

STATE OFFICE OF ADMINISTRATIVE HEARINGS
Austin, Texas

ANNUAL INTERNAL AUDIT REPORT

Fiscal Year 2018



STATE OFFICE OF ADMINISTRATIVE HEARINGS
Austin, Texas

Annual Internal Audit Report
Fiscal Year 2018

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Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Leslie Ginn
Chief Administrative Law Judge
State Office of Administrative Hearings
Austin, Texas

We performed tests of management's assertion about the effectiveness and efficiency of the internal control structure over the Docketing Area (Area) of the State Office of Administrative Hearings (SOAH); and, its compliance with the Texas Government Code, the Texas Administrative Code, and SOAH's established policies and procedures, as applicable to the Area, for the 7 months ended March 31, 2018.

The results of our tests disclosed that SOAH's internal control structure over the Area and its compliance with Texas Government Code, the Texas Administrative Code, and its established policies and procedures, were generally adequate and no material instances of noncompliance were noted; however, we did identify certain matters that are included in this report, that are opportunities for strengthening internal controls and ensuring compliance with state requirements and SOAH's established policies and procedures. Based on the degree of risk or effect of these matters in relation to the audit objective(s), these matters were rated as either Priority, High, Medium, or Low, which is further described in the "Summary and Related Rating of Observations/Findings and Recommendations", which is included in page 11 of this report.

We also performed a follow-up of the findings and recommendations that were presented in the prior year annual internal audit report; and, in the post-payment audit report dated June 14, 2016, performed by the Texas Comptroller of Public Accounts. This report reflects the implementation status of those matters; and, includes all information required for compliance with the State of Texas Internal Audit Annual Report requirements.

We have discussed the comments and recommendations from the audit of the Area; and, the implementation status from the follow-up performed, with various SOAH personnel, and we will be pleased to discuss them in further detail; to perform an additional study of these matters; or, to assist you in implementing the recommendations.



May 1, 2018

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INTRODUCTION

The State Office of Administrative Hearings (SOAH) was established in 1991 by the 72nd Legislature to serve as the State's independent forum to conduct adjudicative hearings in the executive branch of state government. The establishment of SOAH separates the adjudicative function from the investigative, prosecutorial, and policymaking functions performed by state agencies and also by local governmental entities (collectively "Agencies" in this report). SOAH's enabling statute is the Texas Government Code Chapter 2003, and its procedural rules are found in Title 1, Part 7 of the Texas Administrative Code.

SOAH is headed by the Chief Administrative Law Judge (ALJ) who is appointed by the Texas governor for a renewable two-year term. The Chief ALJ serves as SOAH's executive director and is responsible for agency operations and policymaking, since SOAH does not have a governing board. To be eligible for appointment as the chief ALJ, the individual must be licensed to practice law in Texas, and have practiced administrative law and/or conducted administrative hearings under the Texas Administrative Procedure Act for at least five years combined. The chief ALJ hires the ALJs to conduct hearings. An ALJ must be licensed to practice law in Texas, and is only responsible to the chief ALJ or the senior or master ALJs who are appointed by the chief ALJ. SOAH's ALJ is not responsible to or subject to the supervision, direction, or indirect influence of any individuals from the referring agency.

SOAH's key activities include the following:

- **Administrative License Revocation (ALR) program** provides contested hearings before SOAH for administrative suspension, denial, or disqualification of driver's license by the Texas Department of Public Safety (DPS). SOAH oversees these hearings and issues final decisions concerning individuals accused of allegedly driving while intoxicated.
- **Administrative Hearings** are conducted for contested cases under the Government Code Chapter 2001, the Administrative Procedure Act, for a state agency that does not employ an administrative judge; when SOAH is required to conduct the administrative hearing by other law; and, for a fee and under a contract, matters voluntarily referred by a governmental entity. SOAH issues an order, a proposal for decision, or final decision on these cases in accordance with applicable state rules.
- **Alternative Dispute Resolution (ADR) Procedures** such as mediations assist parties involved in contested cases to come to an agreement to avoid more costly and lengthy administrative hearings where appropriate.

The majority of SOAH's staff are ALJs who preside over cases and issue proposals for decision. SOAH organizes these ALJs into the following 8 teams, by subject area:

- ALR and Field Enforcement
- ADR
- Economic
- Individuals with Disabilities Education Act (IDEA)
- Licensing and Enforcement
- Natural Resources
- Tax
- Utilities

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Each ALJ is assigned to a *Home Team*, but often also works on cases in other subject areas. While all ALJs must meet a minimum level of experience, there are specific experience requirements to preside at a contested case hearings for natural resources, tax, and utilities. In addition to SOAH's own procedural rules, including those for ALR and the appraisal review board appeals, in certain cases, SOAH also uses other procedural rules from the Public Utility Commission of Texas; the Texas Commission on Environmental Quality; the Comptroller of Public Accounts; and the Employees Retirement System of Texas; and, the statutes and rules related to IDEA and the Texas Education Agency.

Hearings are held at SOAH's main office in Austin and 7 field offices located in Corpus Christi, Dallas, El Paso, Fort Worth, Houston, Lubbock, and San Antonio. ALR hearings are also held at 31 additional remote locations which are typically local government offices.

The most common types of contested cases are ALR cases referred by the DPS, followed by those referred by the Texas Department of Family and Protective Services and the Comptroller of Public Accounts.

2018 Internal Audit Plan

Following is the internal audit and other functions performed, as identified in SOAH's *Internal Audit Plan for Fiscal Year 2018*, dated January 31, 2018 and accepted by the Chief Administrative Law Judge on February 13, 2018:

- Docketing
- Follow-up of Post-Payment Audit dated June 14, 2016
- Follow-up of Prior Year Internal Audits
- Other Tasks

This report contains the results of our audit of the Docketing Area; reflects the follow-up procedures performed for the prior year internal audits and of the Comptroller's Office post-payment audit dated June 14, 2016; and, meets the State of Texas Internal Audit Annual Report requirements.

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INTERNAL AUDIT OBJECTIVES

In accordance with the **International Standards for the Professional Practice of Internal Auditing**, the audit scope encompassed 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 the following objectives:

- **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, regulations, and contracts that 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.

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I. **Compliance with Texas Government Code 2102: Required Posting of Internal Audit Information**

To comply with the provisions of Texas Government Code, Section 2102.015 and the State Auditor's Office, within 30 days after acceptance by SOAH's Chief Administrative Law Judge, SOAH will post the following information on its website:

- An approved fiscal year 2019 audit plan, as provided by Texas Government Code, Section 2102.008.
- A fiscal year 2018 internal audit annual report, as required by Texas Government Code, Section 2102.009.

The internal audit annual report includes any weaknesses, deficiencies, wrongdoings, or other concerns raised by internal audits and other functions performed by the internal auditor as well as the summary of the action taken by SOAH to address such concerns.

II. **Consulting and Nonaudit Services Completed**

The internal auditor did not perform any consulting services, as defined in the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* or any non-audit services, as defined in the *Government Auditing Standards, December 2011 Revision*, Sections 3.33 – 3.58.

III. **External Quality Assurance Review**

The internal audit department's most recent *System Review Report*, dated October 7, 2015, indicates that its system of quality control has been suitably designed and conforms with applicable professional standards in all material respects.

IV. **Internal Audit Plan for Fiscal Year 2018**

The approved Internal Audit Plan (Plan) included one audit to be performed during the 2018 fiscal year. The Plan also included a follow-up of the Post-Payment audit dated June 14, 2016 performed by the Texas Comptroller of Public Accounts and prior year internal audit recommendations; other tasks, as assigned by SOAH's Chief Administrative Law Judge; and, preparation of the Annual Internal Audit Report for fiscal year 2018.

Risk Assessment

Utilizing information obtained through the inquiries and background information reviewed, 12 audit areas were identified as potential audit topics. A risk analysis utilizing our 8 risk factors was completed for each individual audit topic and then compiled to develop an overall risk assessment.

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Following are the results of the risk assessment performed for the 12 potential audit topics identified:

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

In the prior 3 years, internal audits were performed in the following areas:

Fiscal Year 2017:

- Hearings Support
- Follow-up to the Prior Year Internal Audits

Fiscal Year 2016:

- Information Resources
- Follow-up to the Prior Year Internal Audits

Fiscal Year 2015:

- Interagency Contract Billing and Invoicing
- Follow-up to the Prior Year Internal Audits

The area recommended for internal audit and other tasks to be performed for fiscal year 2018 were as follows:

Report No.	Audits/Report Titles	Completion Date
1.	Docketing <i>Objective:</i> To determine whether the Docketing Area's internal controls and processes in place are sufficient to ensure the accuracy and completeness of the Docket and case records; and, to ensure hearings are scheduled in an efficient and effective manner, and in accordance with established policies and procedures, and applicable laws and regulations.	5/1/2018
1.	Follow-Up of Comptroller's Office Post-Payment Audit dated June 14, 2016	5/1/2018
1.	Annual Internal Audit Report – Follow-Up of Prior Year Internal Audits	5/1/2018
-	Other Tasks Assigned by SOAH's Chief Administrative Law Judge	None

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V. Executive Summary

Docketing

Background

The Docketing Area (Area) is supervised by the Docketing Manager, who reports directly to the Deputy Chief for Hearings. The Area is comprised of a Hearings Coordinator, 2 (1 vacancy) Intake Clerks, 4 Docketing Clerks, and a vacant Chief Clerk position. The Area's staff is located at the SOAH headquarters in Austin, Texas.

The Hearings Coordinator and Docketing Clerks are each assigned to oversee the docketing functions for different state agencies. Their main responsibilities are scheduling and confirming hearings requested by their assigned state agencies; developing, updating, and closing case records in the Case Management System (CMS), SOAH's electronic database used to store and track the status of all referred cases; and, preparing, updating, and ensuring accuracy of the Docket, a word file and SOAH's official schedule of cases set for hearing. The Intake Clerks' primary responsibilities are indexing, assigning priority numbers, and uploading case documents into the Document Manager System, SOAH's electronic document imaging storage system.

Request for Hearings

SOAH generally conducts 2 types of hearings: 1) Driver's license hearings, known as Administrative License Revocation hearings, referred from the Texas Department of Public Safety, which is a separate auditable area and is not included in this report; and, 2) General hearings, known as contested cases or general docket hearings, referred by other state agencies.

To refer a case to SOAH, the referring agency completes and sends a Request to Docket Case Form (RDCF) to the Area requesting that a hearing be added to the Docket. The RDCF documents the referring agency's name and number, name of the case, names of the parties and/or representatives, requested hearing date, and the number of hours or days needed for the hearing. The Docketing Clerks or Hearings Coordinator will review the Area's manual hearings calendar to confirm the availability of the requested dates; and if available, will assign the case a docket number by establishing a record in CMS; update CMS with the information provided in the RDCF; and, email the referring agency a confirmation letter confirming the hearing dates. The Docketing Clerk or Hearings Coordinator will then update the Docket; and, document the date the RDCF was received, the scheduled hearing date, and the docket number on the "FOR SOAH USE ONLY" section of the RDCF. SOAH requires the RDCF to be docketed and confirmed within 1½ days from the date it was received.

All of the Area's staff members have the ability to update the Docket. Each business day, at 4:30 pm, the Docket is converted to a pdf and posted to the SOAH website the following morning. The Docket lists all the scheduled cases set for hearing and includes the docket number, agency, location and time of the hearing, and the assigned administrative law judge (ALJ). Cases that have been removed from the Docket are reflected at the bottom of the Docket on the original scheduled date.

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Case Files

Case documents (filings, exhibits, records, etc.) can be uploaded through SOAH's website by the referring state agency or parties/representatives who have been provided access by SOAH. When uploaded, case documents and all SOAH-issued documents (orders, proposal for decisions, etc.) are sent to and stored in the Document Manager's *sorting office* module. The Intake Clerks are responsible for indexing and assigning a priority number to all documents stored in the *sorting office* by assigning it a document number, title, filing date, and filing party name; and, uploading it to the case file in Document Manager, where files, other than those identified as confidential, can be viewed on the SOAH website by docket number. Documents are assigned the following priority numbers:

- Priority 1 Motions and other items to be sent to the judge;
- Priority 2 SOAH issued documents; such as, Decisions & Orders (D&O) and Proposals for Decision (PFD);
- Priority 3 Pleadings, exhibits, records, etc;
- Priority 4 Final Orders; and,
- Priority 5 Consent for email request forms.

Confidential Cases—

The Docketing Clerks or Hearings Coordinator check the appropriate box in the CMS and Document Manager systems to designate cases as confidential, to ensure confidential case files are not available to the public. An asterisk is also placed next to confidential cases on the Docket.

Docket Change Forms

When a Priority 2 document is uploaded to Document Manager, an automatic email is sent to all of the Area's staff members to alert them of this occurrence; however, no action is taken at this time. Legal administrative assistants also receive the automatic email since they are required to complete a Docket Change Form (DCF) whenever there is a change to the Docket; such as, a continuance of hearing, pre-hearing conference, or issuance of an order. SOAH requires Priority 2 documents that require Docket changes to be addressed within 3 days from the date the document was uploaded to Document Manager. However, the Docket is not updated until the Area receives a DCF from a legal administrative assistant; and, at that time, the Docketing Clerk or Hearings Coordinator will update the CMS and the Docket according to the DCF. A DCF is also completed for performance measures reporting dates, which the administrative assistant obtains from the order, PFD, or D&O. The Docketing Manager follows up on the status of Priority 2 documents that have not been addressed within 2 days from the date the document is uploaded to Document Manager, by emailing the Docketing Clerks or Hearings Coordinator.

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Audit Objective, Scope and Methodology

Objective

The objective of our audit was to determine whether the Docketing Area's (Area) internal controls and processes in place are sufficient to ensure the accuracy and completeness of the Docket and case records, and, to ensure hearings are scheduled in an efficient and effective manner; and, in accordance with established policies and procedures, and applicable laws and regulations.

Scope

The scope of this audit was for the 7-month period from September 1, 2017 through March 31, 2018.

Methodology

The audit methodology included a review of laws and regulations; SOAH's established policies and procedures, and other internal and external documentation; and, interviews with selected SOAH staff.

We obtained and/or reviewed the following information:

1. Sections of the Texas Government Code and the Texas Administrative Code, as applicable to the hearings and docketing functions.
2. SOAH's written policies and procedures and workflow charts related to the Area.
3. Organizational chart.
4. The Area's manual hearings calendar.
5. A list of state agencies assigned to each Area's staff member.
6. Current Docket available on the SOAH's website and archived weekly Dockets for the period from September 1, 2017 through March 31, 2018.
7. A listing of cases disposed during the period from September 1, 2017 through March 31, 2018; and, the supporting documentation for the selected items.
8. Samples of Docket Change Forms (DCF), and Request to Docket Case Forms (RDCF).
9. Case files in the Document Manager System.
10. Case records in the Case Management System.

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We performed various procedures to achieve the objective of our audit; to include, the following:

1. Reviewed and obtained an understanding of the applicable laws and regulations provided in the Texas Government Code and the Texas Administrative Code.
2. Obtained and reviewed SOAH's written policies and procedures; collected available documentation; and, conducted interviews to document formal/informal processes and controls.
3. Observed a demonstration of the Document Manager process as related to indexing, prioritizing, and uploading.
4. Obtained a list of cases disposed during the 7-month period from September 1, 2017 through March 31, 2018 and randomly selected 25 cases to test for the following attributes:
 - a. RDCF was maintained and properly completed.
 - b. Case record in CMS agreed to RDCF and/or DCF; and, appropriate fields were completed.
 - c. Confirmation letter was properly sent to referring agency confirming hearing dates.
 - d. Case was docketed and confirmed within 1½ days from the date the RDCF was received.
 - e. DCF was submitted to the Area in a timely manner.
 - f. Docket and CMS was updated within 3 days of receiving a Priority 2 email and agreed to the DCF.
 - g. Confidential case documents were not accessible from SOAH's website.
 - h. Docket was properly updated.
5. From the listing mentioned above, we selected an additional 50 confidential cases and ensured they were not accessible from SOAH's website.
6. Randomly selected 10 cases scheduled on the Area's manual hearings calendar and 10 cases scheduled on the current Docket to ensure agreement between the calendar and Docket.

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VI. Observations/ Findings and Recommendations

SUMMARY and RELATED RATING of OBSERVATIONS/FINDINGS and RECOMMENDATIONS

As SOAH’s internal auditors, we used our professional judgment in rating the audit findings identified in this report. The rating system used was developed by the Texas State Auditor’s Office and is based on the degree of risk or effect of the findings in relation to the audit objective(s). The table below presents a summary of the observations/findings in this report and the related rating.

Summary of Observations/Findings & Recommendations and Related Ratings		
Finding No.	Title	Rating
1	Confidential Cases	High
2	Scheduling Hearings Process	Medium
3	Case Records	Medium
4	Performance Measures Reporting	Medium
Observation No.	Title	Rating
1	Policies and Procedures	--
2	Hearings Calendar	--
3	Changes to CMS & the Docket	--

Description of Rating

A finding is rated *Priority* if the issues identified present risks or effects that if not addressed could critically affect the audited entity’s ability to effectively administer the programs(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

A finding is rated *High* if the issues identified present risks or effects that if not addressed could substantially affect the audited entity’s ability to effectively administer the programs(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.

A finding is rated *Medium* if the issues identified present risks or effects that if not addressed could moderately affect the audited entity’s ability to effectively administer programs(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

A finding is rated *Low* if the audit identified strengths that support the audited entity’s ability to administer the programs(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity’s ability to effectively administer the programs(s)/function(s) audited.

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OBSERVATIONS/FINDINGS and RECOMMENDATIONS

Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Status (Fully Implemented, Substantially Implemented, Incomplete/ Ongoing, or Not Implemented) with explanation if not yet fully implemented	Fiscal Impact/Other Impact
1	5/1/2018	Docketing	<p>1. <u>Confidential Cases</u></p> <p>Certain SOAH proceedings are designated as confidential; therefore, these case hearings are not open to the public; and, in accordance with TAC §155.103(d), the related case filings (documents) should not be accessible to the public through SOAH's website.</p> <p>In 8 of the 60 confidential cases tested for compliance with the TAC, the related case documents were accessible to the public through the SOAH website.</p> <p>Recommendation We recommend that SOAH remove the public accessibility, through its website, to these case documents and perform a review of other documents that are available to the public through its website, to ensure compliance with the TAC requirements.</p> <p>Management's Response IT has corrected the finding and the Docketing Manager will monitor for quality control.</p> <p>2. <u>Scheduling Hearings Process</u></p> <p>When scheduling a hearing, SOAH's <i>General Docketing Procedures</i> require that the Docketing Clerks or Hearings Coordinator document the docket number(s) in the Area's manual hearings calendar, which is used by the Area's staff to quickly determine the availability of the requested date and time as well as a hearing room.</p> <p>Our testing of 10 cases scheduled on the Docket disclosed 1 instance where the case was not documented in the Area's manual hearings calendar.</p> <p>Recommendation We recommend that SOAH strengthen its controls over the scheduling of hearings to comply with the <i>General Docketing Procedures</i>; and, to ensure the date and time for scheduled hearings are reserved and avoid scheduling hearings on a date/time or hearing room that is unavailable.</p> <p>Management's Response SOAH agrees with the recommendation and is taking steps to better control the scheduling of hearings. Long-term implementation of an electronic format will be sought with the new case management system process changes.</p>		<p>To ensure compliance with the TAC and protection of confidential information.</p> <p>To ensure compliance with SOAH's policies and procedures.</p>

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Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Status (Fully Implemented, Substantially Implemented, Incomplete/ Ongoing, or Not Implemented) with explanation if not yet fully implemented	Fiscal Impact/Other Impact
1	5/1/2018	Docketing	<p>3. <u>Case Records</u></p> <p>Our testing of 25 cases disposed during the 7-month period of September 1, 2017 to March 31, 2018 disclosed the following:</p> <ul style="list-style-type: none"> In 1 instance, a DCF was not maintained; therefore, we were unable to determine when it was received and verify the accuracy of the information reported in CMS; In 14 instances, the "FOR SOAH USE ONLY" section of the RDCF was not properly completed since the hearing date and/or docket number were not documented; and, In 1 instance, due to an oversight, a Priority 1 document was not sent to the ALJ. <p>Recommendation We recommend the following:</p> <ul style="list-style-type: none"> SOAH improve their process over the retention of a DCF to ensure DCFs are submitted by the Legal Administrative Assistants to the Area within 3 days of the document being uploaded to Document Manager; or, in lieu of the DCF, consider an alternate method for updating the CMS and the Docket. SOAH improve their controls in ensuring the inclusion of the required documentation of the "FOR SOAH USE ONLY" section of the RDCF, as required by the Area's policies and procedures. SOAH ensure the Intake Clerks are adequately trained to identify Priority 1 documents, which are required to be submitted to the ALJ, since the ALJs are only notified that a document requiring their attention has been uploaded, if it is assigned as a Priority 1 document. <p>Management's Response SOAH agrees with the recommendations. Overall processes will be reviewed in conjunction with the new case management system implementation. Interim implementations will be made.</p> <ul style="list-style-type: none"> The practice of requiring a DCF for changes affecting settings has been implemented. Periodic random checks to ensure compliance will be implemented. Refresher training and training for new hires will be implemented. Priority 1 documents recommendation has been implemented. 		To ensure case records in CMS are complete and accurate; and, that SOAH is compliant with its established policies and procedures.

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Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Status (Fully Implemented, Substantially Implemented, Incomplete/ Ongoing, or Not Implemented) with explanation if not yet fully implemented	Fiscal Impact/Other Impact
1	5/1/2018	Docketing	<p>4. <u>Performance Measures Reporting</u></p> <p>It is SOAH's practice to change the dismissal date of a case in the CMS "Dismissal Date" field to the first date of the next quarter for performance measures reporting purposes, if the dismissal date is within the range of a previously reported quarter. This generally occurs since Docketing Clerks and the Hearings Coordinator do not update CMS or the Docket until a DCF is received from a Legal Administrative Assistant, which may cause the delay. In 1 of the 25 cases tested, the Docketing Clerk received a DCF to dismiss a case 4 months after the DCF date. Although the correct dismissal date was denoted in CMS in the Comment field, the date in the Dismissal Date field was incorrect.</p> <p>Recommendation We recommend that SOAH revise previously submitted performance measures, if possible, when this type of situation occurs in lieu of changing dates in CMS since CMS should reflect accurate information; or, require that the Legal Administrative Assistant submit the DCFs no later than 3 days from the date the document was uploaded to Document Manager.</p> <p>Management's Response SOAH agrees with the DCF recommendation to require more timely submission of the DCFs and will ensure that staff complies with existing procedures, which require that DCFs be submitted to Docketing immediately.</p> <p>The accuracy of year-to-date performance measures have not been affected by the practice described above. However, in the event that late submission of DCFs causes a material change, SOAH will request to reopen and revise previously submitted performance measures to clarify data per quarter.</p> <p>In addition, the implementation of the new Case Management System will effectively replace the manual DCF procedure and provide fully accurate real-time information regarding case disposition.</p>		To ensure the accuracy of the case records in CMS and the reported performance measures.

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1	5/1/2018	Docketing	<p style="text-align: center;">OBSERVATIONS</p> <p>1. <u>Policies & Procedures</u></p> <p>The Area has an estimated 300 documents that comprise their policies and procedures, with some that have not been updated since 2010 and others that contain procedures which are no longer performed; such as, updating Time Slips.</p> <p>Docketing Clerks also have agency-specific policies and procedures for the agencies to which they are assigned, which are often redundant of SOAH's standard policies and procedures.</p> <p>Recommendation We recommend that Area consolidate, streamline, or revise its current policies and procedures to be consistent with SOAH's standard policies and procedures, which will ensure policies and procedures are up-to-date to improve efficiency, and eliminate redundant procedures.</p> <p>2. <u>Hearings Calendar</u></p> <p>The Area maintains a manual hearings calendar for scheduling hearings, which is discarded at the end of each month; therefore, we were unable to determine if the 25 cases selected for testing were properly documented in the calendar, as required by the Area's procedures.</p> <p>In addition, weekly Dockets are maintained for archival purposes; however, if changes were made to the Docket after the weekly Docket was printed, those changes are not reflected.</p> <p>Recommendation We recommend that SOAH explore the use of electronic calendars or retain the monthly hearings calendar for 1 year before discarding, in accordance with its records retention schedule. Also in accordance with its records retention schedule, final weekly Dockets should also be retained for 1 year before discarding.</p> <p>3. <u>Changes to CMS & the Docket</u></p> <p>SOAH requires that cases be docketed and confirmed within 1 ½ days from the date the RDCF is received and that changes to the Docket and CMS from Priority 2 documents be made within 3 days from the date they are uploaded to Document Manager. However, since the date the Docket and CMS are updated is not documented or tracked, we were unable to determine compliance with these requirements.</p>		<p>To ensure SOAH's policies and procedures are up-to-date and improve efficiency.</p> <p>To ensure records are maintained for 1 year in accordance with SOAH's records retention schedule.</p> <p>To provide evidence that SOAH is complying with their policies and procedures.</p>

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1	5/01/2018	Docketing	<p>As a mitigating control, the Docketing Manager follows up on the status of Priority 2 documents to ensure any changes to the Docket and CMS are addressed within the required number of day; however, this practice is not documented in the Area's policies and procedures.</p> <p>Recommendation We recommend SOAH develop a process to monitor compliance with the established policies and procedures and that the review performed by the Docketing Manager be documented and included in the Area's policies and procedures.</p>		

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Report No.	Report Date	Name of Report	Observations/Findings and Recommendations	Status (Fully Implemented, Substantially Implemented, Incomplete/ Ongoing, or Not Implemented) with explanation if not yet fully implemented	Fiscal Impact/Other Impact
1	5/01/2018	2018 Follow-Up	<p><u>Follow-Up of Comptroller's Office Post-Payment Audit</u></p> <p><i>Following is the status of the recommendations made in the Post-Payment audit dated June 14, 2016 performed by the Comptroller's Office.</i></p> <p>1. Missing Centralized Master Bidders List (CMBL) Solicitation / Incorrect Record Retention</p> <p>SOAH must utilize the CMBL as required to ensure adherence to the rules and laws that govern Texas procurement and contract management practices. A copy of the CMBL solicitation results must be retained in the contract file as evidence of the vendor search performed.</p>	Fully Implemented	

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1	5/01/2018	2018 Follow-Up	<p><u>Follow-Up of Prior Year Internal Audits</u></p> <p><i>Following is the status of the recommendations made during fiscal year 2017 that had not been fully implemented.</i></p> <p><u>Hearings Support (Report date 6/30/2017)</u></p> <p>1. Performance Measures Dates</p> <p>SOAH should strengthen their controls to ensure the dates reported on the Docket Change Form (DCF) agrees to the respective order or Proposal for Decision since the DCF is used for performance measures reporting.</p> <p>2. Confidential Cases</p> <p>SOAH should strengthen their controls and review process to ensure compliance with established "Confidential Cases" policies and procedures.</p> <p>Observations</p> <p>3. Policies & Procedures</p> <p>Policies and procedures which were in draft form should be reviewed and finalized to ensure all employees involved in the Hearings Support area perform processes in a uniform manner.</p> <p><u>Explanation for FY18 Status</u></p> <p>SOAH is in the process of working on the policies and procedures; however, none have been finalized.</p> <p>4. Agency-Specific Procedures</p> <p>Agency-specific policies, procedures, current practices, interagency contracts, and adopted procedural rules should be reviewed in detail to determine if procedures can be consolidated, streamlined, or revised to be consistent with SOAH's standard policies and procedures, which will alleviate the assistants' excessive duties, improve efficiency, and eliminate redundant procedures.</p>	<p>Fully Implemented</p> <p>Fully Implemented</p> <p>Incomplete/Ongoing</p> <p>Incomplete/Ongoing</p>	

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1	5/01/2018	2018 Follow-Up	<p><u>Explanation for FY18 Status</u></p> <p>Interagency contracts have been revised with a focus on changes to align with statutory requirements. Most of the changes were not substantive in terms of day to day administrative support. To the extent that changes to the IACs required changes to the administrative notebook, then those changes will occur as part of the update to the admin notebook project. IDEA is the one team that is aware of these changes. SOAH's CALJ recently reorganized the agency organization chart to help with the standardization project. Streamlining is a systematic process that is currently in progress.</p> <p>5. Evidence of Mail Delivery</p> <p>SOAH should consider receiving evidence of delivery; such as, by certified mail, for documents mailed to petitioners/respondents/licensees, as they do from the referring agency, in the event it is questioned.</p> <p><u>Explanation for FY18 Status</u></p> <p>Administrative Procedure Act, at Tex. Gov't Code § 2001.142(a)(3), permits service of any decisions or orders via first class mail. With the volume of cases, the cost of certified delivery would be significant. We will explore other options as we evaluate the close of record project.</p> <p><i>Following is the status of the recommendations made during fiscal year 2016 that had not been fully implemented.</i></p> <p><u>Information Resources (Report date 7/12/2016)</u></p> <p>1. Information Resources Access Deletion Procedure</p> <p>SOAH has revised its practice to strengthen controls over access deletion for separating employees; however, the revised practice has not been formally documented.</p> <p><u>Explanation for FY18 Status</u></p> <p>Policies and procedures for the access deletion process have not yet been formally documented.</p> <p>2. Ongoing Employee Training Program</p> <p>SOAH should establish and document a formal employee training policy.</p>	<p>Incomplete/ Ongoing</p> <p>Incomplete/ Ongoing</p> <p>Substantially Implemented</p>	

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1	5/01/2018	2018 Follow-Up	<p><u>Explanation for FY18 Status</u></p> <p>SOAH has developed training policies; however, they are in draft form.</p> <p>3. Documentation of Formal Procedures</p> <p>SOAH should formally document and periodically review current control activities and best practices performed by the IR department's personnel and retain them in a secure location available only to authorized personnel.</p> <p><u>Explanation for FY18 Status</u></p> <p>SOAH is still in the process of formalizing and documenting IR policies and procedures.</p> <p>4. Encryption of Confidential Data</p> <p>SOAH should conduct an inventory to identify all portable computing devices and removable media used by employees; and, consider installing encryption software on the portable computing devices and encrypting the removable media. We further recommend that SOAH review the current listing of users who have Secure Email functionality and assess its adequacy.</p> <p><u>Explanation for FY18 Status</u></p> <p>SOAH's effort to replace laptops with built-in encryption is ongoing, and control over employees' use of removable media has not yet been established.</p> <p>5. ISO Designation and Agency Reporting</p> <p>SOAH should formally revise the ISO's job description to reflect the changes made to the ISO's role to be compliant with the TAC 202 requirements.</p>	<p>Incomplete/ Ongoing</p> <p>Incomplete/ Ongoing</p> <p>Fully Implemented</p>	

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1	5/01/2018	2018 Follow-Up	<p><i>Following is the status of the recommendation made by SOAH's predecessor internal auditor that had not been fully implemented.</i></p> <p><u>Accounting, Budgeting and Payroll Systems and Controls (Report date 6/18/2014)</u></p> <p>1. Funds Received</p> <p>Funds received at the seven field offices should be forwarded to Fiscal Services as they are received rather than waiting a week or longer to submit them. SOAH should explore other options to ensure funds are deposited within 3 business days of receipt, as required by Government Code Sec. 404.094.</p> <p><u>Audit Results of FY18 Follow-up</u></p> <p>Our testing of 25 receipts at the headquarters and field offices disclosed 8 instances where funds were not deposited to the state treasury within 3 business days of receipt, as required by Government Code Sec. 404.094.</p> <p><u>Explanation for FY18 Status</u></p> <p>SOAH strives to adhere to the Government Code Sec. 404.094, 3-day deposit rule, for each payment collected and deposited. SOAH has researched alternative means to deposit checks from its 7 remote offices within the prescribed 3-day requirement, but the CPA does not offer any alternatives for small dollar amounts collected. The only options available; such as, overnight express mail, are cost prohibitive. SOAH will not be able to implement a solution to this finding.</p>	Not Implemented	

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VII. External Audit Services Procured in Fiscal Year 2018

SOAH procured the internal audit services documented in the approved Internal Audit Plan for fiscal year 2018. No other external audit services were performed.

VIII. Reporting Suspected Fraud and Abuse

SOAH has provided information on its website home page on how to report suspected fraud, waste, and abuse to the State Auditor's Office (SAO) by posting a link to the SAO's fraud hotline. SOAH has also developed a Fraud Reporting Policy that provides information on how to report suspected fraud, waste, and abuse to the SAO.

IX. Proposed Internal Audit Plan for Fiscal Year 2019

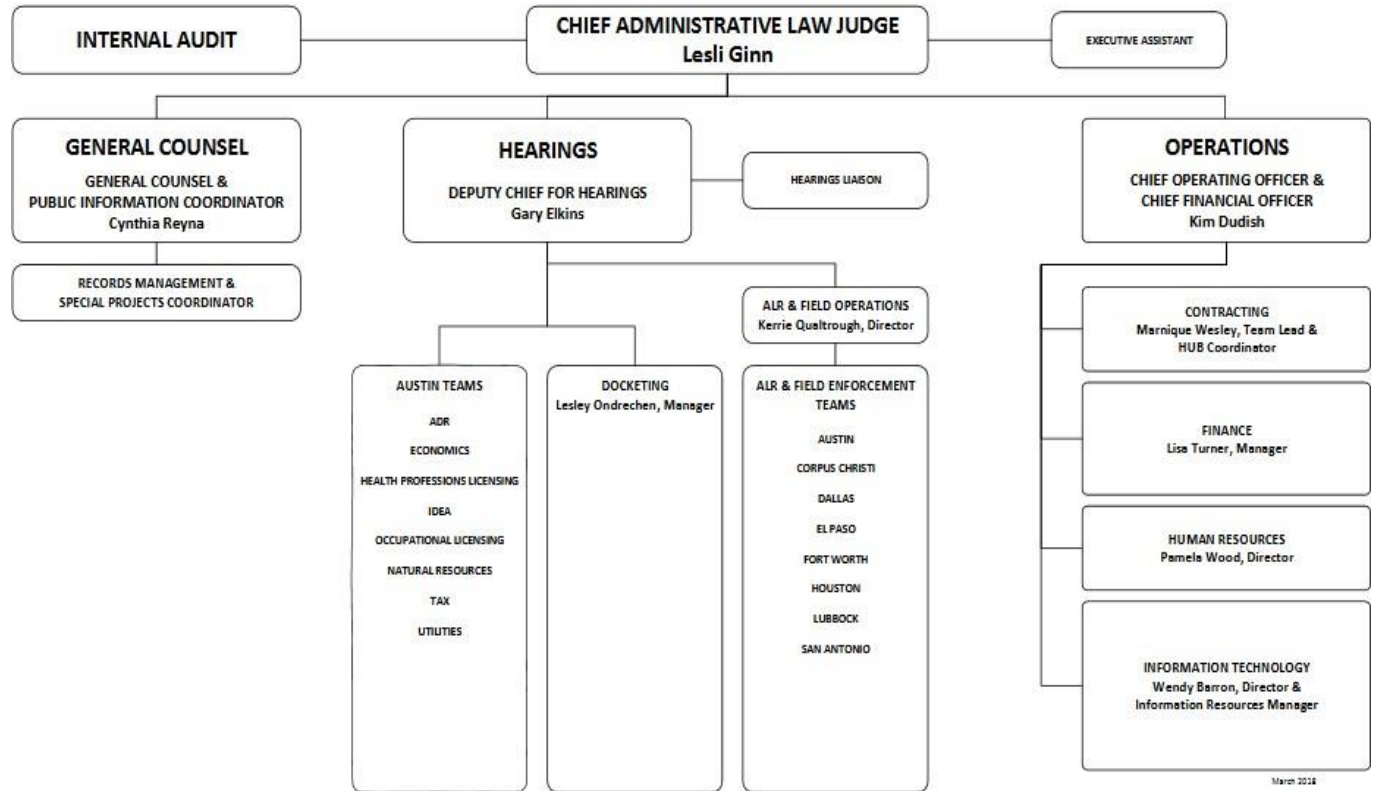
The risk assessment performed during the 2018 fiscal year was used to identify the following *proposed* areas that are recommended for internal audit and other tasks to be performed for fiscal year 2019. The Internal Audit Plan for fiscal year 2019 will be developed and presented to the Chief Administrative Law Judge, for acceptance and approval, at a later date.

- Fixed Assets
- Records Management
- Follow-up of Prior Year Internal Audits
- Other Tasks Assigned by the Chief Administrative Law Judge

X. Organizational Chart



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March 2018