

STATE OFFICE OF ADMINISTRATIVE HEARINGS
Austin, Texas

INTERNAL AUDIT PLAN

For Fiscal Year 2020



STATE OFFICE OF ADMINISTRATIVE HEARINGS
Austin, Texas

Internal Audit Plan
For Fiscal Year 2020

TABLE OF CONTENTS

	<u>Page</u>
Internal Auditor's Report	1
I. Methodology	2-3
II. Audit Scope.....	4
III. Internal Audit Plan.....	5
 ATTACHMENTS	
Attachment A - Risk Assessment Summary	6
Attachment B - History of Areas Audited	7

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Kristofer Monson
Chief Administrative Law Judge
State Office of Administrative Hearings
Austin, Texas

Enclosed is the State Office of Administrative Hearings' (SOAH) Internal Audit Plan (Plan) that was prepared for audits and other functions to be performed in fiscal year 2020. This Plan determines the scope of internal audit activities and is the source for assignment and prioritization of internal audit responsibilities for fiscal year 2020. Specific planning for audit procedures is a naturally ongoing process; thus, the Plan is reviewed annually and may be revised by you, as necessary.

This Plan has been prepared by Garza/Gonzalez & Associates, an independent Certified Public Accounting firm, following Generally Accepted Auditing Standards, International Standards for the Professional Practice of Internal Auditing, and the Institute of Internal Auditors' Code of Ethics contained in the Professional Practices Framework.



January 6, 2020

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Austin, Texas

Internal Audit Plan For Fiscal Year 2020

I. Methodology

SOAH's fiscal year 2020 Internal Audit Plan (Plan) was prepared using a risk assessment process, where we reviewed various documents and questionnaires completed by SOAH management and other staff, as documented below.

The following documents were reviewed and considered in our risk assessment process:

- Organizational Charts
- Budgets
- Financial and Non-Financial Reports
- Policies and Procedures
- Applicable Laws and Regulations
- Audits, Reviews, and/or Monitoring Reports from Third-Party Agencies
- Prior Internal Audit Reports

Questionnaires were developed for completion by the Chief Administrative Law Judge, division directors, and other staff to update our understanding of each division, and its role within the overall scheme of SOAH. The questionnaires included topics; such as, issues and/or concerns, recent changes in key personnel, time elapsed since last audit, status of past audit findings, and regulatory compliance requirements (i.e. TAC 202, *Information Security Standards*; contract management; and, benefits proportionality). Utilizing information obtained through the completed questionnaires and background information reviewed, 11 audit areas were identified as the potential audit topics. A risk analysis was completed for each of the 11 individual potential audit topics and then compiled to develop SOAH's overall risk assessment.

The following 8 risk factors were considered for each potential audit topic:

- | | |
|------------------------------------|---|
| 1. Materiality | Measure of the auditable unit's <i>financial</i> materiality based on the dollar amount per year of assets, receipts, or disbursements for which the area is responsible; or, <i>non-financial</i> materiality based on the degree of its responsibility related to the agency's primary mission. |
| 2. Time since Last Audit or Review | Measure of the number of years between the date of the previous audit or review and the date of the risk assessment. |
| 3. Results of Last Audit or Review | Measure of the results of the previous audit or review. |
| 4. Adequacy of Staffing Levels | Measure of the adequacy of the auditable unit's staffing level as it relates to the achievement of its objectives. |

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Internal Audit Plan

5. Policies and Procedures	Measure of the existence of policies and procedures documenting the auditable unit's activities.
6. Compliance with Contracts, Laws, and Regulations	Measure of the existence of contracts, laws, and/or regulations for which the auditable unit is responsible for ensuring compliance.
7. Susceptibility of Theft or Fraud	Measure of the auditable unit's risk and controls in place as it relates to theft or fraud.
8. Issues or Concerns	Measure of issues or concerns by the Chief Administrative Law Judge and/or management.

Risk Assessment

Following are the results of the risk assessment performed for the 11 potential audit topics identified:

HIGH RISK	MODERATE RISK	LOW RISK
Information Resources Hearings Support (excludes ALR Hearings)	Accounting (Cash Receipts/ Disbursements/ Travel) & Budgeting Procurement/Contract Management/HUB Records Management	Docketing (excludes ALR Hearings) Human Resources & Payroll ALR Docketing & Hearings Support Interagency Contract Billing and Invoicing Fixed Assets Performance Measures

This report includes the "Risk Assessment Summary" as Attachment A; and, the "History of Areas Audited" as Attachment B, which lists audits and/or reviews performed from fiscal year 2010 through 2019 for the above 11 potential audit topics. In the prior 3 years, *internal audits* were performed in the following areas:

Fiscal Year 2019:

- Human Resources & Payroll
- Follow-up of Prior Year Internal Audits

Fiscal Year 2018:

- Docketing
- Follow-up of Prior Year Internal Audits

Fiscal Year 2017:

- Hearings Support
- Follow-up of Comptroller's Office FY 2016 Post-Payment Audit
- Follow-up of Prior Year Internal Audits

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Internal Audit Plan

II. Audit Scope

In accordance with the **International Standards for the Professional Practice of Internal Auditing**, the audit scope will encompass the examination and evaluation of the adequacy and effectiveness of SOAH's system of internal control and the quality of performance in carrying out assigned responsibilities. The audit scope includes:

- **Reliability and Integrity of Financial and Operational Information** – Review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- **Compliance with Policies, Procedures, Laws, Regulations and Contracts** – Review the systems established to ensure compliance with those policies, procedures, laws, and regulations and contracts which could have a significant impact on operations and reports, and determine whether the organization is in compliance.
- **Safeguarding of Assets** – Review the means of safeguarding assets and, as appropriate, verify the existence of such assets.
- **Effectiveness and Efficiency of Operations and Programs** – Appraise the effectiveness and efficiency with which resources are employed.
- **Achievement of the Organization's Strategic Objectives** – Review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Internal Audit Plan

III. Internal Audit Plan

In addition to performing the 2020 risk assessment for preparation of this Internal Audit Plan (Plan), this Plan also includes one audit to be performed; a follow-up of the prior year audit recommendations; other tasks that may be assigned by the Chief Administrative Law Judge during the year; and, preparation of the Annual Internal Audit Report for fiscal year 2020.

The area recommended for internal audit and other functions to be performed for fiscal year 2020 are as follows:

1. Completion of the Fiscal Year 2020 Risk Assessment and Preparation of this Internal Audit Plan
2. Records Management
The planned audit procedures include the following:
 - a. Obtain an understanding of the state requirements applicable to the Records Management area (the Area).
 - b. Review the Area's policies and procedures over general records (including contract and related documents) management, and case records management; collect available documentation; and, conduct interviews to document and assess formal/informal processes and controls, as implemented by the Area.
 - c. Inquire of staff and observe a sample of physical and electronic records to determine availability and security of the records.
 - d. Review records disposition requests to determine whether records are disposed in accordance with the Records Retention Schedule.
 - e. Other procedures that may be deemed necessary during audit fieldwork.
3. Follow-Up of Prior Year Internal Audits and Preparation of the 2020 Annual Report
Perform follow-up procedures to determine the status of prior year comments that were not fully implemented as of fiscal year 2019, and prepare the 2020 Annual Report. The audit procedures will result in a determination that the recommendation is (1) Fully Implemented; (2) Substantially Implemented; (3) Incomplete/Ongoing; or, (4) Not Implemented.
4. Other Tasks
Other tasks as may be assigned by the Chief Administrative Law Judge during the fiscal year.

ATTACHMENTS

STATE OFFICE OF ADMINISTRATIVE HEARINGS
Risk Assessment Summary
For Fiscal Year 2020

																		RISK FACTOR WEIGHT							
																		10.00%	16.50%	16.00%	15.00%	12.50%	12.00%	8.00%	10.00%
																		Risk Factors							
																		1	2	3	4	5	6	7	8
Potential Audit Topic	Materiality	Time Since Last Audit or Review	Results of Last Audit or Review	Adequacy of Staffing Levels	Policies and Procedures	Compliance with Contracts, Laws & Regulations	Susceptibility of Theft or Fraud	Existence of Issues or Concerns	Total																
High Risk: > 177																									
1	Information Resources	2	20.00	1	16.50	2	32.00	2	30.00	2	25.00	3	36.00	2	16.00	2	20.00	195.50							
2	Hearings Support (excludes ALR Hearings)	2	20.00	1	16.50	2	32.00	2	30.00	2	25.00	2	24.00	2	16.00	2	20.00	183.50							
Moderate Risk: 159 - 177																									
3	Accounting (Cash Receipts/Disbursements/Travel) & Budgeting	3	30.00	2	33.00	2	32.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	172.50							
4	Procurement/Contract Management/HUB	3	30.00	2	33.00	2	32.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	172.50							
5	Records Management	1	10.00	3	49.50	1	16.00	1	15.00	1	12.50	1	12.00	2	16.00	3	30.00	161.00							
Low Risk: < 159																									
6	Docketing (excludes ALR Hearings)	2	20.00	1	16.50	2	32.00	1	15.00	2	25.00	2	24.00	2	16.00	1	10.00	158.50							
7	Human Resources & Payroll	3	30.00	1	16.50	2	32.00	1	15.00	1	12.50	2	24.00	2	16.00	1	10.00	156.00							
8	ALR Docketing & Hearings Support	3	30.00	2	33.00	1	16.00	1	15.00	1	12.50	2	24.00	1	8.00	1	10.00	148.50							
9	Interagency Contract Billing and Invoicing	3	30.00	2	33.00	1	16.00	1	15.00	1	12.50	1	12.00	2	16.00	1	10.00	144.50							
10	Fixed Assets	3	30.00	2	33.00	1	16.00	1	15.00	1	12.50	1	12.00	2	16.00	1	10.00	144.50							
11	Performance Measures	1	10.00	2	33.00	1	16.00	1	15.00	1	12.50	1	12.00	1	8.00	1	10.00	116.50							

Risk Factor Rating:
 1 - Low Risk
 2 - Moderate Risk
 3 - High Risk

STATE OFFICE OF ADMINISTRATIVE HEARINGS
History of Areas Audited
For Fiscal Year 2020

	POTENTIAL AUDIT TOPIC	Audit History									
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1	Accounting (Cash Receipts/Disbursements/Travel) & Budgeting			C*		B	F*	E*			E*
2	ALR Docketing and Hearings Support				B		F				
3	Docketing (excludes ALR Hearings)			B						A	
4	Fixed Assets										E*
5	Hearings Support (excludes ALR Hearings)								A		
6	Human Resources & Payroll		B*			B*	F	E*		G*	A/E*
7	Information Resources	B		C*	B		D*	A	H/H*		H
8	Interagency Contract Billing and Invoicing		B	C*			A/F				
9	Performance Measures			C*		B					
10	Procurement/Contract Management/HUB			B				E*			E*
11	Records Management										

Legend (audits/reviews with asterisk (*) are considered limited scope for the audit area)

- A** Internal audit performed by Garza/Gonzalez & Associates
- B** Internal audit performed by Jansen & Gregorczyk
- C** Audit performed by the State Auditors Office
- D** Audit performed by the Department of Information Resources (DIR)
- E** Post-payment Audit performed by Comptroller of Public Accounts
- F** Audit performed by the Sunset Advisory Commission
- G** EEO Policy Review performed by Texas Workforce Commission
- H** IT assessment performed by a third-party vendor procured through DIR