

STATE OFFICE OF ADMINISTRATIVE HEARINGS
Austin, Texas

ANNUAL INTERNAL AUDIT REPORT

Fiscal Year 2022



STATE OFFICE OF ADMINISTRATIVE HEARINGS
Austin, Texas

Annual Internal Audit Report
Fiscal Year 2022

TABLE OF CONTENTS

	<u>Page</u>
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 2022	5-7
V. Executive Summary	
Interagency Contract Billing & Invoicing Area (Ltd Scope)	
Background	7-8
Audit Objective, Scope, and Methodology	9-10
VI. Observations/Findings and Recommendations	
Summary and Related Rating of Observations/Findings and Recommendations	11
Observation/Findings and Recommendations	12-15
VII. External Audit Services Procured in Fiscal Year 2022.....	16
VIII. Reporting Suspected Fraud and Abuse	16
IX. Proposed Internal Audit Plan for Fiscal Year 2023	16

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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

We performed procedures to determine the effectiveness and efficiency of the State Office of Administrative Hearings' (SOAH) internal control structure over the Interagency Contract Billing and Invoicing Area (the Area); and, its compliance with the state requirements established by the General Appropriations Act; applicable chapters of the Texas Government Code; and, SOAH's established policies and procedures, as applicable to the Area, for the 9 months ended May 31, 2022 (audit period). The procedures performed were limited only to the timekeeping, billing, and invoicing process for those agencies that have entered into a monthly Interagency Contract with SOAH during the 2022-2023 biennium.

The results of our procedures performed disclosed that SOAH's internal control structure over the Area were generally adequate and no material instances of noncompliance were noted; however, we did identify certain matters, 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," included in page 11 of this report.

We also performed a follow-up of the findings and recommendations that were not fully implemented in the prior year annual internal audit report, and this report reflects the results and implementation status of our follow-up procedures performed; 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 procedures performed, with various SOAH personnel; and, we will be pleased to discuss them with you in further detail.



July 7, 2022

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2022

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, as designated by the chief ALJ. SOAH's ALJs are 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 and/or orders. SOAH organizes these ALJs into the following 7 teams, by subject area:

- 1) ADR
- 2) ALR & Field Operations
- 3) Central Panel
- 4) Individuals with Disabilities Education Act (IDEA)
- 5) Master Panel
- 6) Tax
- 7) Utilities

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2022

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 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; 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.

2022 Internal Audit Plan

Following are the internal audit functions performed, as identified in SOAH's 2022 Internal Audit Plan, dated February 10, 2022 and approved by the Chief ALJ on February 10, 2022:

- Risk Assessment & Preparation of the 2022 Internal Audit Plan
- Fixed Assets Audit
- Interagency Contract Billing and Invoicing Audit (limited scope)
- Follow-up of Prior Year Internal Audits
- Preparation of the 2022 Internal Audit Annual Report
- Other Tasks

This report contains the results of our limited scope audit of the Interagency Contract Billing and Invoicing Area; reflects the results of the follow-up procedures performed in the current year of the findings that were presented in the prior year internal audit report; and, meets the State of Texas Internal Audit Annual Report requirements. The Fixed Assets report, dated June 13, 2022, was submitted to, and approved by, the Chief ALJ on July 7, 2022.

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2022

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 2022

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 2023 audit plan, as provided by Texas Government Code, Section 2102.008.
- A fiscal year 2022 internal audit annual report, as required by Texas Government Code, Section 2102.009.

The periodic and internal audit annual reports include any weaknesses, deficiencies, wrongdoings, or other concerns raised by internal audits, 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*, 2018 Revision, Technical Update April 2021, Sections 3.64-3.106.

III. External Quality Assurance Review

The internal audit department's most recent *Peer Review Report*, dated December 15, 2021, 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 2022

The approved Internal Audit Plan (Plan) included two audits to be performed during fiscal year 2022. The Plan also included a follow-up of the prior year internal audit recommendations that were not fully implemented as of fiscal year ended August 31, 2021; other tasks, as assigned by SOAH's Chief Administrative Law Judge; and, preparation of the Internal Audit Annual Report for fiscal year 2022.

Risk Assessment

Utilizing information obtained through the completed questionnaires and background information reviewed, 11 areas were identified as potential audit topics. A risk analysis utilizing 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 2022

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

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

In the prior 3 years, the following internal audits and other functions were performed:

Fiscal Year 2021:

- Risk Assessment & Preparation of the Internal Audit Plan
- Procurement/Contract Management/HUB Audit
- Follow-up of the Prior Year Internal Audits
- Preparation of the Internal Audit Annual Report

Fiscal Year 2020:

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

The internal audits and other tasks performed for fiscal year 2022 were as follows:

<u>Report No.</u>	<u>Audits/Report Titles</u>	<u>Report Date</u>
1.	Fixed Assets Audit <i>Objective:</i> To assess the effectiveness and efficiency of the internal control structure over the Fixed Assets area, and its established policies and procedures, for the purpose of determining compliance with applicable laws and regulations provided in the Texas Government Code and Texas Administrative Code.	6/13/2022
2.	Interagency Contract Billing and Invoicing Audit (limited scope) <i>Objective:</i> To assess the effectiveness and efficiency of the internal controls, policies, procedures, and processes in place for the Interagency Contract Billing and Invoicing Area; and, to determine compliance with applicable state requirements, for those agencies that have entered into a monthly Interagency Contract with SOAH during the 2022-2023 biennium.	7/7/2022

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2022

- 2. Annual Internal Audit Report – Follow-Up of findings and recommendations that were presented in the Prior Year Internal Audit Report. 7/7/2022
- Other Tasks Assigned by SOAH’s Chief Administrative Law Judge None

V. Executive Summary

Interagency Contract Billing & Invoicing (Limited Scope)

Background

The Interagency Contract Billing and Invoicing Area (the Area) of the State Office of Administrative Hearings (SOAH) is under the supervision of the Chief Financial Officer (CFO). The Area is responsible for billing and invoicing state agencies for contested case hearings and alternative dispute resolution proceedings conducted by SOAH on their behalf.

Under the General Appropriations Act (GAA), SOAH receives General Revenue (GR) funds, appropriated each year of the biennium, for billable casework hours, as determined by SOAH and approved by the Legislature, related to administrative hearings performed by SOAH on behalf of state agencies that are not appropriated funds to pay SOAH for such costs. For the 2022-2023 biennium, SOAH has been appropriated General Revenue funds to cover its administrative hearings costs for 30 state agencies.

In accordance with the Texas Government Code (TGC) §2003.024(a), SOAH enters into an Interagency Contract (IAC) with those state agencies for which it performs administrative hearings, but for which SOAH does not receive GR funds to perform such services. However, the TGC allows SOAH to enter into an annual or quarterly IAC only with those state agencies that have referred matters to it during any of the 3 most recent state fiscal years preceding the state fiscal biennium, and for which complete information about the agency’s hourly usage is available. An annual IAC requires the referring agency to pay SOAH a lump-sum amount at the start of each fiscal year of the biennium; while, a quarterly IAC requires them to pay a fixed amount at the start of each fiscal quarter of the biennium, for all services SOAH is to provide the agency during the fiscal year. The lump-sum and fixed amounts are based on the agency’s anticipated hourly usage, which is estimated by SOAH using the actual hours from the 3 previous fiscal years and multiplied by SOAH’s current established hourly rate of \$150. SOAH enters into a monthly IAC with all other referring agencies, where SOAH is paid monthly, at the hourly rate of \$150, for actual hours incurred by SOAH for the services provided on the referring agency’s behalf.

For the 2022-2023 biennium, SOAH has entered into the following types of IACs with 19 state agencies:

IAC Type	Annual	Quarterly	Monthly	Total
Number of State Agencies	12	3	5	20

This audit was limited to the timekeeping, billing, and invoicing process for agencies with monthly IACs.

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2022

Monthly IACs

The TGC authorizes SOAH to bill state agencies an hourly rate for the hours incurred by a SOAH Administrative Law Judge (ALJ) while providing services on their behalf (i.e., administrative hearings; ADR procedures). SOAH developed an in-house electronic billing timekeeping system that ALJs use to report their time by docket, and is the basis for generating monthly invoices that are sent to state agencies. ALJs are encouraged to enter their time daily in the billing timekeeping system, in quarter hour increments; however, the requirement is to enter their time weekly by Tuesday of the following week. An accountant reviews the time reported in the billing timekeeping system to ensure submittal by all ALJs.

SOAH is unable to use CAPPs for IAC billing and invoicing since it does not track time by docket. Therefore, at the end of the month, the accountant generates the *Employee Time and Leave Total by Week Period* summary report from the billing timekeeping system, and a report from the CAPPs timekeeping system; and, performs a reconciliation of the two reports to ensure the reported time is complete and accurate. The accountant will contact the ALJs, either by phone or email, if there are any variances that require explanation and/or adjustment. If adjustments are necessary, the ALJ is provided a deadline to make corrections before the accountant finalizes the reporting month, which locks the month in the billing timekeeping system and restricts the ALJs from altering their time. If any changes are required to be made after the month has been locked, requests are sent to the accountant, who has authorization to edit time entered into the billing timekeeping system.

After all time is finalized, the accountant processes the IAC invoices by obtaining the monthly billing timekeeping system database query, and filtering such data in various formats needed. An invoice report is then generated from the billing timekeeping system, by agency, which lists the total invoice amount by docket for the respective month. This report also lists the number of hours, by day, by docket, and multiplied by \$150, which is SOAH's current established hourly rate, as authorized by the GAA for the 2022-2023 biennium. The invoice report is used by the accountant to generate invoices (finance form 4525), which are submitted to the Finance Team Lead or the CFO for review and approval. Upon approval, the invoices are emailed to the various agencies.

Accounts receivable (AR) balances are currently tracked in an Excel spreadsheet, by IAC, and not CAPPs. Thus, once an invoice has been generated, the AR spreadsheet is updated with the invoice information.

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2022

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 Interagency Contract Billing and Invoicing Area; and, to determine compliance with applicable state requirements, for those agencies that have entered into a monthly Interagency Contract (IAC) with SOAH during the 2022-2023 biennium.

Scope

The scope of this audit was limited to the review of invoices for monthly IACs during the 9-month period from September 1, 2021 through May 31, 2022 (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:

- a. Texas Government Code, Title 10, Subtitle A. *Administrative Procedure and Practice*.
- b. General Appropriations Act for the 2022-23 Biennium, Article VIII.
- c. SOAH's Revenue Procedure.
- d. Invoice Template (Fin Form 4525).
- e. List of employees and their positions responsible for the Area, and their respective roles and responsibilities related to the Area.
- f. List of user access rights listing users that have edit and/or delete rights for the billing timekeeping system.
- g. List of individuals who can bill their time.
- h. List of interagency contract bills and invoices issued during the audit period.
- i. Invoices, invoice reports, IACs and monthly time reports for selected invoices.

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2022

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

1. Reviewed and obtained an understanding of sections of the Texas Government Code and the General Appropriations Act, applicable to the Area.
2. Obtained and reviewed SOAH's written policies and procedures; and, conducted interviews to obtain an understanding of controls, processes and current practices in place over the Area.
3. Assessed the adequacy of access rights assigned to users of the billing timekeeping system.
4. Selected 5 monthly invoices issued during the audit period to test for the following attributes:
 - a. SOAH does not have General Revenue funds appropriated for the invoiced agency.
 - b. Finance Form 4525 invoice template was used.
 - c. AR spreadsheet was properly updated and agrees to invoice.
 - d. IAC was signed by the Chief ALJ and the referring agency, and indicates that the agency will be billed based on actual hours.
 - e. Invoice was properly calculated.
 - f. Invoice agrees to Invoice Report.
 - g. Invoice is approved by Finance Team Lead or CFO.
 - h. Time report generated from the billing timekeeping system agreed to the Invoice Report.
 - i. Hours billed are only for ALJs' hours.

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2022

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	Billing Timekeeping System Policies and Procedures	Low
2	Interagency Contracts	Moderate
Observation No.		
1	Revenue Policies & Procedures	-
2	Invoice Approvals	-
<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 2022

OBSERVATIONS/FINDINGS and RECOMMENDATIONS

Report No.	Report Date	Name of Report	Observations/ Findings and Recommendations	Fiscal Impact/ Other Impact
2	7/7/2022	IAC Billing & Invoicing	<p>1. Billing Timekeeping Policies & Procedures</p> <p>Formal policies and procedures have not been developed for SOAH’s billing timekeeping system used for the interagency contract billing and invoicing process.</p> <p>Recommendation We recommend that SOAH develop formal policies and procedures for the billing timekeeping system that reflects SOAH’s current practices in place to ensure uniformity throughout the Area and to have documented processes in place for training purposes.</p> <p>Management’s Response The agency agrees and will ensure our policies and procedures are in place for the Billing Timekeeping System.</p>	To ensure policies and procedures are properly documented.
			<p>2. Interagency Contracts (IAC)</p> <p>The IAC between SOAH and the Texas Behavioral Health Executive Council (BHEC) states that SOAH shall bill BHEC quarterly, instead of monthly, for actual services rendered.</p> <p>Recommendation We recommend SOAH determine if BHEC should be billed monthly or quarterly and then amend the IAC or revise its current practice, as considered necessary.</p> <p>Management’s Response The agency agrees and will ensure any changes in our interagency contracts are reflected in an amendment.</p>	To ensure SOAH complies with all IACs.
			<p>OBSERVATIONS</p>	
			<p>1. Revenue Policies & Procedures</p> <p>SOAH’s <i>Revenue Procedure</i> states that “after the Prebill Bill process is completed” an invoice report can be pulled; however, this process is no longer completed.</p> <p>Recommendation We recommend that SOAH review their policies and procedures and ensure they are up-to-date and reflect SOAH’s current practices.</p> <p>Management’s Response The agency agrees and will ensure our policies and procedures are updated to ensure they reflect current requirements.</p>	To ensure SOAH’s policies & procedures agree to their current practices.
			<p>2. Invoice Approvals</p> <p>SOAH’s <i>Revenue Procedure</i> requires all invoices to be approved by the Finance Team Lead or the CFO, which is documented by email. We were unable to determine approval for 3 of the 5 invoices tested since SOAH’s record retention policies require emails not be retained longer than 90 days. Thus, there is no longer documentation of such approval.</p> <p>Recommendation We recommend that SOAH consider using an alternate method for such approvals to ensure they are retained in accordance with the record retention schedule of such invoices.</p> <p>Management’s Response The agency agrees and will ensure all approvals are saved in the corresponding monthly folder they apply.</p>	To document and retain invoice approvals to ensure compliance with SOAH’s policies & procedures.

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2022

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
2	7/7/2022	2022 Follow-Up	<p align="center"><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>Procurement/Contract Management/HUB (Report date 5/3/2021)</u></p> <p>1. Legislative Budget Board (LBB) Contract Reporting</p> <p>SOAH should implement a quality control procedure that will ensure all required approval signatures are obtained for purchase order change notices; and, that documentation is retained in procurement files to denote performance of required vendor compliance checks.</p> <p>2. Procurement File Checklists</p> <p>SOAH should implement controls that will ensure procurement file checklists are utilized for all procurement files to comply with established policies and procedures.</p> <p>3. Procurement Testing</p> <p>SOAH should implement a quality control procedure that will ensure all required approval signatures are obtained for purchase order change notices; and, that documentation is retained in procurement files to denote performance of required vendor compliance checks.</p> <p><i>Explanation for FY22 Status</i></p> <p>Our review of 3 purchase orders (POs) disclosed 1 instance where the PO and the purchase order change notice lacked the Purchaser’s signature as evidence of approval.</p> <p>4. Contract Management</p> <p>SOAH should enhance their contract management procedures to ensure all required documentation is maintained in the procurement file.</p> <p><i>Explanation for FY22 Status</i></p> <p>There were no new contracts that were competitively procured in the current year. Generally, SOAH uses the CPA and DIR contracts with few exceptions; therefore, we will clear this finding.</p> <p align="center">OBSERVATIONS</p> <p>1. Texas Purchasing from People with Disabilities (TPPD) Supporting Documentation</p> <p>SOAH retain all supporting documentation used for TPPD reporting to allow validation of the accuracy for the reported data.</p>	<p>Fully Implemented</p> <p>Fully Implemented</p> <p>Substantially Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p>

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2022

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
2	7/7/2022	2022 Follow-Up	<p>2. Contract Monitoring Policies & Procedures</p> <p>SOAH update their Contract Management Guide to align with requirements of the Guide.</p> <p><u>Records Management (Report date 3/31/2020)</u></p> <p>1. Case Records Management</p> <p>SOAH supervisors and/or RMO should remind ALJs the importance in timely processing of the Exhibit List and Certification (the Certification); and, to provide the exhibits and the Certification to the Chief Clerk within 3 business days of the hearing to ensure compliance with TAC §155.423 (f)(2).</p> <p>2. Archival Records</p> <p>SOAH should establish procedures to ensure compliance with the final disposition requirement of TAC §6.8(b)(1), which requires that upon final disposition of state records, an agency ensure that archival state records scheduled to be preserved by TSLAC are transferred to TSLAC.</p> <p><i>Explanation for FY22 Status</i></p> <p>SOAH is in the process of updating policies and procedures. The Records Management Policy draft has been updated but is not finalized or approved.</p>	<p>Fully Implemented</p> <p>Fully Implemented</p> <p>Substantially Implemented</p>

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2022

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
2	7/7/2022	2022 Follow-Up	<p><u>Docketing (Report date 5/1/2018)</u></p> <p style="text-align: center;">OBSERVATIONS</p> <p>1. 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><i>Explanation for FY22 Status</i></p> <p>SOAH’s new Case Management System (eCourt) went live on June 1, 2022; and, SOAH is still in the process of updating procedures and guides to align to the new system.</p> <p><u>Hearings Support (Report date 6/30/2017)</u></p> <p style="text-align: center;">OBSERVATIONS</p> <p>1. Policies and 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><i>Explanation for FY22 Status</i></p> <p>SOAH’s new Case Management System (eCourt) went live on June 1, 2022; and, SOAH is still in the process of updating procedures and guides to align to the new system</p> <p><u>Information Resources (Report date 7/1/2016)</u></p> <p>2. 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><i>Explanation for FY22 Status</i></p> <p>The review and documentation of SOAH’s current control activities and best practices performed by the IT staff is ongoing. The IT Division has implemented a new IT Service Desk system where controls and best practices have been documented using various workflows; however, due to numerous changes in IT staff and active systems, SOAH is still working to formalize these procedures.</p>	<p>Incomplete/Ongoing</p> <p>Incomplete/Ongoing</p> <p>Incomplete/Ongoing</p>

STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2022

VII. External Audit Services Procured in Fiscal Year 2022

SOAH procured the internal audit services documented in the approved Internal Audit Plan for fiscal year 2022. 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 2023

The risk assessment performed during the 2022 fiscal year was used to identify the following *proposed* area that is recommended for internal audit and other tasks to be performed for fiscal year 2023. The Internal Audit Plan for fiscal year 2023 will be developed and presented to the Chief Administrative Law Judge, for acceptance and approval, at a later date.

- Information Technology
- Follow-up of Prior Year Internal Audits
- Other Tasks Assigned by the Chief Administrative Law Judge