
CriMNet Financial Audit



Financial Audit Division

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OLA's Financial Audit Division annually audits the state's financial statements and, on a rotating schedule, audits agencies in the executive and judicial branches of state government, three metropolitan agencies, and several "semi-state" organizations. The division also investigates allegations that state resources have been used inappropriately.

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- Promote Accountability,
- Strengthen Legislative Oversight, and
- Support Good Financial Management.

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OFFICE OF THE LEGISLATIVE AUDITOR
State of Minnesota • James Nobles, Legislative Auditor

Representative Tim Wilkin, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

The Honorable Kathleen Blatz, Chief Justice of the Minnesota Supreme Court

Ms. Joan Fabian, Commissioner of the Department of Corrections

Mr. Rich Stanek, Commissioner of the Department of Public Safety

Mr. Robert Johnson, Director of CriMNet Office

Members of the Criminal and Juvenile Justice Information Policy Group

We have audited the CriMNet program for the period July 1, 1995, through December 31, 2003. Our audit scope included professional/technical contracts, grants, payroll, equipment, and other administrative expenditures. The audit objectives and conclusions are highlighted in the individual chapters of this report.

We conducted our audit in accordance with *Government Auditing Standards*, as issued by the Comptroller General of the United States. Those standards require that we obtain an understanding of management controls relevant to the audit. The standards require that we design the audit to provide reasonable assurance that the CriMNet program complied with provisions of laws, regulations, contracts, and grants that are significant to the audit. Management is responsible for establishing and maintaining the internal control structure and complying with applicable laws, regulations, contracts, and grants.

This report is intended for the information of the Legislative Audit Commission, the management of the Minnesota Supreme Court, the Department of Corrections, the Department of Public Safety, the CriMNet Office, and the members of the Criminal and Juvenile Justice Information Policy Group. This restriction is not intended to limit the distribution of this report, which was released as a public document on March 3, 2004.

/s/ James R. Nobles

/s/ Claudia J. Gudvangen

James R. Nobles
Legislative Auditor

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: February 6, 2004

Report Signed On: February 26, 2004

CriMNet Financial Audit

Table of Contents

	Page
Report Summary	1
Chapter 1. Introduction	3
Chapter 2. Financial Management	5
Chapter 3. Professional/Technical Contracts	13
Chapter 4. Grants	25
Chapter 5. Payroll	29
Chapter 6. Equipment and Administrative Expenditures	33
Chapter 7. CriMNet Office	37
Attachment 1	43
Agency Responses	47

Audit Participation

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

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April Snyder	Auditor

Exit Conferences

We discussed the results of the audit with the following agency representatives:

Minnesota Department of Corrections

Joan Fabian	Commissioner
John Calabrese	Director of Financial Services
Dan Storkamp	Manager of Information and Technology
Deb Kerschner	MNSIS Project Manager

Minnesota Department of Public Safety

Rich Stanek	Commissioner
Frank Ahrens	Director of Fiscal/Administrative Services
Robert Johnson	CriMNet Executive Director
Amy Roberts	Policy and Legislative Affairs Director

Minnesota Supreme Court – Office of the State Court Administrator

Sue Dosal	State Court Administrator
Judith Rehak	Senior Legal Counsel
Michael Johnson	Senior Legal Counsel
Robert Hanson	Chief Information Officer
Dale Good	(Former) Chief Information Officer
Thomas McCarthy	First District Judge

Report Summary

Key Conclusions

CriMNet program managers do not have complete, timely, or reliable accounting data to monitor, analyze, and control project costs. (Finding 1, page 10)

Generally, the court system, the departments of Public Safety and Corrections, and the Sentencing Guidelines Commission used professional/technical contracts to obtain information system services needed to accomplish the purposes specified in CriMNet appropriations. However, we noted some exceptions to legal provisions or good fiscal practices in the agencies' administration of the contracts. (Findings 2 – 5, pages 21 – 24)

The CriMNet Office incurred unnecessary and unreasonable expense when it leased office space in excess of its needs. In addition, the CriMNet Office did not always comply with statutory provisions and state policy regarding the disposition of frequent flyer miles. (Findings 6 – 7, pages 40 – 41)

Background

In Minnesota, criminal justice information is created and maintained on separate systems by courts, executive agencies, and local jurisdictions. Historically, this separation of information has caused problems for law enforcement officers, judges, public defenders, and other criminal justice professionals who need full and accurate information to do their jobs. Minnesota's efforts to better integrate criminal justice information started with planning in the early 1990s. In 2001, the state started making significant investments in new or enhanced information systems and improved criminal justice work processes, and it designated these and future integration efforts as "CriMNet." Criminal justice information is considered "integrated" when critical information can be shared at key decision points during the criminal justice process.

The 2003 Legislature directed that:

The legislative auditor must complete a financial audit of all components and expenditures of the group of projects generally referred to as CriMNet by March 1, 2004. The audit must include a review of all contracts related to CriMNet for compliance with state law, including the laws and guidelines governing the issuance of contracts.

In addition, the Legislative Audit Commission directed the Legislative Auditor's Office to conduct a program evaluation of CriMNet. The Program Evaluation Division's report evaluated the status of information integration to date; the extent to which state agency integration projects have met time, cost, and result expectations; and how well the CriMNet program as a whole has been managed.

CriMNet Financial Audit

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Chapter 1. Introduction

The Criminal and Juvenile Justice Information Policy Group (the Policy Group) sets CriMNet policy and governs the overall progress of the program. The Policy Group is comprised of four executive branch and four judicial members. Members include the commissioners of Corrections, Administration, Finance, and Public Safety. The Chief Justice of the Supreme Court appoints four judicial branch representatives. The Policy Group may also appoint additional non-voting members. The commissioner of Public Safety is the permanent chair of the Policy Group. A task force, made up of representatives from state and local government, the private sector, and other groups, assists the Policy Group in developing recommendations to the Legislature.

The CriMNet Office, directed by a program manager appointed by the Policy Group, administers the CriMNet Office's internal operations and coordinates and oversees the progress of the CriMNet program implemented by various state agencies and local jurisdictions. The CriMNet Office exists within the Department of Public Safety and reports both to the Policy Group and to its chair, the commissioner of Public Safety.

The 2003 Legislature directed that:

The legislative auditor must complete a financial audit of all components and expenditures of the group of projects generally referred to as CriMNet by March 1, 2004. The audit must include a review of all contracts related to CriMNet for compliance with state law, including the laws and guidelines governing the issuance of contracts.

In addition, the Legislative Audit Commission directed the Legislative Auditor's Office to conduct a program evaluation of CriMNet. The Program Evaluation Division's report evaluated the status of information integration to date; the extent to which state agency integration projects have met time, cost, and result expectations; and how well the CriMNet program as a whole has been managed.

Overall Objectives

We designed our financial audit of the CriMNet program:

- To determine whether state agencies and the court system had expended CriMNet program-related funding in accordance with applicable legal provisions, and
- To determine whether CriMNet program-related funding was used in a reasonable and prudent manner.

CriMNet Financial Audit

Scope

We summarized all transactions recorded on the state's accounting system from the implementation of that system on July 1, 1995, through December 31, 2003, in the appropriation accounts we identified as being CriMNet program related. We limited detail tests of some transaction types to more recent years because supporting documentation typically is not available for transactions that occurred more than a few years ago.

Chapter 2. Financial Management

Chapter Conclusions

The CriMNet program has not been identified in the accounting system to allow for analysis of its total resources and costs. There is no common accounting structure for CriMNet projects across agencies. The agencies have not tracked CriMNet program costs paid with general operating funds, and the agencies are only able to estimate these costs. CriMNet project managers have no reliable accounting information, across agencies, to monitor, analyze, and control project costs.

State funding for CriMNet was generally provided through appropriations designated as being for “criminal justice information system improvement.” With our office’s Program Evaluation Division, we examined appropriations for fiscal years 1996 through 2005 to estimate how much had been allocated over the long term for criminal justice information integration (both before and after CriMNet was officially designated as a state program). We included appropriations to state agencies and the courts, state appropriations for grants to local units of government, and federal awards that we could clearly identify as being for criminal justice information integration. We did not include the following three other sources of funding because data were not readily available: (1) direct local government spending, (2) grants directly from the federal government to local governments, and (3) state agency spending from general operating accounts. Table 2-1 summarizes the estimated state and federal funding for improving and integrating the Minnesota criminal justice information system for fiscal years 1996 through 2005.

Table 2-1
Estimated State and Federal Funding for
Criminal Justice Information Systems Improvements
By Biennium
Fiscal Years 1996 - 2005

<u>Funding Source</u>	<u>1996-97</u>	<u>1998-99</u>	<u>2000-01</u>	<u>2002-03</u>	<u>2004-05</u>	<u>Total</u>
State	\$2,474,000	\$12,804,000	\$37,983,000	\$45,072,000	\$39,343,000	\$137,676,000
Federal	<u>2,373,000</u>	<u>2,113,000</u>	<u>3,556,000</u>	<u>12,042,000</u>	<u>20,904,000</u>	<u>40,988,000</u>
Totals	<u>\$4,847,000</u>	<u>\$14,917,000</u>	<u>\$41,539,000</u>	<u>\$57,114,000</u>	<u>\$60,247,000</u>	<u>\$178,664,000</u>

Source: Office of the Legislative Auditor, Program Evaluation Division, analysis of Minnesota Laws and Minnesota House Fiscal Analysis Division data on criminal justice information technology investments.

CriMNet Financial Audit

CriMNet Program-Related Accounts

To conduct our testing, we identified the accounts in the state's accounting system that related to the estimated CriMNet program funding in Table 2-1. Although the agencies established the appropriations in the accounting system in accordance with the Department of Finance's policies and procedures, we were not always able to make direct connections between the amounts in Table 2-1 and the accounts on the state's accounting system. As explained previously, the appropriations sometimes generally provided funds to an agency for improvement to criminal justice information systems. The Legislature sometimes designated part of a larger appropriation for criminal justice information system improvements. In accordance with Department of Finance procedures, agencies often posted the overall appropriation to a general operating account and then transferred the appropriation designations to other accounts. These transferred appropriations were more difficult to identify. In addition, in the subsequent biennium, the Legislature would sometimes incorporate these designations into the agency's base budget amount, again, making it more difficult to distinguish CriMNet-related funding from more generic information system improvement or agency operational funding.

Attachment 1 shows the accounts that we considered (either wholly or in part) CriMNet-related expenditures. The accounts we identified contained appropriations totaling nearly \$90 million. Along with federal grants and dedicated receipts, the accounts identified CriMNet program-related funding of approximately \$106 million. These accounts, with very limited exception, defined the financial activity we included in our analysis and testing. The 90 CriMNet program-related accounts we identified cut across five agencies, three funds, and ten fiscal years. The accounts had no common link to allow for quick inquiry or analysis. Standard query tools and analysis could not be performed; special queries had to be designed.

However, as we conducted our testing of specific transactions, it became apparent that the general nature of the initial appropriations and the varying definitions of the CriMNet program made it difficult for us to reach clear-cut conclusions about whether the cost was CriMNet program related. For example, the courts' Criminal Justice Information System Network account, which we included as a CriMNet program account, received its resources from the courts' state court administrator account, which includes much of the courts operating funds. While the courts do charge CriMNet-related expenditures to this account, they also charge costs that are more general network costs. Also, agencies used accounts outside of our CriMNet-related accounts, such as general operating accounts, to finance some CriMNet costs. However, we could not separately identify CriMNet costs from the other costs charged to those accounts.

As the CriMNet program continues in its implementation, the inability to clearly and completely identify its financial activity in the accounting system will be a major obstacle to the production of meaningful accounting information. As further explained in Finding 1, to improve accountability and project monitoring, the Policy Group and the individual agencies need to establish an accounting structure that will allow for the tracking, summarizing, and analyzing financial activity.

Table 2-2 summarizes the funding recorded in the 90 accounts we identified as CriMNet program related.

CriMNet Financial Audit

Table 2-2
Summary of CriMNet Program-Related Funding
by Fiscal Year and Type
July 1, 1995, through December 31, 2003

<u>Budget Fiscal Year</u>	<u>Appropriations⁽³⁾</u>	<u>Federal Receipts⁽⁴⁾</u>	<u>Other Receipts</u>	<u>Total</u>
1995 ⁽¹⁾	\$ 838,905			\$ 838,905
1996	5,208,971		\$761,154	5,970,125
1997	459,632	\$163,238	1,093,049	1,715,919
1998	6,955,000	227,384	836,170	8,018,554
1999	5,650,080	114,760	1,351,392	7,116,232
2000	11,436,000	445,972	1,294,776	13,176,748
2001	22,657,000	559,959	1,345,698	24,562,657
2002	15,482,123	554,929	1,298,819	17,335,871
2003	14,693,544	2,463,620	1,333,058	18,490,222
2004 ⁽²⁾	<u>6,588,000</u>	<u>1,377,778</u>	<u>393,945</u>	<u>8,359,723</u>
Total	<u>\$89,969,255</u>	<u>\$5,907,640</u>	<u>\$9,708,061</u>	<u>\$105,584,956</u>

Note 1: Budget fiscal year 1995 includes only those transactions that were recorded after July 1, 1995, when the state's new accounting system was implemented.

Note 2: Budget fiscal year 2004 receipts are through December 31, 2003.

Note 3: Appropriations include transfers into the CriMNet program-related accounts from agencies' operating accounts. Appropriations also include \$1,714,876 of balances rolled forward from accounts not included as CriMNet program related.

Note 4: Federal Receipts are the amounts drawn down from federal awards as agencies request reimbursements for expenditures. This differs from the estimated federal awards shown in Table 2-1.

Source: Minnesota Accounting and Procurement System.

Federal Grants

The agencies received federal grant funding for certain aspects of the CriMNet program. The courts and the Department of Corrections received National Criminal History Improvement Grants (CFDA #16.554) to enhance the quality and completeness of the nation's criminal history record systems, to provide financial and technical assistance for the establishment or improvement of computerized criminal history record systems, and to collect data on stalking and domestic violence.

The Department of Public Safety received Byrne Formula Grant Program (CFDA #16.579) funds to reduce and prevent illegal drug activity, crime, and violence and to improve the functioning of the criminal justice system.

The Department of Public Safety received Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grant (CFDA #16.580) funds to improve the functioning of the criminal justice system, with emphasis on violent crime and serious offenders.

CriMNet Financial Audit

The Department of Public Safety also received Public Safety Partnership and Community Policing Grants (CFDA #16.710) to expand community policing efforts with technology.

Receipts

The Department of Public Safety deposited revenue totaling approximately \$10 million into the General Fund. These receipts were from charges for mobile digital terminals and Criminal Justice Data Communications Network operations. The terminals provide field officers and investigators with quick access to crime and offender information. Participating law enforcement agencies pay the state for the installation charges and monthly operational charges. Minnesota statutes appropriated these receipts to the Department of Public Safety to administer the Criminal Justice Data Communications Network.

CriMNet Program-Related Expenditures

Table 2-3 shows expenditures recorded in CriMNet program-related accounts by fiscal year and agency. The year with the highest spending is fiscal year 2001, when the court system received significant appropriations for development of the Minnesota Court Information System (MNCIS), and the Department of Public Safety purchased and distributed online scanners and enhanced the operations of its Criminal Justice Data Communications Network.

Table 2-3
Summary of Expenditures Recorded in CriMNet Program Related Accounts
By Fiscal Year and Agency
All Fund Types
July 1, 1995, through December 31, 2003

Budget Fiscal Year	Court System	Public Safety ⁽³⁾	Corrections	Public Defense Board	Sentencing Guidelines Commission	Total
1995 ⁽¹⁾		\$ 797,171				\$ 797,171
1996	\$ 141,711	4,495,107				4,636,818
1997	876,719	831,403				1,708,122
1998	2,926,673	2,047,154	\$ 500,000			5,473,827
1999	2,958,580	5,795,827	101,785			8,856,192
2000	2,802,220	4,007,764	1,319,684	\$18,591	\$ 83,786	8,232,045
2001	9,184,407	16,262,251	2,308,094		64,077	27,818,829
2002	9,376,441	3,095,854	398,408			12,870,703
2003	11,223,817	9,690,803	958,435			21,873,055
2004 ⁽²⁾	879,971	2,953,007	22,399			3,855,377
Total	\$40,370,539	\$49,976,341	\$5,608,805	\$18,591	\$147,863	\$96,122,139

Note 1: Budget fiscal year 1995 activity only includes transactions after July 1, 1995, when the state's new accounting system was implemented.

Note 2: Budget fiscal year 2004 expenditures are through December 31, 2003.

Note 3: The Department of Public Safety includes the CriMNet Office and the Policy Group.

Source: Minnesota Accounting and Procurement System.

CriMNet Financial Audit

Table 2-4 shows CriMNet program expenditures by categories. We discuss the testing of the largest expenditure category, professional/technical contracts, in Chapter 3. We discuss our analysis of grants in Chapter 4 and payroll in Chapter 5. We discuss our review of the other categories, including equipment and other administrative expenditures, in Chapter 6. Finally, in Chapter 7, we extract the transactions related to the CriMNet Office and examine its financial operations.

Table 2-4
Summary of Expenditures Recorded in CriMNet Program-Related Accounts
By Agency and Expenditure Category
July 1, 1995, through December 31, 2003

Category	Court System	Public Safety	Corrections	Public Defense Board	Sentencing Guidelines Commission	Total
Payroll	\$ 8,534,697	\$ 7,100,399	\$ 729,413		\$ 989	\$16,365,498
Rent	130,163	717,899				848,062
Prof./Tech. Services	16,442,277	6,145,460	2,146,459		136,193	24,870,389
Travel	213,796	131,518	9,445		243	355,002
Supplies	2,836,058	2,868,198	668,636		8,401	6,381,293
Equipment	8,270,908	11,896,895	199,778	\$18,591	1,908	20,388,080
Computer Services	1,836,589	9,433,832	897,381			12,167,802
Communications	542,393	6,304,512	6,011			6,852,916
Repairs/Maintenance	887,025	1,291,688	33,910			2,212,623
Grants and Aid		2,079,460	861,700			2,941,160
Other Expenditures	676,633	2,006,480	56,072		129	2,739,314
Total	<u>\$40,370,539</u>	<u>\$49,976,341</u>	<u>\$5,608,805</u>	<u>\$18,591</u>	<u>\$147,863</u>	<u>\$96,122,139</u>

Source: Minnesota Accounting and Procurement System.

Audit Objective and Methodology

Our audit of CriMNet program financial management focused on the following question:

- How well have the agencies used the state's accounting system to record, accumulate, and monitor the use of CriMNet program-related funding?

To reach our conclusions, we met with agency personnel to discuss how CriMNet program-related financial activity was recorded on the state's accounting system.

Conclusions

The CriMNet program has not been identified in the accounting system to allow for analysis of its total resources and costs. There is no common accounting structure for CriMNet projects across agencies. The agencies have not tracked CriMNet program costs paid with general operating funds, and the agencies are only able to estimate these costs. CriMNet project managers have no reliable accounting information, across agencies, to monitor, analyze, and control project costs.

CriMNet Financial Audit

1. CriMNet program managers do not have complete, timely, or reliable accounting data to monitor, analyze, and control project costs.

State agencies and the courts have not used the accounting system in a way that allows for comprehensive oversight of CriMNet program-related financial activity. Certainly, in the early years, when the CriMNet program existed as more of a vision than as an actual program, agencies could not have foreseen the need to link the various projects through common coding. Individual agencies have been able to manage their own projects and accounts. However, to allow for overall analysis, monitoring, and reporting of program financial activity, the CriMNet Office may need to require that agencies use some common coding to identify, across agencies, the diverse accounts that are part of the CriMNet program.

The common coding could be done by using common “appropriation unit” coding, or could possibly be at the transaction level, through object codes or project codes. The CriMNet Office will need to work with the Department of Finance and with the agencies to determine how to best accomplish this goal.

The Policy Group has not clearly identified which resources relate to the CriMNet program. The CriMNet program has been implemented thus far through CriMNet Office activities and agency-based projects. Each agency obtained appropriations through individual budget requests. Often, the appropriation did not clearly distinguish the CriMNet portion of an appropriation from more general information technology or operating appropriations. Although the agencies established the appropriations on the state’s accounting system in accordance with Department of Finance policies and procedures, the accounts they created also did not clearly distinguish CriMNet-related accounts from other information technology functions. For purposes of testing, we identified 90 accounts on the state’s accounting system that we considered to be CriMNet program-related. Agencies sometimes disagreed with our determination of these accounts, arguing that we had included accounts that were not CriMNet program related, or that we had not included other accounts that they considered to be CriMNet program related.

Finally, agencies charged some CriMNet project costs to their general operating accounts, which were outside the accounts we identified as being CriMNet program related. For example, some contract and payroll costs were paid from agencies’ general operating accounts. Unless the agencies distinguish these transactions from the non-CriMNet financial activity in these accounts, complete analysis of CriMNet program financial activity will not be possible.

Recommendations

- *The Policy Group should work with the Department of Finance to determine common coding that agencies can use to uniquely identify CriMNet resources and CriMNet-related transactions on the state’s accounting system. The office should then require that the agencies code transactions related to the CriMNet projects to allow for overall analysis, monitoring, and reporting of CriMNet program financial activity.*

CriMNet Financial Audit

- *The Policy Group should work with the agencies to identify the resources currently available for the CriMNet program and to define which projects and costs are CriMNet program costs.*
- *The Policy Group should develop a policy about CriMNet project costs funded with general operating funds or with general information system funds, and direct agencies to identify those costs in the accounting system or other records in a way that allows them to be included in the overall analysis, monitoring, and reporting of CriMNet program financial activity.*

CriMNet Financial Audit

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Chapter 3. Professional/Technical Contracts

Chapter Conclusions

Generally, the court system, the departments of Public Safety and Corrections, and the Sentencing Guidelines Commission used professional/technical contracts to obtain information system services needed to accomplish the purposes specified in CriMNet appropriations. However, we noted some exceptions to legal provisions or good fiscal practices in the agencies' administration of the contracts.

The state court administrator often allowed vendors to start work on a contract before it was fully executed or during the time between when the contract expired and an extension or amendment was fully executed. The departments of Corrections and Public Safety did not always retain at least ten percent of the payment amounts on its contracts until the satisfactory completion of the contract. The state court administrator did not include a retainage clause in the majority of its contracts. A court employee executed a contract without clearly having been delegated the authority to do so.

Contracts and amendments did not always clearly describe the services the vendors were to provide, and vendor invoices often did not detail the services the vendor activity provided.

The design, development, and implementation of a criminal justice information system, or group of systems, was a highly technical objective that required skills not readily available in the state workforce. As a result, agencies entered into contracts with vendors for these professional/technical services. As shown in Table 3-1, the agencies spent over \$25 million from July 1, 1995, through December 31, 2003, for professional/technical services.

CriMNet Financial Audit

Table 3-1
Summary of CriMNet Program-Related Funds Used for
Professional/Technical Contracts ^(Note 1)
By Fiscal Year and Agency
July 1, 1995, through December 31, 2003

Fiscal Year	<u>Court System</u>	<u>Public Safety</u>	<u>Corrections</u>	<u>Sentencing Guidelines Commission</u>	<u>Total</u>
1995 ^(Note 2)		\$ 3,782			\$ 3,782
1996	\$ 9,047	354,209			363,256
1997	345,580				345,580
1998	87,428				87,428
1999	24,688	7,000			31,688
2000	172,195		\$ 992,052	\$ 71,768	1,236,015
2001	4,014,793	1,391,065	942,785	64,425	6,413,068
2002	4,384,411	1,210,781	256,395		5,851,587
2003	7,459,240	2,901,733	247,028		10,608,001
2004 ^(Note 3)	<u>6,014</u>	<u>476,242</u>	<u> </u>	<u> </u>	<u>482,256</u>
Totals	<u>\$16,503,396</u>	<u>\$6,344,812</u>	<u>\$2,438,260</u>	<u>\$136,193</u>	<u>\$25,422,661</u>

Note 1: The state's accounting system uses Object Class 2D0 to identify payments for professional/technical contracts. We also included payments totaling \$552,272 coded to Object Class 2E0 (computer and system services) where those amounts were material to vendor payments coded to 2D0. Payments coded to 2E0 were usually for software purchased from a vendor as part of a professional/technical contract with that vendor to customize the software to the agency's needs.

Note 2: Budget fiscal year 1995 activity only includes transactions after July 1, 1995, when the state's new accounting system was implemented.

Note 3: Budget fiscal year 2004 expenditures are through December 31, 2003.

Source: Minnesota Accounting and Procurement System.

Audit Objectives and Scope

The 2003 Legislature directed that:

The audit must include a review of all contracts related to CriMNet for compliance with state law, including the laws and guidelines governing the issuance of contracts.

To meet that directive, we designed our review of professional/technical contracts to answer the following questions:

- Was the contract issued in accordance with applicable laws and guidelines?
- Did the contract serve the purpose for which the funds were appropriated?
- Did the agencies use good fiscal practices in their administration of the contracts?

CriMNet Financial Audit

To answer these questions, we analyzed the transaction population to identify the number of vendors and contracts. We categorized the vendors into five groups and tested each group for specific criteria. We discussed the contracts with various agency personnel, reviewed the contracts and supporting documentation, and examined a sample of payment documents.

We categorized the vendors based on the total amount paid to them during the period and applied more rigorous criteria to those vendors receiving the largest amounts. Where applicable, we determined from the accounting data the specific contracts associated with the payments. Table 3-2 shows the categories and the distribution of contract payments among those categories.

Table 3-2
CriMNet Program-Related Funds Used for
Professional/Technical Contracts
Testing Categories
July 1, 1995, through December 31, 2003

<u>Contract Payment Total</u>	<u>Number of Vendors</u>	<u>Number of Contracts</u>	<u>Contract Payments from CriMNet Program Related Funding</u>
Over \$500,000	12	49	\$20,832,816
\$100,000 - \$500,000	19	27	4,279,409
Less than \$100,000 (contract data available)	19	24	589,913
Less than \$100,000 (no contract data) ^(Note 1)	47	N/A	294,658
Miscellaneous Transactions ^(Note 2)	<u>N/A</u>	<u>N/A</u>	<u>(574,135)</u>
Total	<u>97</u>	<u>100</u>	<u>\$25,422,661</u>

Note 1: Certain smaller expenditure transactions did not have individual contracts.

Note 2: Miscellaneous transactions primarily included contract costs reallocated to other funding sources.

Source: Minnesota Accounting and Procurement System.

Generally, state agencies, such as the departments of Public Safety and Corrections, must comply with statutory contract provisions and with state policies and procedures established by the Department of Administration. The courts, as part of the Judicial Branch, are not subject to those provisions, but choose to follow statutory provisions and state policies and procedures in many instances. Within each category of vendors, we tested all contracts for compliance with the same criteria.

Vendors Paid Over \$500,000 From CriMNet Program-Related Funds

The first group of vendors, those receiving the largest amount of funds, consisted of all vendors that received over \$500,000 of CriMNet program-related funds. We analyzed the accounting data to find payments to these vendors from accounts other than those we had identified as CriMNet program related. We reviewed the payments from non-CriMNet-related accounts to determine whether the services the vendor provided were CriMNet program related. If so, we included these transactions with the CriMNet-related transactions for our testing. Table 3-3

CriMNet Financial Audit

identifies these highest paid professional/technical vendors and the amount of CriMNet program related funding and other funding they received.

Table 3-3
Professional/Technical Contracts
Vendors Receiving Over \$500,000 of CriMNet Program-Related Funding
July 1, 1995, through December 31, 2003

Vendor	Payments From:		Total
	CriMNet Program Related Accounts	Non-CriMNet Related Accounts	
Tyler Technologies, Inc.	\$ 4,100,000	\$3,583,256	\$7,683,256
The Macro Group, Inc.	3,479,891	2,465,333	5,945,224
Mobiam Solutions, Inc.	3,490,000	0	3,490,000
In Sight Solutions Group, Inc.	2,158,814	676,129	2,834,943
Deloitte & Touche, LLP	1,814,649	384,071	2,198,720
PSINet Consulting Solutions ^(Note 1)	1,057,885	1,616,804	2,674,689
Sustain Technologies, Inc.	1,228,000	99,445	1,327,445
On Point Consulting, LLC	886,470	266,640	1,153,110
Alfred T. Akiti	562,875	381,275	944,150
Integration Architects, Inc.	825,800	80,235	906,035
Hollstadt & Associates, Inc.	657,940	127,880	785,820
Techarch, Inc.	<u>570,492</u>	<u>25,000</u>	<u>595,492</u>
Total	<u>\$20,832,816</u>	<u>\$9,706,068</u>	<u>\$30,538,884</u>

Note 1: Also known as Metamor Industries Solutions.

Source: Minnesota Accounting and Procurement System.

Table 3-4 provides additional information about some of the largest individual contracts.

Our testing of this category of vendors included the following criteria:

- Did the services provided comply with the purpose for which the CriMNet program-related funds were appropriated?
- Did the agency's execution and administration of the contract comply with applicable statutory provisions, policies, and procedures addressing:
 - ❖ Selection of the vendor?
 - ❖ Length of contract?
 - ❖ No service provided unless contract effective?
 - ❖ Retainage pending satisfactory completion of the services?
- If the contract or work order was amended, was the reason for the amendment clear and reasonable?
- Did the state pay for services provided based on invoices with sufficient detail to determine the value the state received?
- Were the invoices reviewed and approved for payment by someone with knowledge of the services provided?
- Did the agency pay the vendor no more than the total contract or work order amount?

CriMNet Financial Audit

- Did the agency properly record the payment on the state's accounting system?

Table 3-4
Largest Professional/Technical Contracts Paid With CriMNet Program-Related Funding
July 1, 1995, through December 31, 2003

Agency	Vendor Name	Contract Number	Purpose of Contract	Contract Amount	Payment Total
Courts	Tyler Technologies, Inc.	A38447	Software license and services for court management	\$10,997,798	\$7,683,256
Public Safety	Mobiam Solutions	A35241	Phase I physical design and implementation specifications for CriMNet's integration infrastructure backbone and core hub structures.	\$680,000	\$680,000
Public Safety	Mobiam Solutions	A41298	Phase II implementation of backbone	\$3,579,000	\$2,810,000
Courts	Deloitte & Touche, LLP	A24443	Redesign of the court processes and management activities	\$3,575,000	\$1,699,649
Courts	Sustain Technologies, and Partners (Note 2)	A18778	Redesign services, management activities, and decide whether to purchase the SUSTAIN 21 product and services	\$1,360,000	\$1,327,445
Corrections	PSINet Consulting Solutions (Note 3)	A10632	COMS (Corrections Operations Management System)	\$999,000	\$998,000
Corrections	PSINet Consulting Solutions (Note 3)	A05979	COMS (Corrections Operations Management System)	\$191,000	\$148,187
Public Safety	The Macro Group	A16205	New computer application for Predatory Offender Registration System	\$939,584	\$939,550
Public Safety	The Macro Group	A15979	Service to enhance and support CriMNet Enterprise Architecture; train to use CriMNet	\$338,000	\$337,812
Public Safety	The Macro Group	A32634	Keep consultants on CriMNet during state hiring freeze and then train when state allows hiring again	\$289,650	\$289,610
Public Safety	The Macro Group	A27968	Continue CriMNet services until staff can be hired and trained	\$286,855	\$262,026
Corrections	The Macro Group	A24827	Statewide Probation and Detention System	\$480,000	\$479,983
Corrections	The Macro Group	A08838	Statewide Probation and Detention System	\$479,969	\$477,995
Corrections	The Macro Group	A02847	Statewide Probation and Detention System	\$750,000	\$374,750

Note 1: In addition to the contracts identified on this table, certain vendors may have had other CriMNet-related contracts. Table 3-3 shows total payments to the vendors.

Note 2: Sustain Technologies partnered with DeLoitte & Touche, LLP, Analysts International, and others to provide these services.

Note 3: Also known as Metamor Industries Solutions.

Source: Minnesota Accounting and Procurement System.

CriMNet Financial Audit

Our office's Program Evaluation Division reviewed the contracting process for the two largest vendors, Tyler Technologies, Inc. and Mobiam Solutions, Inc. The Supreme Court contracted with Tyler Technologies to design and implement the Minnesota Court Information System (MNCIS). Mobiam Solutions was the vendor hired by the Department of Public Safety's CriMNet Office for the Integration Backbone project. We relied, in part, on the work performed by the Program Evaluation Division in reaching our conclusions.

The courts contracted with Tyler Technologies, Inc after determining that the product being designed by Deloitte & Touche, LLP and Sustain Technologies, Inc. would not meet the state's contractually required specifications. The courts had originally contracted with these vendors, following two years of planning project requirements, to design and implement the MNCIS. It terminated their contracts and then contracted with a vendor who had designed a product that would better meet the MNCIS project specifications, at a relatively lower cost and earlier delivery date. The state court administrator believed that they did not need to rebid the contract since the new vendor provided the services identified in the original request for proposal. The courts are not subject to the same contract solicitation requirements as state agencies.

The Department of Public Safety's CriMNet Office chose Mobium Solutions, Inc. for the two phases of the Integration Backbone project. Phase I involved designing the technology structure and demonstrating that the basic technology would work in a test environment. Phase II involved expanding the system to connect select state systems and to implement a search function for those systems. The Program Evaluation Division suggested that before selecting Mobium as the vendor, the CriMNet Office should have followed the state's preferred practice and obtained an independent assessment of project costs and timelines to evaluate vendor proposals. The Program Evaluation Division also questioned why the original Mobium proposals for these phases (\$200,000 and \$1,828,000, respectively) differed significantly from the 2002 contract amounts negotiated after the vendor was chosen (\$680,000 and \$2,950,000). The current CriMNet project manager told them that the contract increased because of additional work added by the state that had not been part of the original request for proposal. If so, the CriMNet Office should have solicited new bids when it significantly changed the nature of the services from the original request for proposal, or at least for that portion of the work not included in the request for proposal.

Vendors Paid Between \$100,000 and \$500,000 of CriMNet Program-Related Funds

The second group of vendors consisted of those receiving between \$100,000 and \$500,000 of CriMNet program-related funds. Table 3-5 identifies the professional/technical vendors in this category and amount of CriMNet program-related funds they received.

CriMNet Financial Audit

Table 3-5
Professional/Technical Vendors Receiving Between \$100,000 and \$500,000
of CriMNet Program-Related Funding
July 1, 1995, through December 31, 2003

<u>Vendor</u>	<u>Payments From</u> <u>CriMNet Program-</u> <u>Related Funding</u>
Born Information Services Group	\$ 430,720
Computer Horizons Corp	414,602
American Software Consulting, Inc.	400,510
Labyrinth Consulting, Inc.	351,885
Possibility Consulting, Inc.	322,585
Datamaxx	269,550
Phaedrus Group, Inc.	259,586
Eide Consulting Services, Inc.	230,625
Mustang Mountain Technologies	206,313
Aeritae Consulting Group	200,000
Granitar, Inc.	162,010
Entry Point Systems, Inc.	152,110
Safenet Consulting, Inc.	139,068
Leonard Street & Deinard, PA	138,231
Meeting Management Consultants, LLC	131,988
Minnesota Counties Computer Cooperative	130,000
Susan J. Larson	128,496
Verilaw Technologies, Inc.	105,750
AGL, Inc.	<u>105,380</u>
Total	<u>\$4,279,409</u>

Source: Minnesota Accounting and Procurement System.

Our testing of this category of vendors included the following criteria:

- Did the services provided comply with the purpose for which the CriMNet program-related funds were appropriated?
- Did the agency's execution and administration of the contract comply with applicable statutory provisions, policies, and procedures addressing:
 - ❖ Selection of the vendor?
 - ❖ Length of contract?
 - ❖ Retainage pending satisfactory completion of the services?
 - ❖ No service provided unless contract effective?
- If the contract or work order was amended, was the reason for the amendment clear and reasonable?
- Did the agency pay the vendor no more than the total contract or work order amount?

CriMNet Financial Audit

Vendors Paid Less than \$100,000, With Contract Data on the Accounting System

There were 19 vendors that received less than \$100,000 of CriMNet program-related funding and that had contract data on the state's accounting system. Total payments in this category were less than \$600,000. We determined whether the type of services these vendors provided could reasonably be used within the overall scope of the CriMNet program-related funding appropriations.

Vendors Paid Less than \$100,000, Without Contract Data on the Accounting System

Forty-seven vendors received less than \$100,000 of CriMNet program-related funding, but the payment transactions did not cross-reference to the accounting system's contract data. Only one of these vendors exceeded \$50,000; Hennepin County received \$80,700 to reimburse it for payments it made to the Macro Group, Inc. for CriMNet work. Only seven vendors received between \$10,000 and \$50,000, and twenty-three of the vendors received less than \$1,000. For this category, we reviewed the vendor list to ensure that none of the vendors were clearly a questionable use of the CriMNet program-related funding.

Miscellaneous Transactions

Five vendors had transactions initially paid with CriMNet program-related funds that were later transferred to other funding sources. In addition, there were several transactions, totaling \$574,135, that reallocated costs to other funding sources. The largest of these transactions was the courts' reallocation of \$490,000 to non-CriMNet-related accounts. The court moved these costs to use funding from the Department of Public Safety that it did not receive until late in fiscal year 2002. We reviewed transactions in this group to determine their impact on transactions in our other classifications.

Conclusions

Generally, the court system, the departments of Public Safety and Corrections, and the Sentencing Guidelines Commission used professional/technical contracts to obtain information system services needed to accomplish the purposes specified in CriMNet appropriations. However, we noted some exceptions to legal provisions or good fiscal practices in the agencies' administration of the contracts.

The courts often allowed vendors to start work on a contract before it was fully executed or during the time between when the contract expired and an extension or amendment was fully executed. The departments of Corrections and Public Safety did not always retain at least ten percent of the payment amounts on its contracts until the satisfactory completion of the contract. The state court administrator did not include a retainage clause in the majority of its contracts. A court employee executed a contract without having a written delegation of authority on file in the Office of the Secretary of State.

CriMNet Financial Audit

Contracts and amendments did not always clearly describe the services the vendor was to provide, and vendor invoices often did not detail the services the vendor actually provided. We discuss these issues more fully in the following findings.

2. The state court administrator often allowed vendors to start work on a contract before it was fully executed or during the time between when the contract expired and an extension or amendment was fully executed.

In 27 of the 45 state court administrator's contracts with vendors who received over \$500,000, vendors began work before the contracts or amendments were fully executed. In addition, in five instances, the state court administrator continued to pay the contractor after the contract end date while it negotiated and executed contract amendments. (While these payments exceeded the effective contract amount at the time of the payment, no vendor ultimately received more than the total of their contracts and amendments.)

Unlike a standard state contract, which includes the statutory restriction prohibiting the vendor from beginning work before the contract is fully executed, court contracts typically contained a clause such as the following:

This contract shall not be effective until approved as to form and execution by the Attorney General's representative, and upon such approval the effective date shall be deemed to be July 1, XXXX.

In the exceptions we noted, the final signatures executing the contract were months after the effective date stated in the clause, and invoices we examined confirmed that the vendors had provided services before the final signatures. We question whether it is a good management practice for the state court administrator to allow vendors to start work without a fully executed contract in place.

The Department of Public Safety also allowed several vendors to provide services without a contract in place, or to continue providing services under an expired contract while it executed amendments. In each of these cases, however, the department prepared the required letter to the commissioner of Finance explaining the reason why it had allowed the department to incur obligations without a fully executed contract or amendment.

A statutory provision, applicable to state agency contracts, prohibits a vendor from beginning work until the contract is fully executed. This provision is intended to protect the state from becoming obligated for those services. The state enters into contracts to define and control services provided and to give legal options should the vendor not provide a satisfactory product. Allowing a vendor to provide services without a contract in place sidesteps those safeguards. Although the courts are not subject to the statutory provision, they should consider whether their current contract language is in the best interest of the state.

CriMNet Financial Audit

Recommendation

- *The state court administrator should consider changing the contract language to prohibit a vendor from providing services before the contract is fully executed.*

3. Contracts and amendments did not clearly describe the services the vendor was to provide, and vendor invoices often did not detail the services the vendor provided.

In some instances, contracts did not clearly define the services that the vendor was to provide, making it difficult to independently determine whether the state had received value for its money. Similarly, amendments often repeated the same services as had been agreed to in the original contract. Finally, vendor invoices often simply stated the number of hours of services provided and calculated that against the contracted hourly rate.

For some contracts we reviewed, the contract language did not clearly state the required services. Broad contract requirements such as “participate in team meetings and provide status reports,” or “provide technical expertise,” do not clearly state what service the vendor will provide. From its review, the Program Evaluation Division agreed that weak contract language was a problem, stating that for several CriMNet projects, vendor contracts proved to be poor indicators for eventual project work products and outcomes. In addition, 18 contracts had amendments that did not clearly explain the reasons for the amendments. Often, the only changes on the contracts were the effective dates and the amount of compensation, without an explanation about any change in the scope of the work. These contract amendments may have been for legitimate reasons, but the contract amendments did not provide that information.

Finally, the invoices that supported the state’s payments to the vendors often lacked explanations of the services provided, other than the hours worked. Vendors’ invoices typically stated the hours of services provided, rather than the work product. There often was no strong relationship between the contract deliverables and the vendor billings. While the person authorizing payment may have been aware of the vendor’s progress in completing contract goals, lack of documentation makes it difficult to support the value the state received.

Recommendations

- *Agencies should ensure that a contract adequately describes the services the vendor is to provide and the reasons for amendments.*
- *Agencies should require that vendors’ billings provide sufficient detail to determine the vendors’ progress toward contract goals.*

CriMNet Financial Audit

4. The departments of Corrections and Public Safety did not retain at least ten percent of the payment amounts on contracts until their satisfactory completion. The state court administrator did not include a retainage clause in the majority of the courts' contracts.

The Department of Corrections did not retain at least ten percent of its payments on contracts paid with CriMNet program-related funding. The department had not withheld retainage on any of the ten contracts. In addition, the Department of Public Safety did not retain at least ten percent of its payments on contracts paid with CriMNet program-related funding for 4 out of 15 contracts tested. The contracts included the required retainage clause stating that it would only pay 90 percent of the contract pending final satisfaction of all contract terms. However, the departments paid the invoices to the vendors in full or withheld an insufficient amount.

In some other contracts, the Department of Public Safety included more stringent retainage clauses than required by statute, but their payments to the vendors did not comply with these requirements. For example, in one contract the department required that “no more than 75% of the amount due under each deliverable number of this contract may be paid until the final product of this contract has been reviewed by the State’s agency head.” The contract specified four deliverable numbers. However, the department paid the full amount for the first two deliverable numbers and only withheld 21 percent from the payment for the third deliverable number. The department made its final payments to the vendor after receiving the certification from the commissioner that the contract had been satisfactorily completed.

Only two of the court system’s contracts included a retainage clause. A third contract linked payments to the vendor’s satisfactory completion of specific contract requirements. Court personnel stated that they typically include a retainage clause in a contract when the contract involves the development or delivery of a tangible product and do not include a retainage clause when the service is intangible, such as technical consulting services. However, the courts did not consistently use these criteria as its basis to include or exclude a retainage clause. For example, one of the contracts containing a retainage clause was for “professional project administration services for the purpose of assisting the STATE’s Minnesota Court Information System (MNCIS) Team in the Analysis phase of the MNCIS project.” The duties listed in the contract do not include the development or delivery of a specific product. Conversely, one of the contracts that did not include a retainage clause was for “professional data conversion services to assist the STATE with its MNCIS project.” Duties listed in this contract included, “Design, develop and test SQL code and DTS packages for use in converting legacy data to a relational environment,” which seems to be a contract requirement for the development or delivery of a tangible product.

Retaining a portion of the contract amount pending final review of the vendor’s satisfactory completion of contract services is a statutory requirement for state agencies. The requirement exists to ensure that the agencies follow good management practice. The state court administrator is not subject to the statutory requirement, but as a steward of public funds, they may want to include a retainage clause in their contracts.

CriMNet Financial Audit

Recommendations

- *The departments of Corrections and Public Safety should ensure that they do not pay a vendor more than 90 percent of the amount due under the contract, or as required by more stringent contract retainage terms, until the final product has been reviewed and the agency has determined that the vendor has satisfactorily fulfilled the terms of the contract.*
- *The state court administrator should consider including a retainage clause, similar to the statutory requirement, in their contracts.*

5. A court employee executed a contract without clearly having been delegated the authority to do so.

The court's previous finance director signed several of the large court contracts as the court's authorizing signature. This employee had the approval of the state court administrator to sign contracts, but did not have a written delegation of authority on file at the Office of the Secretary of State. Although current court officials believe that the finance director had the authority to sign contracts, they were unable to locate a delegation of that authority. Without proper authority to execute contractual agreements, the validity of the contract could be questioned.

Recommendation

- *The courts should ensure that the employee signing its contracts has clearly been delegated that authority.*

Chapter 4. Grants

Chapter Conclusions

The departments of Corrections and Public Safety granted over \$2.9 million to county governments and the Minnesota Counties Computer Cooperative pursuant to appropriations for developing or implementing a criminal justice information integration system.

The departments of Corrections and Public Safety awarded grants from CriMNet program funding for local government entities to connect local criminal justice information systems with the CriMNet program. Grants required approval by the Policy Group (authorized by Minn. Stat Section 299C.65). The Policy Group reviewed grant requests for criminal justice information systems from state, county, and municipal government agencies. The review considered compatibility to the statewide criminal justice information system standards. Approved grants required that the grantee provide matching funds up to 50 percent. In addition, the grant funds could not be used to supplant existing local funds.

Department of Corrections Grants

The Department of Corrections received legislative funding specifically to help local jails, detention centers, and probation agencies electronically report to the Statewide Supervision System. Two types of grants were awarded:

- The probation grant process offered funding to develop the connection between the local probation management system and the Statewide Supervision System. Additional limited funding was available for probation agencies across the state to acquire an electronic case management system.
- The detention grant process offered grant funds to local Minnesota detention facilities to create an electronic process to regularly transfer standard offender information from local operational systems to the Statewide Supervision System.

The Statewide Supervision System project provides access for criminal justice professionals to information on all offenders under supervision in Minnesota, to the automated sentencing guidelines worksheets, and to the Department of Corrections' prison inmate data.

Department of Public Safety Grants

The Department of Public Safety provided grants to various counties and related organizations to several municipal associations to implement the integration of criminal justice systems. The

CriMNet Financial Audit

purpose of the grants was to enable counties and municipalities to develop or implement integrated criminal justice information systems within their jurisdictions and with the rest of the state.

The Department of Public Safety issued an initial request for grant proposals in August 2001. After reviewing the counties' proposals based on the August 2001 criteria, the Policy Group determined that additional information was required from the submitting counties before any grants were awarded. The department issued an addendum to its original request for proposal on February 18, 2002, and the counties had to resubmit their proposals based on the new more technical criteria. The department started disbursing funds on a reimbursement basis to the counties in May 2003.

The Department of Public Safety also purchased and distributed online scanners to state, county, and municipal government agencies as directed by Laws of 2000, Chap. 311, Art. 1, Sect. 3, Subd. 1. These scanners allowed for electronic fingerprint capture technology, electronic photographic identification technology, and additional bandwidth to transfer and access the data from the state's central database. The department purchased equipment totaling approximately \$7.5 million, which it distributed to the local governments.

In fiscal year 2003, in response to the state's budget deficit problems, the Governor unallotted \$2.5 million from the Department of Public Safety's CriMNet grants appropriation.

Table 4-1 recaps the grant disbursements by agency and budget fiscal year.

Table 4-1
Grant Expenditures by Agency and Budget Fiscal Year
July 1, 1995, through December 31, 2003

<u>Budget Fiscal Year</u>	<u>Public Safety</u>	<u>Corrections</u>	<u>Total</u>
2000 ^(Note 1)	\$ 998,205		\$ 998,205
2001 ^(Note 2)	200,000	\$724,687	924,687
2002	682	73,313	73,995
2003	686,288	63,700	749,988
2004	194,285		194,285
Total	<u>\$2,079,460</u>	<u>\$861,700</u>	<u>\$2,941,160</u>

Note 1: There were no grant expenditures before budget fiscal year 2000.

Note2: The Department of Public Safety granted \$800,000 to the Department of Corrections in fiscal year 2001. The Department of Corrections subsequently subgranted \$724,687 to local governments. The remainder of the \$800,000 cancelled at the end of the fiscal year. In this table, the expenditures are shown for the Department of Corrections.

Source: Minnesota Accounting System.

Minnesota Counties Computer Cooperative

The Minnesota Counties Computer Cooperative is a joint powers organization providing services, software, and other cost effective measures designed to substantially reduce the cost of data processing for counties. The Minnesota Counties Computer Cooperative receives funding

CriMNet Financial Audit

through annual membership dues determined through a cost-sharing formula approved by the board.

The Minnesota Counties Computer Cooperative has six user groups. The largest group is the Corrections User Group, that works with all 87 Minnesota counties and the Department of Corrections. The user group developed and maintains the Courts Service Tracking System (CSTS) software, which is used by probation officers through the state. The user group is currently rewriting this system with the help of a grant from CriMNet program-related funds.

The Minnesota Counties Computer Cooperative also received some federal grant monies that flowed through the state. The National Criminal History Improvement Program provided funding for the development of a local juvenile detention information management system. The Department of Corrections' grant from the National Criminal History Improvement Program included \$130,000 that was paid to the Minnesota Counties Computer Cooperative as a professional technical contract.

In addition, the Minnesota Counties Computer Cooperative's CSTS User Group submitted a request directly to the Minnesota Legislature for funding to redesign the CSTS probation case management software application. The Legislature approved the request and appropriated the user group \$500,000 to develop CSTS in a more stable software platform for use in local and state probation offices. The Department of Corrections paid those appropriated funds to the organization.

The ten largest grant recipients are shown in Table 4-2.

Table 4-2
Ten Largest Grant Recipients
July 1, 1995, through December 31, 2003

<u>County/Organization</u>	<u>Public Safety</u>	<u>Corrections</u>	<u>Total</u>
Minnesota Counties Computer Cooperative	\$240,000	\$337,868	\$577,868
Hennepin	\$478,454	\$70,952	\$549,406
Dakota	\$462,132	\$56,500	\$518,632
Anoka	\$385,260	\$13,969	\$399,229
St. Louis	\$312,932	\$9,215	\$322,147
Ramsey	\$200,000	\$39,388	\$239,388
Blue Earth	\$0	\$50,000	\$50,000
Kanabec	\$0	\$37,000	\$37,000
Nicollet	\$0	\$25,000	\$25,000
Washington	\$0	\$20,004	\$20,004

Source: Minnesota Accounting and Procurement System.

CriMNet Financial Audit

Audit Objective and Methodology

Our audit of grants focused on the following question:

- Were the CriMNet grants administered by the Department of Corrections and the Department of Public Safety in compliance with the purposes established in the funding appropriations?

We interviewed key department employees to gain an understanding of the applicable policies and procedures over the grant contracts, and we performed analytical procedures on the related expenditure transactions, as appropriate. For a sample of grant contracts, we tested compliance with contract terms and assessed whether the purpose of the contract was consistent with the purpose of the appropriation and CriMNet objectives.

Conclusions

The departments of Corrections and Public Safety granted over \$2.9 million to county governments and the Minnesota Counties Computer Cooperative pursuant to appropriations for developing or implementing a criminal justice information integration system.

Chapter 5. Payroll

Chapter Conclusions

The agencies used over \$16 million of CriMNet-related funding for employee payroll. Employees who were compensated from CriMNet-related accounts provided services that were primarily related to information technology duties and consistent with the types of skills needed for the CriMNet projects.

Payroll expenditures from CriMNet-related accounts totaled \$16 million for the audit period. We reviewed payroll expenditures paid from CriMNet program-related accounts for the courts, Department of Public Safety, Department of Corrections, and the Sentencing Guidelines Commission. The agencies process payroll through the Minnesota State Employee Management System on a biweekly basis. Table 5-1 summarizes payroll expenditures paid from CriMNet-related funding.

Table 5-1
Summary of Payroll Expenditures Paid from CriMNet Program-Related Accounts
By Fiscal Year and Agency
July 1, 1995, through December 31, 2003

<u>Budget Fiscal Year</u>	<u>Court System</u>	<u>Public Safety</u>	<u>Corrections</u>	<u>Sentencing Guidelines Commission</u>	<u>Total</u>
1996		\$1,138,207			\$1,138,207
1997	\$1,606				1,606
1998	378,513	92,554			471,067
1999	684,993	583,248			1,268,241
2000	981,469	67,947	\$125,483	\$989	1,175,888
2001	1,480,024	947,513	316,942		2,744,479
2002	2,008,509	1,425,794			3,434,303
2003	2,331,028	1,945,618	264,590		4,541,236
2004 (Note 2)	<u>668,555</u>	<u>899,519</u>	<u>22,397</u>		<u>1,590,471</u>
Total	<u>\$8,534,697</u>	<u>\$7,100,400</u>	<u>\$729,412</u>	<u>\$989</u>	<u>\$16,365,498</u>

Note 1: The payroll expenditures for Public Safety include the payroll of the CriMNet Office, further discussed in Chapter 7.

Note 2: Budget fiscal year 2004 expenditures are through December 31, 2003.

Source: Minnesota Accounting and Procurement System.

CriMNet Financial Audit

Several factors made it difficult to assess whether the payroll expenditures were appropriate uses of CriMNet-related funding. Certain appropriations provided funding specifically for projects and expenditures related to CriMNet, while others provided funding for broader purposes. The courts had a broader definition of CriMNet projects and used funds from their general appropriation for payroll expenditures related to services provided for these projects. Within an agency, many employees' duties included duties not related to CriMNet projects, making it difficult to determine if an employee's payroll expenditures were primarily related to CriMNet projects. In general, we concluded that employees whose positions related to information technology or operations analysis had duties related to CriMNet projects.

Audit Objectives and Methodology

Our review of the CriMNet program-related payroll expenditures focused on the following questions:

- Did the employees who were compensated from CriMNet-related accounts provide services that were primarily related to CriMNet projects?
- Were the payroll charges reasonable for the services provided?

To answer these questions, we summarized the payroll expenditures from CriMNet-related accounts for each agency. We reviewed employees' positions for each fiscal year to determine whether the positions primarily related to information technology duties and were consistent with the types of skills needed for the CriMNet projects.

We asked each agency for documentation of staff members who worked on CriMNet projects for the audit period. From the courts, we received time tracking sheets for all employees who worked on the design phase of the Minnesota Court Information System for fiscal years 2002 and 2003. The Department of Public Safety forwarded management financial reports detailing the employees who worked in CriMNet-related areas. We compared the agency documentation to our summary of employees paid from CriMNet program-related accounts. We reviewed the positions of employees who were paid from CriMNet program-related accounts but who had not been identified by the agencies as having worked on CriMNet projects. In addition, we identified employees who worked on CriMNet projects but were not compensated with CriMNet-related funding. Table 5-2 details positions within the courts and the departments of Public Safety and Corrections that were paid from CriMNet program-related accounts in fiscal year 2003.

CriMNet Financial Audit

Table 5-2
2003 Employee Compensation Paid from CriMNet Program-Related Accounts ^(Note 1)
By Position and Agency
Fiscal Year 2003

Position Title	Court System		Public Safety		Corrections		Total Amount Paid
	Number of Positions	Amount Paid (Note 2)	Number of Positions	Amount Paid (Note 2)	Number of Positions	Amount Paid (Note 2)	
Chief Information Officer			2	\$ 121,862			\$ 121,862
Applications Supervisor	1	\$109,024	1	80,943			189,967
Information System Manager	1	100,815	1	79,456			180,271
Information System Director			2	255,521			255,521
Info. Tech. Specialist 1-2	23	1,410,662	2	18,119			1,428,781
Info. Tech. Specialist 3-5	5	367,582	15	739,354	5	\$238,933	1,345,869
Management Analyst	5	332,940	5	225,727	1	27,341	586,008
Office & Admin Specialist			8	241,801			241,801
Admin Manager/Principal			2	102,417			102,417
Systems Architect			1	78,365			78,365
Misc. Positions, Paid<\$1,000			5	3,818			3,818
Total Salary per Agency	35	\$2,321,023	44	\$1,947,383	6	266,274	\$4,534,680

Note 1: For some positions, only a portion of an employee's compensation was paid from CriMNet-related accounts.

Note 2: The amount paid includes employer payments made on behalf of the employee, such as the employer's share of retirement and social security.

Note 3: Differences between Table 5-1 and Table 5-2 are due to timing differences for the posting of transactions in the state's accounting system and the state's personnel/payroll system.

Source: Minnesota State Employee Management System as of December 31, 2003.

To further assess whether compensation appeared reasonable, we grouped the employees' compensation for fiscal year 2003 into various compensation ranges. Table 5-3 details the distribution of employees in each compensation range, by agency.

Table 5-3
Distribution of Employee Compensation from CriMNet Program-Related Accounts ^(Note 1)
By Compensation Range and Agency
Fiscal Year 2003

Compensation Range	Court System	Public Safety	Corrections	Total
Over \$100,000	0	1	0	1
\$99,999 - \$75,000	3	3	0	6
\$74,999 - \$50,000	19	10	2	31
Under \$50,000	<u>13</u>	<u>30</u>	<u>4</u>	<u>47</u>
Total	<u>35</u>	<u>44</u>	<u>6</u>	<u>85</u>

Note 1: Employee compensation does not include employer payments made on behalf of the employee.

Source: Minnesota State Employee Management System as of December 31, 2003.

CriMNet Financial Audit

Conclusion

Employees who were compensated from CriMNet-related accounts provided services that were primarily related to information technology duties and consistent with the types of skills needed for the CriMNet projects.

Chapter 6. Equipment and Administrative Expenditures

Chapter Conclusions

For the items tested, the CriMNet program-related equipment and administrative expenditures of the departments of Public Safety and Corrections and the court system complied with the funding appropriations and other finance related legal compliance requirements.

The courts and the departments of Public Safety and Corrections purchased equipment and incurred administrative costs to create and integrate their criminal justice information systems with the statewide CriMNet program. Equipment and administrative expenditures totaled nearly \$52 million for the period July 1, 1995, through December 31, 2003. Table 6-1 shows the equipment and other administrative expenditures for the agencies by type.

Table 6-1
Equipment and Administrative Expenditures
Paid From CriMNet Program-Related Accounts
By Agency and Expenditure Category
July 1, 1995, through December 31, 2003

<u>Category</u>	<u>Court System</u>	<u>Public Safety</u>	<u>Corrections</u>	<u>Public Defense Board</u>	<u>Sentencing Guidelines Commission</u>	<u>Total</u>
Rent	\$ 130,163	\$ 717,899				\$ 848,062
Travel	213,796	131,518	\$ 9,445		\$ 243	355,002
Supplies	2,836,058	2,868,198	668,636		8,401	6,381,293
Equipment	8,270,908	11,896,895	199,778	\$18,591	1,908	20,388,080
Computer Services	1,836,589	9,433,832	897,381			12,167,802
Communications	542,393	6,304,512	6,011			6,852,916
Repairs/Maintenance	887,025	1,291,688	\$33,910			2,212,623
Other Expenditures	<u>676,633</u>	<u>2,006,480</u>	<u>56,072</u>	<u> </u>	<u>129</u>	<u>2,739,314</u>
Total	<u>\$15,393,565</u>	<u>\$34,651,022</u>	<u>\$1,871,233</u>	<u>\$18,591</u>	<u>\$10,681</u>	<u>\$51,945,092</u>

Source: Minnesota Accounting and Procurement System.

CriMNet Financial Audit

Table 6-2 shows the fiscal years during which the agencies incurred these costs.

Fiscal Year	Court System	Public Safety	Corrections	Public Defense Board	Sentencing Guidelines Commission	Total
1995		\$793,389				\$ 793,389
1996	\$ 132,664	3,202,043				3,334,707
1997	529,533	831,403				1,360,936
1998	2,521,853	1,954,600	\$ 500,000			4,976,453
1999	2,248,899	5,205,578	101,785			7,556,262
2000	1,648,556	2,941,611	493,949	\$18,591	\$ 9,182	5,111,889
2001	3,689,591	13,723,673	323,680		1,500	17,738,444
2002	2,983,521	458,598	68,700			3,510,819
2003	1,433,550	4,157,164	383,118			5,973,832
2004	205,400	1,382,961				1,588,361
Total	<u>\$15,393,567</u>	<u>\$34,651,020</u>	<u>\$1,871,232</u>	<u>\$18,591</u>	<u>\$10,682</u>	<u>\$51,945,092</u>

Source: Minnesota Accounting and Procurement System.

Equipment

The Courts

The Minnesota Courts Information System is a web-based system using current technology and improved data handling techniques. The court estimates that the installation of the system across all 87 counties will be completed by the end of 2006. The court system required additional equipment to operate the new system. Unlike the courts existing system, the new system is built on Microsoft-based technology and requires the appropriate equipment to operate this technology. The web-based technology also requires minimum workstation configurations and replacement of obsolete equipment and is coordinated with a system rollout plan. Equipment for converting the millions of court records from the current system to the Microsoft-based system has also been installed.

The Department of Public Safety

The Department of Public Safety purchased equipment to acquire servers and related hardware, operating software, development tools, and security devices necessary for handling data and processes for the production, testing and development environments needed to build the CriMNet backbone infrastructure. In addition, the department has purchased equipment that it has distributed to local law enforcement agencies.

CriMNet Financial Audit

The Department of Corrections

The Department of Corrections used CriMNet program-related funding to purchase equipment to acquire servers and related hardware necessary for handling data and processes for the development, testing, and production environments needed to successfully implement the Statewide Supervision System. Additional funding was used for equipment and related hardware necessary for data storage and network/firewall security.

Audit Objective and Methodology

Our audit of equipment and other administrative expenditures focused on the following objective:

- Did the equipment and administrative expenditures recorded in CriMNet-related accounts comply with the funding appropriations and other finance-related legal compliance requirements?

To address our objective, we interviewed key department employees to gain an understanding of applicable policies. We performed analytical procedures and reviewed a sample of transactions to determine whether the agencies maintained adequate supporting documentation and properly authorized, processed, and recorded the transactions on the state's accounting system. We also reviewed the expenditures to determine if the agencies complied with applicable finance-related legal provisions. Finally, for a sample of equipment, we examined the current use of the equipment to ensure that it continues to be used within the CriMNet program.

For purposes of detailed transaction testing, we selected transactions from fiscal year 2001 through December 31, 2003. We did not test transactions from earlier fiscal years because supporting documentation is not typically available for transactions that occurred more than a few years ago.

Conclusions

For the items tested, the CriMNet-related equipment and administrative expenditures of the departments of Public Safety and Corrections and the court system complied with the funding appropriations and other finance-related legal compliance requirements.

CriMNet Financial Audit

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Chapter 7. CriMNet Office

Chapter Conclusions

For the items tested, the CriMNet Office complied with applicable finance-related legal provisions. However, the CriMNet Office incurred unnecessary and unreasonable expense when it leased office space in excess of its needs. In addition, the CriMNet Office did not always comply with statutory provisions and state policy regarding the disposition of frequent flyer miles.

In 2001, the Legislature appropriated funds to hire staff to support the Policy Group in fulfilling its responsibilities relating to development of CriMNet. At that time, the CriMNet Office was created within the Department of Public Safety. The Policy Group is responsible for both selecting the executive director, as well as setting the salary. David Billeter served as the executive director of the CriMNet Office from November 2001 to January 2003. Robert Johnson was named executive director in October 2003. The executive director reports to the Policy Group and to its chair, the commissioner of Public Safety.

Audit Scope, Objectives, and Methodology

Our audit was not a full scope audit of the CriMNet Office. We selected our scope based on materiality and our assessment of those transaction types more susceptible to error. Our audit scope included employee payroll, rent, travel, and special expenses.

Our audit of employee payroll, travel, and special expenses focused on the following questions:

- Did the CriMNet Office comply with material legal provisions and state policies and procedures?
- Did the CriMNet Office accurately and reasonably record payroll, rent, travel, and special expense transactions in the accounting records?

To address these objectives, we tested certain payroll transactions to determine if they complied with material legal provisions, including state policies and procedures, and if they were correctly recorded. We reviewed supplemental types of employee compensation, such as temporary living expenses, transportation-moving van/storage, and residence sale, generally classified as other benefits. We analyzed rent/lease costs, travel costs, tested vendor invoices, and examined employee travel reimbursements.

Table 7-1 summarizes the CriMNet Office's General Fund appropriations and its use of those funds for the period July 1, 2001, through December 31, 2003.

CriMNet Financial Audit

Table 7-1
CriMNet Office - Sources and Uses of Funds
(General Fund Only)
By Budget Fiscal Year
July 1, 2001, through December 31, 2003

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Transfers (Net) ^(Note 1)	\$3,750,000	\$3,750,681	\$2,686,000
Balance Forward In	<u>0</u>	<u>1,714,559</u>	<u>729,970</u>
Total Sources	<u>\$3,750,000</u>	<u>\$5,465,240</u>	<u>\$3,415,970</u>
Payroll	\$ 913,289	\$1,530,518	\$ 655,579
Rent	350	235,435	90,340
Professional/Technical Services	1,004,045	1,276,220	60,372
Supplies	27,092	623,724	5,952
Travel	48,310	22,178	21,506
Equipment	5,485	160,215	8,276
Other Expenditures	<u>36,870</u>	<u>815,605</u>	<u>102,720</u>
Total Expenditures	<u>\$2,035,441</u>	<u>\$4,663,895</u>	<u>\$ 944,745</u>
Balance Forward Out	\$1,714,559	\$ 729,970	
Reverted Appropriations			
Appropriation Cancellations		<u>71,375</u>	
Total Uses	<u>\$3,750,000</u>	<u>\$5,465,240</u>	<u>\$ 944,745</u>
Funds Available at December 31, 2003	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$2,471,225</u>

Note 1: There are no direct appropriations. The total appropriation is put into the Public Safety BCA General Fund account and then transferred to the specific CriMNet Office accounts.

Source: Minnesota Accounting and Procurement System.

Payroll

Employee payroll was the largest administrative expenditure for the CriMNet Office, comprising about 40 percent of its General Fund expenditures. Less than one percent of the department's payroll cost was for overtime and premium pay.

Table 7-2 summarizes the department's payroll costs for fiscal years 2002, 2003, and 2004 through December 31, 2003.

CriMNet Financial Audit

Table 7-2
CriMNet Office - Summary of Payroll Costs
By Budget Fiscal Years
July 1, 2001, through December 31, 2003

<u>Description</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Full Time Salary	\$851,876	\$1,514,862	\$646,859
Part Time Salary	63	4,504	8,486
Overtime Pay	18,311	1,041	77
Other Benefits	<u>43,039</u>	<u>10,112</u>	<u>157</u>
Total	<u>\$913,289</u>	<u>\$1,530,518</u>	<u>\$655,579</u>

Source: Minnesota Accounting and Procurement System.

The Other Benefits category includes relocation expenses, including transportation/moving, temporary living expenses, and sale of residence, totaled \$27,745. As explained in Finding 7, the office was unable to provide sufficient documentation regarding the disposition of frequent flyer miles accrued by the former executive director for airfare paid by the CriMNet Office as part of his relocation.

Rent

From July 2002 through November 2003, the CriMNet Office rented office space for its operations in Arden Hills, Minnesota. As further explained in Finding 6, this space exceeded the needs of the CriMNet Office and resulted in unnecessary and unreasonable expense. In November 2003, the CriMNet Office moved to the Department of Public Safety's Bureau of Criminal Apprehension Building in Saint Paul, Minnesota. The CriMNet Office's current lease is for a more reasonable amount of space.

Travel and Special Expenses

The CriMNet Office's employees are subject to the state's travel policies and those of the Department of Public Safety. The CriMNet Office's staff incurred travel costs while conducting state business. The office incurred both in-state and out-of-state travel. Within Minnesota, the primary reasons for travel were education, implementation, and process validation. The out-state travel provided training opportunities, design requirements, and information exchange. The office generally used a local travel agency to book its flights. The office required employees to document the purpose and approval for out-of-state travel in advance of each trip.

Typically, the office directly paid for certain travel costs associated with the trips, such as commercial transportation. Table 5-3 shows travel costs paid by the CriMNet Office for fiscal years 2002 and 2003, and July 1, 2003, through December 31, 2003.

CriMNet Financial Audit

Table 7-3
CriMNet Office
Travel Expenditures
Fiscal Years 2002, 2003, and 2004, through December 31, 2003

<u>Description</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
In State Travel Expense	\$14,645	\$ 8,701	\$ 2,596
Out State Travel Expense	<u>33,665</u>	<u>13,477</u>	<u>18,910</u>
Total	<u>\$48,310</u>	<u>\$22,178</u>	<u>\$21,506</u>

Source: Minnesota Accounting and Procurement System, through December 31, 2003.

Conclusions

For the items tested, the CriMNet Office complied with applicable finance-related legal provisions. However, the CriMNet Office incurred unnecessary and unreasonable expense when it leased office space in excess of its needs. In addition, the CriMNet Office did not always comply with statutory provisions and state policy regarding the disposition of frequent flyer miles.

6. The CriMNet Office incurred unnecessary and unreasonable expense when it leased office space in excess of its needs.

From July 2002 through November 2003, the CriMNet Office rented office space for its operations in Arden Hills, Minnesota. The space totaled 11,712 square feet. The CriMNet Office paid \$18.23/square foot for the space and rented up to 50 parking stalls at \$20/month each. The lease agreement included an amendment to allow for remodeling costs not to exceed \$17,722. Monthly rent totaled about \$18,000. The total of all payments associated with the lease agreement was \$325,780. At the time the CriMNet Office leased the office space, its staffing plan was to increase its employees to 25 – 30 people. It also anticipated needing working space for about 20 – 30 contractors. However, the approximate number of CriMNet Office personnel during this period was from eight to fifteen. CriMNet personnel overestimated its office space needs and incurred unnecessary and unreasonable costs.

In November 2003, the CriMNet Office moved to the Department of Public Safety's Bureau of Criminal Apprehension Building in Saint Paul, Minnesota. The CriMNet Office's current lease is for 4,606 square feet at \$21.50/square foot, for an annual cost of \$99,037.

Recommendation

- *The CriMNet Office should incur operating expenditures only as needed.*

CriMNet Financial Audit

7. The CriMNet Office did not always comply with statutory provisions and state policy regarding the disposition of frequent flyer miles.

The former executive director of the CriMNet Office accrued frequent flyer miles on his personal “World Perks” account for airline travel paid through the CriMNet Office. The payment documents showed that the former executive director purchased the airline ticket and accrued the frequent flyer miles. The CriMNet Office reimbursed him for this expense. State policy requires that frequent flyer miles accrued for airfare costs incurred by the state should accrue to the state’s benefit. It is unclear from supporting documentation whether he used the accrued miles to offset the airfare for a business-related trip.

In addition, the deputy director of the CriMNet Office represented the CriMNet Office at a conference in Atlanta, Georgia. The federal institute sponsoring the conference reimbursed the department for the airfare. The Department of Public Safety allowed the employee to personally accrue the related frequent flyer miles because the trip was paid with federal funds. The federal government allows employees to accrue frequent flyer miles related to their business travel. However, statutes prohibit state employees from claiming frequent flyer miles as their own if earned while traveling on state business. Further, statutes prohibit employees from receiving any additional compensation (such as the benefit of frequent flyer miles) for any activity related to the employees’ duties. Since the deputy executive director was representing the CriMNet Office, this statute would prohibit his retention of the frequent flyer miles.

Recommendation

- *The department should determine the disposition of the executive director’s and the deputy director’s frequent flyer miles accrued as a result of state business travel and recover the value of any personal benefit these employees may have received.*

CriMNet Financial Audit

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**Summary of CriMNet Related Appropriations
and Related Accounting System Information**

Account Coding		Legal Citation					Recap	Appropriations by Budget Fiscal Years (Note 1)											
AP Unit	Org	Laws	Chapter	Article	Section	Sub-division		1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Total	
		Public Safety (Continued)																	
380	3000	1999	216	1	7	3	Statewide criminal and juvenile justice data information system upgrade. \$210,000 each year was transferred to the Department of Corrections.					5,000,000	4,000,000					9,000,000	
683	6000	1999	216	1	7	6	Grants to pay costs of developing or implementing a criminal justice information integration plan.					1,000,000						1,000,000	
360	3000	2000	311	1	3	1	Criminal justice technology infrastructure improvements for the purchase and distribution of: electronic fingerprint capture technology, electronic photographic identification technology, and additional bandwidth to transfer and access electronic photographic identification data and electronic fingerprint data to the state's central database.						7,388,000					7,388,000	
361	3000	2000	311	1	3	1	Grants to government agencies to transfer and access data from the agencies to the statewide hot file probation and pretrial release data system. \$200,000 transferred to AP 362 Org 3000 for grants to pay the costs of developing or implementing a criminal justice information integration plan.						1,000,000					1,000,000	
370	3000	2000	311	1	3	2	A technology systems position.						80,000					80,000	
371	3000	2000	311	1	3	2	Criminal justice information systems training position.						50,000					50,000	
372	3000	2000	311	1	3	2	Three additional criminal assessment unit agents.						234,000					234,000	
373	3000	2000	311	1	3	2	Three criminal intelligence analyst positions.						160,000					160,000	
374	3000	2000	311	1	3	2	Five clerical positions.						200,000					200,000	
375	3000	2000	311	1	3	2	Interfacing state system with national sex offender registry, software development and implementation, a system design consultant, office supplies and expenses, and sex offender registration costs.						547,000					547,000	
395	3000	2001 1 st Special Session	8	4	10	3	New positions to support the criminal and juvenile justice information policy group in fulfilling its responsibilities relating to criminal justice information system improvements.								750,000	718,841		1,468,841 (Note 2)	
396	3000	2001 1 st Special Session	8	4	10	3	Planning, development, and implementation of an integration backbone consistent with the criminal justice information architecture (CriMNet).								2,000,000	1,914,351		3,914,351 (Note 2)	
350	3000	2003 1 st Special Session	2	1	9	3	Enable Bureau of Criminal Apprehension to establish and maintain an Internet web site containing public criminal history data.										1,066,000	1,066,000	
397	3000	2001 1 st Special Session	8	4	10	3	Grants to plan and implement criminal justice information integration.									500,000		500,000 (Note 2)	
398	3000	2001 1 st Special Session	8	4	10	3	Eliminate records currently in the criminal history suspense file and assist local agencies in changing their business practices to prevent inaccurate and incomplete data from being submitted.								1,000,000	959,831		1,959,831 (Note 2)	
395	3000	2003 1 st Special Session	2	1	9	3	The commissioner of Public Safety shall develop a plan for using the base funds appropriated for the CriMNet policy group, the CriMNet backbone, and CriMNet suspense file reductions to further completion of the CriMNet program.										772,000	772,000	
396	3000	2003 1 st Special Session	2	1	9	3	The commissioner of Public Safety shall develop a plan for using the base funds appropriated for the CriMNet Policy Group, the CriMNet backbone, and CriMNet suspense file reductions to further completion of the CriMNet program.										1,199,000	1,199,000	

**Summary of CriMNet Related Appropriations
and Related Accounting System Information**

Account Coding		Legal Citation					Appropriations by Budget Fiscal Years (Note 1)												
AP Unit	Org	Laws	Chapter	Article	Section	Sub-division	Recap	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Total	
		Public Safety (Continued)																	
398	3000	2003 1 st Special Session	2	1	9	3	The commissioner of Public Safety shall develop a plan for using the base funds appropriated for the CriMNet policy group, the CriMNet backbone, and CriMNet suspense file reductions to further completion of the CriMNet program.										715,000	715,000	
		Corrections																	
T14	0000	1997	239	1	12	4	Court services tracking system for the counties.				500,000							500,000	
V36	0000	1999	216	1	13	6	Technology improvements.						800,000	1,200,000				2,000,000	
V40	0000	2001 1 st Special Session	8	4	13		CriMNet and Related Funding.								750,000	750,000		1,500,000	
		Public Defense Board																	
INF	1200	1999	216	1	12	4	Statewide connection project.						300,000					300,000	
		Sentencing Guideline Commission																	
102	1000	1999	216	1	15		Sentencing guidelines worksheet.						100,000	50,000				150,000	
TOTAL								\$838,905	\$5,208,971	\$459,632	\$6,955,000	\$5,650,080	\$11,436,000	\$22,657,000	\$15,482,123	\$14,693,544	\$6,588,000	\$89,969,255	

Notes:

1. The total appropriation includes the appropriation amount, and transfers-in and balance forward amounts from accounts not included as CriMNet related accounts.
2. During fiscal year 2003, in response to the state’s budget deficit, the Governor unallotted funds from four Public Safety accounts: appropriation units 395, 396, 397, and 398. The original appropriation amounts for these appropriations were \$750,000, \$2,000,000, \$1,500,000, and \$1,000,000 respectively.

Summary of CriMNet Related Accounts – Federal Grants and Related Accounting System Information

Account Coding		Receipts by Budget Fiscal Years												
AP Unit	Org	Legal Citation	Recap	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Total
Court System														
BCA	300B	CFDA #16.554– National Criminal History Improvement Grant	In part: to provide financial and technical assistance to States for the establishment or improvement of computerized criminal history record systems; to support the development of accurate and complete State sex offender identification and registration systems.			163,238	227,384		50,000					440,622
Public Safety														
985	9800	CFDA #16579 – Byrne Formula Grant	To provide additional resources for more widespread apprehension, prosecution and adjudication of persons who violate state and local laws relating to the production, possession and transfer of controlled substances and to improve the criminal justice system.							383,557	213,127			596,684
987	9800	CFDA #16579 – Byrne Formula Grant	(See Above)							2,134	250,302			252,436
370	3000	CFDA #16579 – Byrne Formula Grant	(See Above)									648,401	767,674	1,416,075
373	3000	CFDA #16.710 – Public Safety Partnership and Community Policing Grants	In part, to expand community policing efforts with technology and other innovative strategies.									1,519,055	416,993	1,936,048
621	6000	CFDA #16.580 – Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants	In part, to improve the functioning of the criminal justice system, with emphasis on violent crime and serious offenders.									257,664	193,111	450,775
Corrections														
VF1	0000	CFDA #16.554– National Criminal History Improvement Grant	In part: to provide financial and technical assistance to States for the establishment or improvement of computerized criminal history record systems; to support the development of accurate and complete State sex offender identification and registration systems.					114,760	395,972	174,268	91,500	38,500		815,000
TOTALS						163,238	227,384	114,760	445,972	559,959	554,929	2,463,620	1,377,778	5,907,640

Summary of CriMNet Related Accounts – Other Receipts and Related Accounting System Information

Account Coding		Receipts by Budget Fiscal Years												
AP Unit	Org	Legal Citation	Recap	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Total
Public Safety														
971	9700	Minn. Stat. 299c, Subd. 48, Sec. b	Fee for providing secure dial-up or Internet access for criminal justice agencies and noncriminal justice agencies.		761,154									761,154
320	3000	Minn. Stat. 299c, Subd. 48, Sec. b	(See Above)			1,093,049	836,170	1,351,392	1,294,776	1,345,698	1,298,819	1,333,058	393,945	8,946,907
TOTALS					761,154	1,093,049	836,170	1,351,392	1,294,776	1,345,698	1,298,819	1,333,058	393,945	9,708,061



State of Minnesota
Minnesota Department of Corrections
Office of the Commissioner

February 18, 2004

James R. Nobles
Office of the Legislative Auditor
658 Cedar, Room 140
St. Paul, MN 55155

Dear Mr. Nobles:

The Department of Corrections would like to thank you for the opportunity to review the final draft of the CriMNet Financial Audit. We appreciate and understand the complexities in completing this audit with the number of years and number of agencies involved. We commend you and your staff for their work.

We have appreciated the receptivity of your staff to our concerns. As we discussed, our department staff will be working with the Department of Administration on specific questions and issues related to a standard contract retainage clause.

As you indicated, the Department of Corrections complied with funding appropriations and other finance related legal compliance requirements in successfully implementing the Statewide Supervision System.

We would like to thank Cecile Ferkul as audit manager and her staff for their work on this report. We look forward to being a part of continued CriMNet efforts.

Sincerely,

/s/ Joan Fabian

Joan Fabian
Commissioner



Alcohol &
Gambling
Enforcement

Bureau of
Criminal
Apprehension

Capitol Security

Driver & Vehicle
Services

Homeland
Security and
Emergency
Management

Justice
Programs

State Fire
Marshal/
Pipeline Safety

State Patrol

Traffic Safety

Office of the Commissioner

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February 23, 2004

James R. Nobles
Legislative Auditor
Centennial Building
658 Cedar Street
Saint Paul, Mn 55155

Dear Mr. Nobles:

Thank you for the opportunity to submit these comments on behalf of the Department of Public Safety (DPS) regarding the CriMNet Financial Audit. We recognize the complexity of this project and commend your staff on the excellent job they did compiling this report and identifying the issues that agencies face when developing complex, multi-disciplined projects. Since my appointment as Commissioner of Public Safety in February, 2003, we have made a concerted effort to focus our attention on many of the areas that were identified in the report. We acknowledge the issues that CriMNet faced in its early years but believe that significant progress has been made and that many of the issues are continuing to be addressed.

The DPS response is as follows:

Chapter 2. Financial Management

Conclusions:

1. CriMNet program managers do not have complete, timely, or reliable accounting data to monitor, analyze, and control project costs.

Recommendations:

The Policy Group should work with the Department of Finance to determine common coding that agencies can use to uniquely identify CriMNet resources and CriMNet related transactions on the state's accounting system. The Office should then require that the agencies code transactions related to the CriMNet projects to allow for overall analysis, monitoring and reporting of CriMNet program financial activity.

The Policy Group should work with the agencies to identify the resources currently available for the CriMNet program and to define which projects and costs are CriMNet Program costs.

The Policy Group should develop a policy about CriMNet project costs funded with general operating funds or with general information system funds, and direct agencies to identify those costs in the accounting system or other records in a way that allows them to be included in the overall analysis, monitoring and reporting of CriMNet program financial activity.

Response:

The Department of Public Safety (DPS) agrees that there is an overall concern regarding what makes up CriMNet and how to account for the financial management of such a program among the number of entities involved. We agree that the Policy Group should work with agencies to identify the resources currently available for the CriMNet program and to define which projects and costs are actual CriMNet Program costs. This issue also goes back to concerns with the program audit and defining CriMNet costs versus overall criminal justice improvements. We think it is critical to make this distinction as policymakers evaluate the progress and value of CriMNet to the citizens of Minnesota.

Consistent with Department of Finance policy, the Department of Public Safety did clearly distinguish the CriMNet portion of appropriations starting with the first set of appropriations in Fiscal Years 2002 and 2003 for the CriMNet project. The Department of Public Safety did not charge CriMNet projects costs to the general operating costs. CriMNet contract and payroll costs were paid from the CriMNet appropriations. The Office of Fiscal & Administrative Services of the Department of Public Safety has and will continue to meet monthly with CriMNet Office for analysis, monitoring and reporting of program financial activity. It should be noted that prior to the FY 2002-03 appropriations for the CriMNet project, appropriations made for criminal justice information system improvements were not maintained as independent appropriations beyond the biennium in which the original appropriations were made.

Chapter 3. Professional/Technical Contracts

Conclusions:

3. Contracts and amendments did not clearly describe the services the vendor was to provide, and vendor invoices often did not detail the services the vendor provided.

Recommendation:

Agencies should ensure that a contract adequately describes the services the vendor is to provide and the reasons for amendments.

Response:

Since CriMNet is a conglomeration of agencies with staff composed of technical and program people from multiple agencies and new employees from the private sector, CriMNet staff had little to no experience in writing contracts or amendments or in processing contracts through the state system. DPS, the Office of Technology and the Department of Administration worked with CriMNet to correct this problem. CriMNet now has a contract liaison who works with DPS' contract officer on all contracts and amendments to ensure that documents clearly describe services being provided by the contractor. Amendment Pre-approval Forms are also being used to verify why an amendment is needed and what changes are being made. DPS contracts and amendments will continue to be reviewed, edited and approved prior to documents being sent out for signature to ensure that contractor's services and deliverables are defined and clearly stated.

Recommendation:

Agencies should require that vendors' billings provide sufficient detail to determine the vendor's progress toward contract goals.

Response:

Contracts #A32634, A27968 and A15979-003 were for technical and consulting services which included staff augmentation for when CriMNet was being established and for the knowledge transfer following the hiring of staff. As stated in the audit report, the CriMNet State's Authorized Representative was aware of the progress being made, however the invoices were vague. DPS' contract officer and accounts payable supervisor will work with the CriMNet State's Authorized Representative who manages each contract to ensure that invoices from contractors meet requirements of the contract.

4. The departments of Corrections and Public Safety did not retain at least ten percent of the payment amounts on contracts until their satisfactory completion. The state court administrator did not include a retainage clause in the majority of the court's contracts.

Recommendation:

The departments of Corrections and Public Safety should ensure that they do not pay a vendor more than ninety percent of the amount due under the contract, or as required by more stringent contract retainage terms, until the final product has been reviewed and the agency has determined that the vendor has satisfactorily fulfilled the terms of the contract.

Response:

As stated in the audit report, DPS includes retainage language in Professional/Technical contracts. In addition, contracts clearly state that the State's Authorized Representative will certify acceptance of satisfactory services on each invoice submitted for payment. Per procedure, the DPS Contract Officer provides a copy of a Final Payment Approval Form and a cover letter explaining the law and providing instructions to the State's Authorized Representative. The instructions state that we don't send a separate check for the final 10%. If the final payment certification form is completed, the last payment and final payment can be made at the same time. Also, as part of the retainage procedure, the contract officer attaches a notice to the executed contract and forwards it to the accounts payable section of the Office of Fiscal and Administrative Services (FAS). This notice reads: "This contract includes a 10% hold back until the final product has been reviewed by the chief executive of the agency entering into the contract, and the chief executive has certified that the contractor has satisfactorily fulfilled the terms of the Contract". Per procedure, the accounts payable staff makes a final payment when they receive the approval form with the appropriate signatures. We acknowledge that internal procedures were not followed in the 4 contracts identified by the auditor.

For the Mobiam contract (A32541), which required 25% retainage for each deliverable, DPS agrees with the auditor's findings and the DPS contract officer and accounts payable supervisor will make changes to our internal procedures. For those contracts that require retainage that is different from the normal 10%, our notice to the accounts payable staff will be posted on a different color paper to call attention to the difference.

FAS provides periodic training to program managers and accounting staff regarding P/T contracts. The DPS contract officer will ensure that retainage is thoroughly covered in our future training. In addition, payments made against the contract will be monitored to ensure that retainage procedure is followed.

As a point of clarification, the narrative in the report questioned the original Mobiam proposals, for these phases (\$200,000 and \$1,828,000 respectively) differed significantly from the 2002 contract amounts negotiated after the vendor was chosen (\$680,000 and \$2,950,000). It then stated that "the current CriMNet project manager told them that the contract increased because of additional work added by the state that had not been part of the original request for proposal". We acknowledge that DPS procedures were not fully followed for developing and posting the RFP. When these two contracts were processed, contractor services and deliverables were reviewed by the DPS contract officer against the existing RFP for the project. To the best of her knowledge, services did not expand the parameters of the RFP. The DPS contract officer does not review contractor proposals and was not involved in the negotiations of the contract. Again, CriMNet has identified a contract liaison and will closely follow state and department policies and procedures for all future contracts.

In addition, the report states that the Program Evaluation Division suggested that before selecting Mobiam as the vendor, the CriMNet office should have followed the state's preferred practice and obtained an independent assessment of project costs and timelines to evaluate vendor proposals. The RFP for this project was reviewed and approved by DPS' Office of Technical Support Services, by the Department of Administration's Office of Technology and the Office of Materials Management, Contract

Section. Their comments and recommendations were heavily relied upon throughout this contract process. It should be noted that proposals are confidential and not public information until a contractor has been selected and the contract negotiated. Therefore information within the proposal can not be given out. Also, with proposals being reviewed by CriMNet's selected review panel, it may have been their opinion that they had expertise to evaluate these issues.

Chapter 7. CriMNet Office

Conclusion:

6. The CriMNet Office incurred unnecessary and unreasonable expense when it leased office space in excess of its needs.

Recommendation:

The CriMNet Office should incur operating expenditures only as needed.

Response:

When DPS and Department of Administration's Real Estate Management were looking for leased space, it had been determined that CriMNet would be permanently located in the new BCA building and the leased space would be temporary quarters. Several locations had been identified and due to various reasons with the lessors, the negotiations fell through. As stated in the audit report, the current space in the BCA building is more reasonable for the number of current staff assigned to the program and this problem has been resolved.

Conclusion:

7. The CriMNet Office did not always comply with statutory provisions and state policy regarding the disposition of frequent flyer miles.

Recommendation:

The department should determine the disposition of the executive director's and the deputy director's frequent flyer miles accrued as a result of state business travel and recover the value of any personal benefit these employees may have received.

Response:

DPS travel policy complies with the state travel policy including the use of frequent flyer miles. Northwest Airlines was contacted to discuss this type of situation and they informed us that the miles belong to the customer, the data is private and they were not willing to talk to us about this specific situation. They did inform us that miles are not transferable to the state. We were also informed that a customer cannot have 2 accounts (1 for personal, 1 for business) therefore making it very difficult to verify business miles. In addition, because the miles have no value until they are redeemed for free travel; it is difficult to recover the value. We will address this issue when we update our department's travel policy.

In closing, DPS appreciates the difficulty of auditing the CriMNet program and the work that the Program Evaluation Division put in to testing various aspects of several different state agencies. DPS also recognizes the importance of the audit conclusions and recommendations. The CriMNet office will continue to make improvements in following state and department policies and procedures regarding contracts and will continue to expend CriMNet funding in accordance with legal provisions in a reasonable and prudent manner.

Sincerely,

A handwritten signature in black ink that reads "Rich Stanek". The signature is written in a cursive, slightly slanted style.

Rich Stanek
Commissioner

THE SUPREME COURT OF MINNESOTA
MINNESOTA JUDICIAL CENTER
25 REV. DR. MARTIN LUTHER KING JR. BLVD.
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February 23, 2003

Mr. Jim Nobles
Office of the Legislative Auditor
Centennial Building
658 Cedar Street
St. Paul, MN 55155

Dear Mr. Nobles:

The State Court Administrator acknowledges the detailed work of the Legislative Audit staff and makes the following responses to the Financial Audit Recommendations with respect to the CriMNet project.

The Minnesota courts have been aggressive participants in using technology to improve the business processes of the courts for several decades. Projects have been proposed and supported with legislative funding. Those projects most recently have included development of the statewide network infrastructure for court personnel, the deployment of staff in each judicial district to maintain that network infrastructure, and the redesign of the court management and record keeping system (MNCIS). The courts are simultaneously maintaining existing information systems. From the standpoint of system management the courts have not understood any of these projects or programs to operate in isolation and have used the business and systems expertise of technical and other staff in support of all of them.

Similarly, the courts have established agency financial accounts in accordance with specific legislative intent and Department of Finance policy. Where neither was controlling, the courts have established and administered financial accounts in a manner which best met court management purposes.

The court acknowledges the difficulties that the Legislative Audit staff encountered in trying to identify and track costs through accounts that were established for different purposes and administered with different goals than cross agency comparison.

Chapter 2. Financial Management

Audit Recommendations:

- *The Policy Group should work with the agencies to identify the resources currently available for the CriMNet program and to define which projects and costs are CriMNet Program costs.*

- *The Policy Group should work with the Department of Finance to determine common coding that agencies can use to uniquely identify CriMNet resources and CriMNet related transactions on the state's accounting system. The Office should then require that the agencies code transactions related to the CriMNet projects to allow for overall analysis, monitoring and reporting of CriMNet program financial activity.*
- *The Policy Group should develop a policy about CriMNet project costs funded with general operating funds or with general information system funds, and direct agencies to identify those costs in the accounting system or other records in a way that allows them to be included in the overall analysis, monitoring and reporting of CriMNet program financial activity.*

Response:

The courts will participate within the Policy Group to meet any reasonable policy initiatives to identify prospective costs associated with the CriMNet project. Definitional issues will be complex and may not lend themselves to easy resolution. Responsibility within the courts for moving forward with other state agencies to accomplish this goal will be the joint responsibility of the State Court Administration Finance Division and the Information System Division depending on the nature of the expertise required.

Chapter 3. Professional/Technical Contracts

Audit Recommendations:

- *The state court administrator should consider changing the contract language to prohibit a vendor from providing services before the contract is fully executed.*

Response:

The state court administrator agrees with this recommendation and has already incorporated this requirement in its Finance policy on contracts and is now including this requirement in standard contract language.

- *Agencies should ensure that a contract adequately describes the services the vendor is to provide and the reasons for amendments.*

Response:

The state court administrator agrees that a contract should adequately describe the services a vendor is to provide, but does not agree that court contracts failed to do so. Court technology professional services contracts typically list 5-8 duties identifying the skill set of the vendor, the nature of the technical work to which the skill set will be applied, and the contractor role and interaction in the larger technology project.

For example, one of the contracts cited in the report provides the following:

“Contractor, who is not a STATE employee, shall provide professional project management and analysis services on the court’s CriMNet/MNCIS Web Services project. In addition, contractor shall

provide data warehousing consulting services for the purpose of assisting the STATE's Criminal and Juvenile Analytical Database (CJAD) Team in ongoing work on the data warehouse and associated datamarts, assisting with the warehouse integration and with MNCIS, and assisting with the conversion of the warehouse to the Minnesota Judicial Analytical Database (MNJAD). Services will be provided during a forty (40) hour work week, or up to 50 hours a week as needed and agreed to by the CONTRACTOR and the STATE. CONTRACTOR'S duties shall include:

- A. Serve as project manager for the MNJAD project. Manage the development of this new court warehouse to coincide with the MNCIS Proof of Concept county implementation. Manage the conversion of the CJAD data to MNJAD. Contractor's duties in this area shall include:
 - 1. Perform project planning and management services for development of the MNJAD application.
 - 2. Provide technical expertise and advise and assist project team members as needed.
 - 3. Provide expertise and assistance to team members in developing the new data warehouse segments and associated datamarts.
 - 4. Work with ITD management to establish resource support structure for maintaining and enhancing the data warehouse.
 - 5. Provide expertise regarding the conversion of the data warehouse to the MNCIS model (MNJAD).
 - 6. Provide guidance to the team to establish and maintain meta data for the warehouse and data marts.
 - 7. Provide assistance in developing interfaces between MNCIS and MNJAD and between MNJAD and CriMNet.
 - 8. Document all work done.

- B. Provide expertise and assistance for the Web Services project team in any additional rollout of the application to the criminal justice community. Assist the team as needed to provide production support for the application.

- C. Advise and assist the CJAD project team as they provide support for the current data warehouse datamarts. “

Taken in their entirety these lists of multiple duties create a clear set of expectations for the contractor. These contractors were engaged to acquire skill sets for the project that were not available among state employees. Most such contractors served along with state employees and other contractors as members of a team to jointly produce various products. In most instances, the work contracted for by the court was not an independent product of a sole contractor, but the use of contractor skills in conjunction with others to achieve jointly the goals and objectives of the overall project. The contract requirements gave clear indication of the nature of the work to be performed and were well understood by both the state and the contractor. These contract provisions were coupled with on-site supervision, project status reports shared among staff and vendors, and team meetings to clarify project and contractor roles and expectations.

Including contractual provisions emphasizing team meetings and status reports served the important contractual purpose of indicating that personal presence and collaboration were necessary. This ongoing contractor oversight and the right to cancel the contract with 30-day notice assured satisfactory performance and protection for the state.

The audit report cites a lack of specificity in the reason for contract amendments. The usual reason for extending these contracts was the continuing need for these skills and services. Court contracts are often limited by appropriations made for a biennium. As additional funding was made available, contract terms and dollars were extended to continue the work necessary to move the multi-year, multi-biennia project forward.

With respect to CriMNet and MNCIS, the court will continue to draft its contracts to define clearly the role the contractor will serve in the scope of the overall project.

With respect to other contracts and amendments the state court administrator has directed staff regarding the need for clarity and specificity in contracts and amendments as appropriate.

- *Agencies should require that vendor's billings provide sufficient detail to determine the vendor's progress toward contract goals.*

Response:

The state court administrator agrees that vendor billings should provide sufficient detail to determine the vendor's contract activities. Where the contract specifies that a vendor has a role in the project but is not solely or primarily responsible for delivering a product, the vendor billings should identify the amount of time worked by day and document the nature of the work performed. The court has issued a notice to all technology managers to require detailed documentation for invoices and will monitor invoices to ensure supporting documentation is provided.

- *The state court administrator should consider including a retainage clause, similar to the statutory requirements, in their contracts.*

Response:

The state court administrator agrees that where the vendor is responsible for delivering a fixed product or deliverable, the terms of the contracts should specify that final payment will not be made until acceptance, after rigorous testing, of the product. Where the contract provides that the vendor participates in a specific role in the overall project, retainage is not a useful contractual tool and may increase contract costs. For these types of contracts, the courts generally have not used retainage but relied on contract cancellation. The courts will continue to consider carefully the contractual provisions necessary for state protection consistent with the role of the vendor in the overall project and use a retainage or cancellation provision where appropriate.

- *The courts should ensure that the employee signing its contracts has clearly been delegated that authority.*

Response:

The state court administrator agrees that formal delegation of authority to sign contracts is important. The courts have implemented a policy specifying contract signing authority and have taken steps to assure that all delegation of authority documentation is on file with the Secretary of State.

Sincerely yours,

/s/ Sue K. Dosal

Sue K. Dosal
State Court Administrator