

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Austin, Texas

INTERNAL AUDIT PLAN

For Fiscal Year 2021

STATE OFFICE OF ADMINISTRATIVE HEARINGS
Austin, Texas

Internal Audit Plan
For Fiscal Year 2021

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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) proposed Internal Audit Plan (Plan) that was prepared for audits and other functions to be performed in fiscal year 2021. This Plan determines the scope of internal audit activities and is the source for assignment and prioritization of internal audit responsibilities for fiscal year 2021. 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.

A handwritten signature in cursive script that reads "Garza/Gonzalez & Associates".

February 2, 2021

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Austin, Texas

Internal Audit Plan For Fiscal Year 2021

I. Methodology

SOAH's fiscal year 2021 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
- Financial and Non-Financial Reports
- Policies and Procedures
- Applicable Laws and Regulations
- Audit and/or Review Reports from Third-Party Agencies
- Prior Internal Audit Reports

Questionnaires were developed for completion by the Chief Administrative Law Judge, the COO/CFO, 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 Previous 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. |
| 5. Policies and Procedures | Measure of the existence of policies and procedures documenting the auditable unit's activities. |

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- | | |
|---|--|
| 6. Compliance with Contracts, Laws, and Regulations | Measure of the magnitude of contracts, laws, and/or regulations for which the auditable unit is responsible for complying. |
| 7. Susceptibility of Theft, Waste, Abuse, or Fraud | Measure of the auditable unit's risk and controls in place as it relates to theft, waste, abuse, or fraud. |
| 8. Existence of Issues or Concerns | Measure of issues or concerns expressed in completed questionnaires. |

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 Technology Procurement/Contract Management/HUB | Docketing (excludes ALR Hearings) ALR Docketing & Hearings Support Hearings Support (excludes ALR Hearings) | Accounting (Cash Receipts/ Disbursements/ Travel) & Budgeting Fixed Assets Human Resources & Payroll Interagency Contract Billing and Invoicing Records Management 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 2011 through 2020 for the above 11 potential audit topics. In the prior 3 years, the internal auditor performed the following *internal audit functions*:

Fiscal Year 2020:

- Risk Assessment & Preparation of the Internal Audit Plan
- Records Management Audit
- Follow-up of Prior Year Internal Audit Recommendations
- Preparation of the Internal Audit Annual Report

Fiscal Year 2019:

- Risk Assessment & Preparation of the Internal Audit Plan
- Human Resources & Payroll Audit
- Follow-up of Prior Year Internal Audit Recommendations
- Preparation of the Internal Audit Annual Report

Fiscal Year 2018:

- Risk Assessment & Preparation of the Internal Audit Plan
- Docketing Audit
- Follow-up of Prior Year Internal Audit Recommendations
- Preparation of the Internal Audit Annual Report

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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.

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Internal Audit Plan

III. Internal Audit Plan

In addition to performing the 2021 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 Internal Audit Annual Report for fiscal year 2021.

The area recommended for internal audit and other functions to be performed for fiscal year 2021 are as follows:

1. Completion of the Fiscal Year 2021 Risk Assessment and Preparation of this Internal Audit Plan
2. Procurement/Contract Management/HUB Area (Area)
The planned audit procedures include the following:
 - a. Review and obtain an understanding of state laws and regulations, and other requirements governing the various types of purchases made by state agencies.
 - b. Review SOAH's written policies and procedures, and conduct interviews, to obtain an understanding of controls, processes, and current practices in place over the various functions performed for this Area.
 - c. Determine if all personnel involved in performing purchasing and contract negotiation functions have been trained and certified as required by the Comptroller of Public Accounts; and, periodically complete the Non-Disclosure and Conflict of Interest Certification.
 - d. Select various purchases made during the audit period and design audit procedures to test the following:
 - 1) Compliance with policies, procedures, and controls identified in procedure b. above.
 - 2) Ensure that the most qualified contractors/vendors are fairly and objectively selected in compliance with state procurement guidelines.
 - 3) Ensure contracts include all required and necessary contract provisions, contractors/vendors are held accountable for delivery of quality services, and that SOAH pays a fair and reasonable price for the goods and services specified in the contracts.
 - e. Review procedures in place and test selected documentation for compliance with applicable statewide HUB compliance requirements.
 - f. Review submission records for purchasing and contracting reports submitted to external entities to ensure they are accurate, submitted by the report deadlines, and supported by appropriate documentation.
 - g. Other procedures that may be deemed necessary during audit fieldwork.

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Internal Audit Plan

3. Follow-Up of Prior Year Internal Audits and Preparation of the 2021 Annual Report
Perform follow-up procedures to determine the status of prior year comments that were not fully implemented as of fiscal year 2020, and prepare the 2021 Internal Audit 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 2021

| 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: > 176 | | | | | | | | | | | | | | | | | | | | | | | |
| 1 | Information Technology | 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 | Procurement/Contract Management/HUB | 3 | 30.00 | 2 | 33.00 | 1 | 16.00 | 2 | 30.00 | 1 | 12.50 | 2 | 24.00 | 2 | 16.00 | 3 | 30.00 | 191.50 | | | | | |
| Moderate Risk: 158 - 176 | | | | | | | | | | | | | | | | | | | | | | | |
| 3 | Docketing (excludes ALR Hearings) | 2 | 20.00 | 1 | 16.50 | 2 | 32.00 | 2 | 30.00 | 2 | 25.00 | 2 | 24.00 | 2 | 16.00 | 1 | 10.00 | 173.50 | | | | | |
| 4 | ALR Docketing & Hearings Support | 3 | 30.00 | 2 | 33.00 | 1 | 16.00 | 2 | 30.00 | 1 | 12.50 | 2 | 24.00 | 1 | 8.00 | 1 | 10.00 | 163.50 | | | | | |
| 5 | Hearings Support (excludes ALR Hearings) | 2 | 20.00 | 2 | 33.00 | 2 | 32.00 | 1 | 15.00 | 1 | 12.50 | 2 | 24.00 | 2 | 16.00 | 1 | 10.00 | 162.50 | | | | | |
| Low Risk: < 158 | | | | | | | | | | | | | | | | | | | | | | | |
| 6 | Accounting (Cash Receipts/Disbursements/Travel) & Budgeting | 3 | 30.00 | 2 | 33.00 | 1 | 16.00 | 1 | 15.00 | 1 | 12.50 | 2 | 24.00 | 2 | 16.00 | 1 | 10.00 | 156.50 | | | | | |
| 7 | Fixed Assets | 2 | 20.00 | 2 | 33.00 | 1 | 16.00 | 1 | 15.00 | 1 | 12.50 | 1 | 12.00 | 2 | 16.00 | 3 | 30.00 | 154.50 | | | | | |
| 8 | Human Resources & Payroll | 3 | 30.00 | 1 | 16.50 | 1 | 16.00 | 1 | 15.00 | 1 | 12.50 | 2 | 24.00 | 2 | 16.00 | 2 | 20.00 | 150.00 | | | | | |
| 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 | Records Management | 1 | 10.00 | 1 | 16.50 | 2 | 32.00 | 1 | 15.00 | 1 | 12.50 | 1 | 12.00 | 2 | 16.00 | 2 | 20.00 | 134.00 | | | | | |
| 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 2021

| | POTENTIAL AUDIT TOPIC | Audit History | | | | | | | | | |
|----|---|---------------|------|------|------|------|------|------|------|------|------|
| | | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| 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 Technology | | C* | B | | D* | A | D/D* | | D | |
| 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 | | | | | | | | | | A |

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** Assessment performed by the Department of Information Resources (DIR) or a third-party vendor procured through DIR
- E** Post-payment Audit performed by the Comptroller of Public Accounts
- F** Audit performed by Sunset Advisory Commission
- G** Review performed by the Texas Workforce Commission