

STATE OFFICE OF ADMINISTRATIVE HEARINGS
Austin, Texas

ANNUAL INTERNAL AUDIT REPORT

Fiscal Year 2019



STATE OFFICE OF ADMINISTRATIVE HEARINGS
Austin, Texas

Annual Internal Audit Report
Fiscal Year 2019

TABLE OF CONTENTS

Internal Auditor's Report	1
Introduction	2-3
Internal Audit Objectives	4
I. Compliance with Texas Government Code 2102: Required Posting of Internal Audit Information	5
II. Consulting and Nonaudit Services Completed.....	5
III. External Quality Assurance Review.....	5
IV. Internal Audit Plan for Fiscal Year 2019	5-6
V. Executive Summary Human Resources & Payroll Background	7-9
Audit Objective, Scope, and Methodology.....	9-12
VI. Observations/Findings and Recommendations Summary and Related Rating of Observations/Findings and Recommendations.....	13
Observation/Findings and Recommendations	14-20
VII. External Audit Services Procured in Fiscal Year 2019.....	21
VIII. Reporting Suspected Fraud and Abuse.....	21
IX. Proposed Internal Audit Plan for Fiscal Year 2020	21
X. Organizational Chart	22

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 Human Resources & Payroll (Area) and established policies and procedures, as applicable to the Area, for the purpose of determining SOAH's compliance with applicable sections of the State Auditor's Office Texas Human Resources Management Statutes Inventory guide; and, the Texas Comptroller's fiscal policies and procedures, for the 5 months ended January 31, 2019.

The results of our tests disclosed that SOAH's internal control structure over the Area 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 13 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. 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.



March 8, 2019

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2019

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 a 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 a 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. ALRs are the most common type of contested cases heard by SOAH.
- **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 9 teams, by subject area:

- ADR
- ALR & Field Enforcement Teams
- Economic
- Health Professions Licensing
- Individuals with Disabilities Education Act (IDEA)
- Occupational Licensing
- Natural Resources
- Tax
- Utilities

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2019

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 32 additional remote locations which are typically local government offices.

2019 Internal Audit Plan

Following is the internal audit and other functions performed, as identified in SOAH's *Internal Audit Plan for Fiscal Year 2019*, dated November 27, 2018 and submitted to the Chief ALJ on November 28, 2018:

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

This report contains the results of our audit of the Human Resources & Payroll Area; reflects the results of the follow-up procedures performed in the current year of findings that were presented in the prior year internal audit report; and, meets the State of Texas Internal Audit Annual Report requirements.

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2019

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.

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2019

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 guidelines, 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 2020 audit plan, as provided by Texas Government Code, Section 2102.008.
- A fiscal year 2019 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 November 16, 2018, indicates that its system of quality control has been suitably designed and conforms to applicable professional standards in all material respects.

IV. **Internal Audit Plan for Fiscal Year 2019**

The approved Internal Audit Plan (Plan) included one audit to be performed during the 2019 fiscal year. The Plan also included a follow-up of the 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 2019.

Risk Assessment

Utilizing information obtained through the inquiries and background information reviewed, 11 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.

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report
 Fiscal Year 2019

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

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

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

Fiscal Year 2018:

- Docketing (Excludes ALR Hearings)
- Follow-up of the Prior Year Internal Audits

Fiscal Year 2017:

- Hearings Support (Excludes ALR Hearings)
- Follow-up of the Prior Year Internal Audits
- Follow-up of Comptroller’s Office FY2016 Post-Payment Audit

Fiscal Year 2016:

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

The area recommended for internal audit and other tasks to be performed for fiscal year 2019 were as follows:

<u>Report No.</u>	<u>Audits/Report Titles</u>	<u>Completion Date</u>
1.	Human Resources & Payroll <i>Objective:</i> To assess the effectiveness and efficiency of the internal controls, policies, procedures, and processes in place for the Human Resources and Payroll Area (Area); and, to ensure compliance with applicable state requirements.	3/08/2019
1.	Annual Internal Audit Report – Follow-Up of Prior Year Internal Audits	3/08/2019
-	Other Tasks Assigned by SOAH’s Chief Administrative Law Judge	None

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2019

V. Executive Summary

Human Resources & Payroll Area (Area)

Background

The Human Resources (HR) Department is supervised by the HR Manager, who reports to the Chief Operating Officer/Chief Financial Officer (COO/CFO). In addition to the HR Manager, the HR Department is staffed with an HR Specialist. The Payroll Department is supervised by the Finance Director, who also reports to the COO/CFO. The Payroll Department consists of the Finance Director and Payroll Staff.

Process for New Hires

The COO/CFO or Directors (collectively the hiring managers) are generally responsible for deciding when a position needs to be filled or created. The hiring managers are also responsible for creating a job description for new positions with assistance of the HR Department. If the position already exists, the previous job description is used and updated as needed. The HR Manager then submits a job requisition for the hiring manager's approval through CAPPS Recruit, SOAH's recruiting and hiring system. Once it is approved, the job posting is uploaded to SOAH's website. The job posting includes the job title, job description, opening and closing date, minimum salary, minimum requirements, skills and abilities, etc. Job posting generally remain open until filled, at least 5 days for internal hires, and 10 days for external hires.

Applicants submit applications through CAPPS Recruit, which allows the HR Manager and hiring managers to view the applications and begin their screening process. The Applicant Screening Matrix is a spreadsheet used during the screening process, using "Yes" or "No" questions customized for the minimum qualifications of the respective position. Only those applicants who meet the minimum qualifications will be eligible for an interview. Interviews are conducted by a panel of 2 to 3 employees using predetermined questions developed by HR. The applicants are then ranked (by order of qualification) and the hiring manager will complete and sign a Justification for Hire form, which is also signed by the HR Manager. Once this form is complete, HR will send an offer letter to the applicant.

New Employee Orientation (NEO)/Training

New hires are provided with a packet that contains documents; such as, information about SOAH, Employee Retirement System (ERS), Workers Compensation, Employee Handbook of Policies and Procedures, and training materials. Many of these documents contain acknowledgement forms the employee is required to sign and return to HR, to be maintained in personnel files. HR personnel assist new hires with completion of new hire forms; such as, ERS, 401(k) enrollment, and I-9.

SOAH requires new hires to complete 3 certain training sessions during the first week of employment and an additional 3 training sessions during the first 30 days of employment. The employee must provide HR with the certificate of completion for each training session. The HR Manager manually tracks the training hours in a spreadsheet.

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2019

Process for Separation

An employee may provide a letter of resignation to their manager within a minimum of 2 weeks' notice of their intent to separate from SOAH; or, submit their notice through CAPPS. When an employee elects to resign, an email notification is sent to all management notifying them of the employee's decision.

Eligible employees are paid for their accrued vacation time. Sick leave balances can be donated to SOAH's sick leave pool, transferred to the new state agency of employment, or leaving the balances intact, in the event the employee returns to employment at SOAH.

Timekeeping

Timesheets, which are used by all employees to report time worked and leave taken, are electronically approved by the respective employee's manager on a weekly basis. SOAH employees' monthly timesheets are maintained in CAPPSS. The employee and the manager also certify, weekly, that the time and leave records in CAPPSS are complete.

Payroll Processing

Payroll is processed in accordance with the Texas Comptroller's guidelines and pay schedules. Payroll runs consist of 2 cycles: "On Cycle" and "Off Cycle". The "On Cycle" payroll run includes standard and longevity pay; while, the "Off Cycle" payroll run includes supplemental pay, termination pay, or payout for accrued vacation time. As part of processing payroll, an HR employee will enter actions; such as, new employee and termination, into the CAPPSS system, which automatically calculates the pay for such actions. Once a preliminary "On Cycle" payroll file is generated, the Finance Director or one of the senior payroll staff will review each employee's current pay by comparing to the previous pay period. Any variances will be documented and investigated by the reviewer to ensure the reasonableness of the change. Upon completion of the review, the "On" and "Off" Cycle payroll files are sent to the COO/CFO for approval.

Performance Evaluation

Employees are evaluated annually using a performance appraisal system consisting of a self-evaluation, and a supervisor written evaluation that includes rating employee performance on their job responsibilities. New employees are evaluated after 6 months of employment. Copies of evaluations are submitted to the HR Department and maintained in the employee's personnel file.

Personnel Action Form (PAF)

Personnel Action Forms are used to document payroll actions; such as, an employee's change in status, compensation, or termination. The PAFs are retained in the employee's personnel file.

Sick Leave Pool (Pool)

Administration – SOAH's HR Manager has been designated as Administrator of the Pool.

Eligibility – All employees are eligible to request leave from the Pool if a catastrophic illness or injury forces them to exhaust all sick and annual leave.

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2019

Contributions – Contributions are voluntary. Employees may contribute one or more days of sick leave to the Pool by completing the *Sick Leave Pool Contribution* form and submitting it to HR. A terminating employee may contribute their full sick leave balance. The HR Department is responsible for updating the employee's leave records and Pool balances.

Requesting Leave – Employees who believe that their own or immediate family member's condition meets the definition of a catastrophic illness or injury may request to withdraw up to 1/3 of the time in the Pool or up to 90 days, whichever is less, by completing the *Request and Authorization for Leave* form indicating a specific number of hours requested.

As of January 31, 2019, SOAH's sick leave pool balance was 5,966.73 hours; and, there were no withdrawals from the Pool during the audit period.

Special Reporting

Texas Government Code Sec. 2003.053 requires SOAH to prepare and maintain a written policy statement relating to Equal Employment Opportunity (EEO), to include various employment-related policies and an analysis of SOAH's personnel composition. The Area is responsible for annually updating the policy statement and submitting it to the Texas Workforce Commission.

Audit Objective, Scope, and Methodology

Objective

The objective of our audit was to assess the effectiveness and efficiency of the internal controls, policies, procedures, and processes in place for the Human Resources & Payroll (Area); and, to ensure compliance with applicable state requirements.

Scope

The scope of this audit was for the 5-month period from September 1, 2018 through January 31, 2019 (audit period).

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. SAO's Texas Human Resource Management Statutes Inventory; State's Position Classification Plan; and, Salary Schedules.
2. Texas Comptroller's Office Texas Payroll/Personnel Resource website; and, Payroll Due Date and Direct Deposit Schedules.

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2019

3. SOAH's written policies and procedures and workflow charts related to the Area.
4. Organizational chart.
5. SOAH's salary schedule for employees.
6. Listing of current employees as of January 31, 2019.
7. Listing of employees separated during the audit period.
8. New Employee Orientation (NEO) packet and training documentation.
9. Selected employee personnel files, payroll checks, and respective time sheets.
10. Examples of required paperwork for new hires; such as, employee information forms, ERS benefits and 401k enrollment forms, etc.
11. IRS Form 941 for the 4th Quarter (October – December) of calendar year 2018 and its supporting documentation.
12. Benefits Proportional by Method of Finance Report, Single Funded Agency letter, and submission records for fiscal year 2018.
13. FTE data submission record for the 1st quarter, fiscal year 2019.
14. Equal Employment Opportunity Policy statement submission record dated February 20, 2019.

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

1. Obtained and reviewed SOAH's written policies and procedures; applicable laws and regulations; and, conducted interviews to obtain an understanding of controls, processes and current practices in place over the Area.
2. Obtained and reviewed the applicable state requirements as established by the State Comptroller's Office and the SAO.
3. Selected 12 active employees and a certain pay period for each of the 12 employees to perform the following procedures.
 - a. Agreed Salary paid to the respective Personnel Action Form and to the proper salary schedule for employees.
 - b. Agreed the number of hours reported on the employee's time sheet to the number of hours paid;
 - c. Recomputed Longevity Pay based on the number of service years as reflected in the state service records;

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2019

- d. Ensured leave taken was approved and reflected in the employee Leave Balance Report;
 - e. Recomputed net pay and agreed to the amount paid;
 - f. Agreed the classified employee's classification to the State of Texas Position Classification Plan; and,
 - g. Reviewed the employee's personnel files for the following contents, as considered applicable.
 - i. Personnel Action Form
 - ii. Annual Performance Review
 - iii. Employee Confidential Information Form
 - iv. Prior State Service Records
 - v. Public Access Opinion Form
 - vi. Veterans Status Form
 - vii. 401K Acknowledgement Form
 - viii. HIPPA Form
 - ix. Data Use Agreement
 - x. ALJ Code of Conduct
 - xi. Prohibited Political Activities Form
 - xii. Confidential Treatment of Information Acknowledgement
 - xiii. Workers Compensation Network Acknowledgement
 - xiv. Employee Policies and Procedures Acknowledgement
4. For new hires from the above selection, we obtained and reviewed the following to ensure the documents were properly completed and retained:
- a. Job Posting
 - b. Job Description
 - c. Employee Application
 - d. Offer Letter
 - e. Justification Memo
 - f. CAPPs W4 & Direct Deposit Form
 - g. New Employee Mandatory Training
5. Obtained a list of employees who separated from SOAH during the audit period and selected a sample of 5 employees to test for the following, as applicable.
- a. Pay amount was properly calculated using the number of hours reported on the time sheet.
 - b. Lump sum payments of accrued vacation time were calculated correctly.
 - c. Personnel Action Forms were prepared and approved prior to the employee's effective date of separation.
 - d. Employee's status in the CAPPs system was updated to inactive.
 - e. Employee's Sick Leave Contribution election is in agreement with the CAPPs Sick Leave Pool Activity Report.

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2019

6. Agreed payroll-related amounts reported in SOAH's 4th Quarter Form 941 to the supporting documentation from CAPPs and USAS.
7. Ensured the Benefits Proportional by Method of Finance exemption confirmation letter for fiscal year 2018 was prepared and submitted by the required due date.
8. Reviewed SOAH's FTE report along with supporting documentation to ensure it was prepared and submitted State Auditor's Office in a timely manner.
9. Reviewed the Equal Employment Opportunity Policy Statement submitted to the Texas Workforce Commission and the Governor's Office to assess compliance with Texas Government Code Sec. 2003.053.

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2019

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	EEO Training	Low
2	Personnel File Documents	Low
<i>Observation</i>		
1	New Employee Training	--
<p><u>Description of Rating</u></p> <p>A finding is rated <i>Priority</i> 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.</p> <p>A finding is rated <i>High</i> 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.</p> <p>A finding is rated <i>Medium</i> 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.</p> <p>A finding is rated <i>Low</i> if the audit identified strengths that support the audited entity’s ability to administer the programs(s)/function(s) audited <u>or</u> 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.</p>		

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2019

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	3/08/2019	HR/Payroll	<p>1. <u>Employment Discrimination (EEO) Training</u></p> <p>Labor Code Sec. 21.010 (c) requires each state agency employee to attend the EEO training program not later than the 30th day after their hire date.</p> <p>Our testing of 3 employees hired by SOAH during the audit period disclosed 1 instance where the new employee was hired on December 10, 2018 but did not complete the EEO training until February 21, 2019, which was 43 days after the 30-day requirement.</p> <p>Recommendation We recommend that SOAH develop a process that will ensure they are compliant with the EEO training program state requirement</p> <p>Management's Response SOAH agrees with the finding and recommendation. The following steps have been taken to improve the process and SOAH has begun implementation to correct the finding:</p> <ol style="list-style-type: none"> 1) Created a standardized form to identify if EEO training was completed on time. 2) Created standardized email to communicate the information to New Employee electronically. 3) Created a standardized follow up email to ensure the EEO training is completed. 4) Created a tracking system for EEO completion due date and completion date. <p>2. <u>Personnel File Documents</u></p> <p>In accordance with SOAH's Employee Hiring Procedures, HR provides each employee a packet of documents that in some instances require forms and/or acknowledgements to be reviewed, completed, and signed by the employee. Completed forms and acknowledgements must be returned to HR to be maintained in the employee's personnel file. In our testing of 12 employees, which included 3 new employees, the following required documents were not included in the employee's personnel file:</p>		<p>To ensure compliance with the state labor code Sec. 21.010.</p> <p>To ensure compliance with SOAH's policies and procedures.</p>

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2019

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	3/08/2019	HR/Payroll	<ul style="list-style-type: none"> • 3 employees did not have a 401K Acknowledgement Form. • 7 employees did not have the HIPPA Acknowledgement Form. • 1 employee who is an ALJ did not have the ALJ Code of Conduct Form. • 1 employee did not have the Prohibited Political Activities Acknowledgement Form. • 8 employees did not have the Workers Compensation. Network Acknowledgement Form. <p>Recommendation We recommend that HR implement procedures that will ensure required forms and acknowledgements are completed and received from the employee for retention in their personnel file.</p> <p>Management's Response SOAH agrees with the finding and recommendation. The following steps have been identified to improve compliance and SOAH is currently in the process of implementation to correct the finding:</p> <ol style="list-style-type: none"> 1) Created a standardized File Plan for personnel files for all SOAH employees. 2) Will update each SOAH employees' files to conform to the new standardized file plan. 3) Conduct audits of employees' files to verify missing information. 4) Create an action plan to obtain missing documents. 5) Update HR forms. 6) Adhere to the Records Retention schedule for outdated forms. 7) Create a system to track missing documentation. <p style="text-align: center;">Observation</p> <p>1. <u>New Employee Training</u> SOAH's Human Resources Mandatory Training policy requires all new employees to complete 6 online training courses within the first 30 days of employment. Employees are required to print and email the certificates of completion for each training course to HR. Our testing of 3 new employees who were hired during the audit period disclosed the following instances where certificates of completion were not included in the employee personnel file:</p>		To ensure compliance with SOAH's policies and procedures.

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2019

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	3/08/2019	HR/Payroll	<ul style="list-style-type: none"> • Ethics Training – 1 instance: HR was unable to determine whether the employee completed this training course. • IT Security Awareness Training – 1 instance: HR verified through Information Resources that the employee completed the training course timely; however, the certificate of completion was not available. • Public Information Act Training and Safety and Security Training: 3 instances for each training – HR received certificates indicating timely completion; however, they were not filed in respective employee’s personal file. <p>Recommendation We recommend that SOAH develop procedures to ensure that all employees complete the mandatory training courses, and that the certificates of completion be retained in the employee’s personnel file. SOAH may also consider electronic verification, which will improve efficiency by eliminating the need for printing, emailing, and filing certificates of completion.</p> <p>Management’s Response SOAH agrees with the observation. The following steps have been identified to improve the process and plans on implementing to correct the observation:</p> <ol style="list-style-type: none"> 1) Create a standardized form to identify if the training was completed on time. 2) Create standardized email to communicate the information to New Employee electronically. 3) Create a standardized follow up email to ensure the training is completed. 4) Create a process to electronically ensure employee completion. 5) Create a tracking system for completion due dates and completion dates. 		

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2019

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	3/08/2019	2019 Follow-Up	<p><u>Follow-Up of Prior Year Internal Audits</u></p> <p><i>Following is the status of the recommendations made during previous fiscal years that had not been fully implemented.</i></p> <p><u>Docketing (Report date 5/1/2018)</u></p> <p>1. Confidential Cases</p> <p>SOAH should remove the public accessibility, through its website, to confidential 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>2. Scheduling Hearings Process</p> <p>SOAH should strengthen its controls over the scheduling of hearings to comply with the General Docketing Procedures; 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>3. Case Records</p> <ul style="list-style-type: none"> ▪ SOAH should 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 should 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 should 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>4. Performance Measures Reporting</p> <p>SOAH should revise previously submitted performance measures, if possible, in lieu of changing dates in CMS since CMS should reflect accurate information; or, require that the Legal Administrative Assistant submit the DCF's no later than 3 days from the date the document was uploaded to Document Manager.</p>	<p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p> <p>Substantially Implemented</p>	

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2019

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	3/08/2019	2019 Follow-Up	<p><u>Explanation for FY19 Status</u></p> <p>Our testing of 10 cases dismissed during the audit period disclosed 1 instance where a case that was inadvertently docketed twice in fiscal year 2017, was subsequently removed from the docket on December 7, 2018, and was counted as a dismissal for the second quarter of fiscal year 2019 performance reporting. The original case had been closed and was properly included in performance measures in fiscal year 2018.</p> <p>Observations</p> <p>5. Policies & Procedures</p> <p>SOAH should 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><u>Explanation for FY19 Status</u></p> <p>SOAH's effort in documenting current practices as formal written policies and procedures is still ongoing.</p> <p>6. Hearings Calendar</p> <p>SOAH should 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>7. Changes to CMS & the Docket</p> <p>SOAH should 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>	<p>Incomplete/Ongoing</p> <p>Fully Implemented</p> <p>Fully Implemented</p>	

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2019

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	3/8/2019	2019 Follow-Up	<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>2. Ongoing Employee Training Program</p> <p>SOAH should establish and document a formal employee training policy.</p> <p><u>Explanation for FY19 Status</u></p> <p>SOAH has developed information resources training policies; however, they have not been formalized as written policy.</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 FY19 Status</u></p> <p>SOAH's effort in documenting current practices as formal written policies and procedures is still ongoing.</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>Fully Implemented</p> <p>Substantially Implemented</p> <p>Incomplete/Ongoing</p> <p>Fully Implemented</p>	

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2019

VII. External Audit Services Procured in Fiscal Year 2019

SOAH procured the internal audit services documented in the approved Internal Audit Plan for fiscal year 2019. 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.

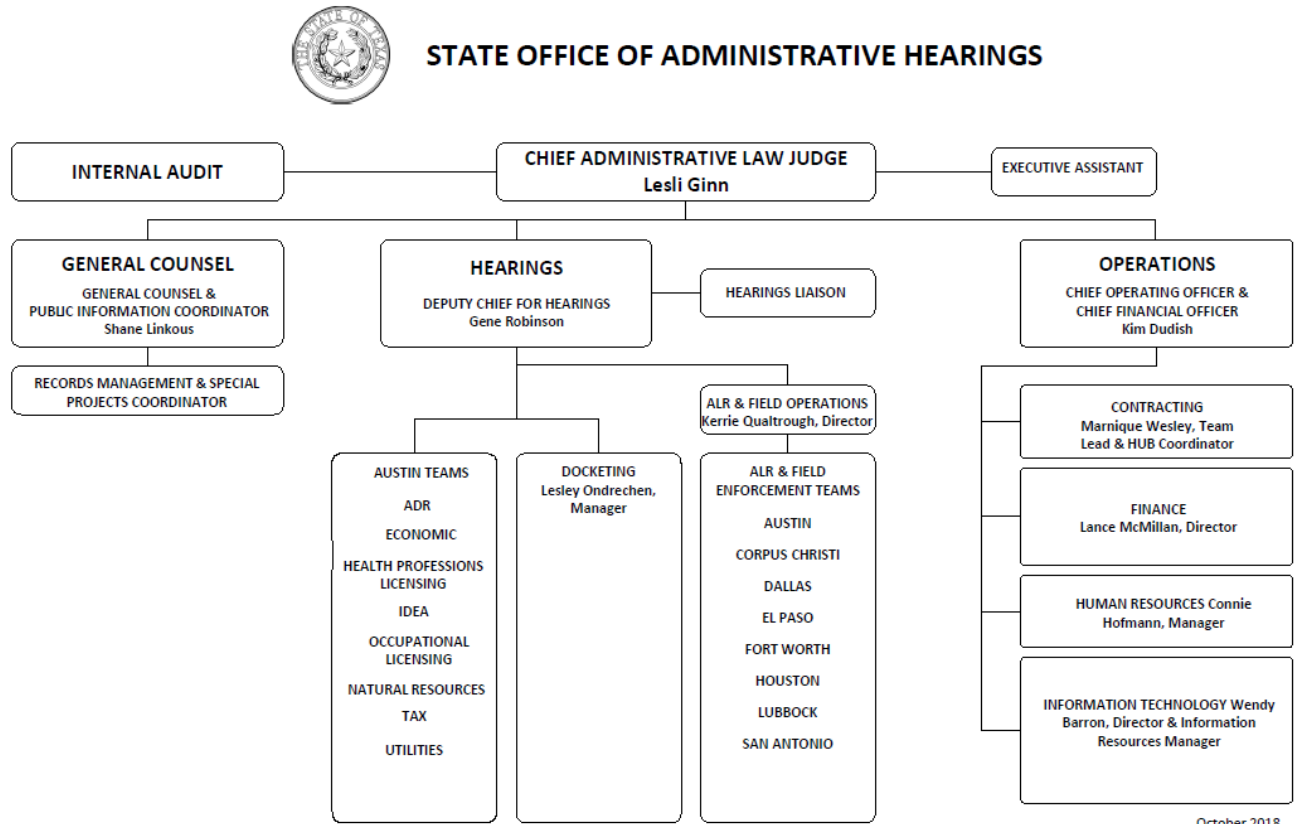
IX. Proposed Internal Audit Plan for Fiscal Year 2020

The risk assessment performed during the 2019 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 2020. The Internal Audit Plan for fiscal year 2020 will be developed and presented to the Chief Administrative Law Judge, for acceptance and approval, at a later date.

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

STATE OFFICE OF ADMINISTRATIVE HEARINGS
 Annual Internal Audit Report
 Fiscal Year 2019

X. Organizational Chart



October 2018

Source: SOAH