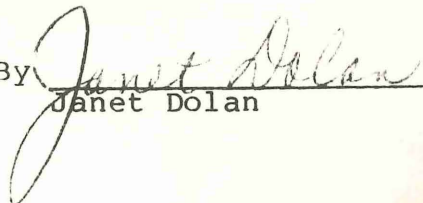
Recommendation No. 5--The Board should promptly identify its fixed assets as state property, assign and affix asset numbers to each asset, and include cost and acquisition date on their records.

Response: The Director has adopted this recommendation. The Director has been informed by Judith Rehak, Director of Court Personnel and Budget, that she will be handling the transition onto the state inventory system for Supreme Court agencies not presently on that system. The Director will cooperate fully with these efforts.

If you have any questions, please contact me.

Very truly yours,

Michael J. Hoover
Director

By 
Janet Dolan

JD/sjb

Audit Report

STATE PUBLIC DEFENDER

Year Ended June 30, 1983

Operating Under Minn. Stat. Chapter 611

OFFICE OF THE LEGISLATIVE AUDITOR
FINANCIAL AUDIT DIVISION

JULY 1984



STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Dick Welch, Chairman
Legislative Audit Commission,

Members of the Legislative Audit Commission,

and

C. Paul Jones, Public Defender
Office of the State Public Defender

We have completed an internal control and compliance audit of the Office of the State Public Defender for the year ended June 30, 1983. The audit field work was completed on May 18, 1984. Our audit was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

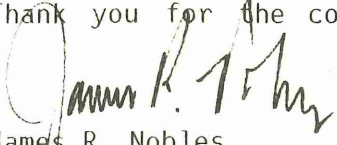
The objectives of this audit were to:

- determine that effective control is being maintained over revenues, expenditures, assets and liabilities of the Office of the State Public Defender; and
- verify that expenditures are made in accordance with applicable laws, regulations, and budget requirements.

The recommendations included in this report are presented to assist you in improving accounting procedures and controls. Progress on implementing these recommendations will be reviewed during our next audit.

The financial statements in this report are presented for the general information of the reader only, and do not purport to represent financial position or results of operations in accordance with generally accepted accounting principles. The financial statements were not audited by us, and accordingly we do not express an opinion on them. See Note 1 of the financial statements for an explanation of the basis of financial statement presentation.

Thank you for the cooperation extended to our staff during this audit.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

August 27, 1984

OFFICE OF THE STATE PUBLIC DEFENDER

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AUDIT PARTICIPTION

Staff from the Office of the Legislative Auditor:

John Asmussen, CPA, Deputy Legislative Auditor
Tom Donahue, Audit Manager
Jerome McCallson, Auditor-in-Charge

EXIT CONFERENCE

The findings and recommendations in this report were discussed with the following staff of the Office of the State Public Defender on June 19, 1984:

C. Paul Jones, Public Defender
Lilly Ann Cook, Accountant

OFFICE OF THE STATE PUBLIC DEFENDER

INTRODUCTION

The Office of the State Public Defender was established under Minn. Stat. Chapter 611 as an agency within the judicial branch of state government. The State Public Defender is appointed by the State Board of Public Defense for a four-year term. The statutes require a qualified and licensed attorney who engages in the full-time performance of his duties. C. Paul Jones, the current State Public Defender, has held this position since 1966.

The Public Defender provides legal services to indigent clients in:

- criminal cases for appeals to the Minnesota Supreme Court,
- post conviction proceedings in the district courts throughout the state,
- parole revocation proceedings,
- civil legal problems, and
- prison disciplinary hearings.

General Fund appropriations finance the activities of the Office of the State Public Defender.

OFFICE OF THE STATE PUBLIC DEFENDER

CURRENT FINDINGS AND RECOMMENDATIONS

Internal control procedures over payroll need to be strengthened.

During our review of payroll procedures, we noted the following weaknesses:

- an inadequate separation of duties within the payroll function; and
- the absence of a positive time and leave reporting system.

One individual is responsible for preparing and approving the payroll time roster and distributing the payroll checks. Because of this concentration of responsibility within one individual, errors or irregularities may occur and not be detected in a timely manner. Although the number of administrative staff within the Public Defender's Office is small, procedures can be implemented to strengthen controls over the payroll function. For example, someone in authority who is not responsible for preparing the payroll time roster could review and approve it. This individual could either be the Public Defender or his designee.

A positive time reporting system requires an employee to record on a bi-weekly time report the hours to be paid each day or the type of leave taken. The employee's supervisor should approve and sign the time report at the end of the pay period verifying that the hours to be paid were actually worked. Vacation or sick leave should be requested and approved prior to its occurrence date, and supported by a leave request form.

RECOMMENDATIONS:

1. The Public Defender or someone in authority not responsible for preparing the biweekly payroll time roster should review and approve it.
2. The Office of the State Public Defender should establish a positive time and leave reporting system for its employees.

OFFICE OF THE STATE PUBLIC DEFENDER

EXHIBIT A

UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

STATEMENT OF FINANCIAL RESOURCES, EXPENDITURES, AND AVAILABLE BALANCE
Year Ended June 30, 1983

General Fund

State Appropriations	\$797,032
Transfers In:	
Salary Supplements	88,556
Appropriation Cancellations	<u>(64)</u>
Total Available	\$885,524
Expenditures:	
Personal Services	\$686,925
Rents and Leases	2,650
Advertising	486
Repair Service	65
Printing and Binding	24,468
Professional and Technical Services	25,159
Communications	20,202
Travel and Subsistence	26,331
Fees and Other Fixed Charges	4,233
Supplies, Materials, Transcripts, and Court Records	94,489
Equipment	<u>516</u>
Total Expenditures	\$885,524
Available Balance - June 30, 1983	<u><u>-0-</u></u>

EXHIBIT B

UNAUDITED, FOR INFORMATIONAL PURPOSES ONLY, SEE NOTE 1

STATEMENT OF REVENUE DEPOSITED WITH THE STATE TREASURER
Year Ended June 30, 1983

General Fund

Service Charges	\$ 111
Other Reimbursements	<u>854</u>
Total General Fund	<u><u>\$ 965</u></u>

EXHIBIT C

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: The financial statements do not represent financial position or results of operations in accordance with generally accepted accounting principles. Statewide accounting reports as of September 4, 1983 were used in preparing the financial statements with adjustments for activity occurring subsequent to that date. Consequently, these statements are not prepared using the accrual basis of accounting.

Minnesota Public Defender:
C. Paul Jones

STATE OF MINNESOTA

OFFICE OF THE STATE PUBLIC DEFENDER

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Kathy A. King
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Robert D. Goodell
Margaret LaMarche
Mary C. Cade

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Philip Marron
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In Cooperation with L.A.P.
(Legal Advocacy Project) in
Prison Disciplinary Matters
Telephone: (612) 373-5788
Ronald H. Ortlip
Margaret W. Broughton

August 27, 1984

Mr. Thomas Donahue
Audit Manager
Office of the Legislative Auditor
Veterans Service Building
Saint Paul, Minnesota 55155

Dear Mr. Donahue:

We have implemented your recommendations on our internal control procedures over payroll that we discussed with you in our after audit conference.

1. Mr. Jones now reviews and approves the biweekly payroll time roster
2. The employees now record their hours on a biweekly report to be signed by Mr. Jones at the end of the payroll period

We will see how this works.

Thank you very much for your considerate suggestions, we appreciate them.

Very truly yours,



LillyAnn Cook
Acct. Tech.