

**STATE OFFICE OF ADMINISTRATIVE HEARINGS**  
Austin, Texas

**INTERNAL AUDIT PLAN**

For Fiscal Year 2023



**STATE OFFICE OF ADMINISTRATIVE HEARINGS**  
Austin, Texas

Internal Audit Plan  
For Fiscal Year 2023

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# Garza/Gonzalez & Associates

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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 2023. This Plan determines the scope of internal audit activities and is the source for assignment and prioritization of internal audit responsibilities for fiscal year 2023. Specific planning for audit procedures is a naturally ongoing process; thus, the Plan is reviewed annually and may be revised by you, as necessary.

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



January 23, 2023

# STATE OFFICE OF ADMINISTRATIVE HEARINGS

Austin, Texas

## Internal Audit Plan For Fiscal Year 2023

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### I. Methodology

SOAH's fiscal year 2023 Internal Audit Plan (Plan) was prepared using a risk assessment process, where we reviewed various documents and questionnaires completed by SOAH management, as documented below.

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

- 1) Organizational Charts
- 2) Financial and Non-Financial Reports
- 3) Policies and Procedures
- 4) Applicable Laws and Rules
- 5) Audit and/or Review Reports from Third-Party Agencies
- 6) Prior Internal Audit Reports
- 7) SOAH Strategic Plan 2023-2027 and the Interim Operating and Transition Plan

Questionnaires were developed for completion by the Chief Administrative Law Judge and the CFO to update our understanding of each division, and its role within the overall scheme of SOAH. The questionnaires included topics; such as, changes in significant systems or key personnel, time elapsed since last audit or review, status from past audits or reviews, 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:

<b>Risk Factor</b>	<b>Description</b>
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 auditable unit is responsible; or, <i>non-financial</i> materiality based on the degree of its responsibility related to SOAH'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 Prior Audit or Review	Measure of the results and status of the prior audits or reviews.
4. Personnel	Measure of personnel changes and the adequacy of the auditable unit's staffing level as it relates to the achievement of its objectives.
5. Policies & Procedures and Processes	Measure of established internal controls (policies and procedures documenting the auditable unit's activities) and changes in processes and systems.
6. Compliance Requirements	Measure of the complexity of contracts, laws, and/or regulations for which the auditable unit is responsible for ensuring compliance.
7. Fraud, Waste, or Abuse	Measure of the auditable unit's risks and controls in place as it relates to fraud, waste, or abuse.
8. Management Feedback	Measure of feedback expressed in completed questionnaires.

# STATE OFFICE OF ADMINISTRATIVE HEARINGS

## Internal Audit Plan

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### Risk Assessment

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

<b>HIGH RISK</b>	<b>MODERATE RISK</b>	<b>LOW RISK</b>
Information Technology	Human Resources & Payroll Hearings Support – Field Offices Docketing Hearings Support – Austin Office Accounting (Cash Receipts/ Disbursements/ Travel) & Budgeting	Interagency Contract Billing and Invoicing Procurement/Contract Management/HUB Asset Management 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 2013 through 2022 for the above 11 potential audit topics. In the prior 3 years, the internal auditor performed the following *internal audit functions*:

#### Fiscal Year 2022:

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

#### 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

# STATE OFFICE OF ADMINISTRATIVE HEARINGS

## Internal Audit Plan

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### II. Audit Scope

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

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

# STATE OFFICE OF ADMINISTRATIVE HEARINGS

## Internal Audit Plan

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### III. Internal Audit Plan

In addition to performing the 2023 risk assessment for preparation of this Internal Audit Plan (Plan), this Plan also includes two audits 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 2023 Internal Audit Annual Report.

The area recommended for internal audit and other functions to be performed for fiscal year 2023 are as follows:

1. Completion of the Fiscal Year 2023 Risk Assessment and Preparation of this Internal Audit Plan
2. Information Technology (IT) – Account Management Audit  
An audit of this area will be performed to assess the effectiveness and efficiency of the internal controls, policies, procedures, and processes in place over the account management for SOAH’s selected IT systems and applications.
3. Human Resources (HR) and Payroll Audit (limited scope)  
A limited-scope audit of this area will be performed in conjunction with the IT-Account Management audit, to assess the HR area’s internal controls, policies, procedures, and processes in place, as related to account management when onboarding and offboarding an employee.
4. Follow-Up of Prior Year Internal Audits  
Follow-up procedures will be performed to determine the status of prior year comments that were not fully implemented as of fiscal year ended August 31, 2022, which will result in a determination that the recommendation is (1) Fully Implemented; (2) Substantially Implemented; (3) Incomplete/Ongoing; or, (4) Not Implemented.
5. Preparation of the 2023 Internal Audit Annual Report  
The 2023 Internal Audit Annual Report will be prepared in the form prescribed by the State Auditor’s Office; and, that meets the Texas Internal Auditing Act requirements.
6. 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 2023

RISK FACTOR WEIGHT							
10.00%	17.00%	13.00%	12.00%	16.00%	12.00%	9.00%	11.00%
Risk Factors							
1	2	3	4	5	6	7	8

Potential Audit Topic	Materiality	Time Since Last Audit or Review	Results of Prior Audit or Review	Personnel	Policies Procedures and Processes	Compliance Requirements	Fraud Waste or Abuse	Management Feedback	Total								
<b>High Risk: &gt; 188</b>																	
1 Information Technology	2	20.00	2	34.00	2	26.00	2	24.00	2	32.00	3	36.00	2	18.00	3	33.00	223.00
<b>Moderate Risk: 153 - 188</b>																	
2 Human Resources & Payroll	3	30.00	2	34.00	1	13.00	2	24.00	1	16.00	2	24.00	2	18.00	1	11.00	170.00
3 Hearings Support - Field Offices	2	20.00	3	51.00	1	13.00	1	12.00	2	32.00	1	12.00	2	18.00	1	11.00	169.00
4 Docketing	2	20.00	2	34.00	1	13.00	1	12.00	2	32.00	2	24.00	2	18.00	1	11.00	164.00
5 Hearings Support - Austin Office	2	20.00	2	34.00	1	13.00	1	12.00	2	32.00	2	24.00	2	18.00	1	11.00	164.00
6 Accounting (Cash Receipts/Disbursements/Travel) & Budgeting	3	30.00	2	34.00	1	13.00	1	12.00	1	16.00	2	24.00	2	18.00	1	11.00	158.00
<b>Low Risk: &lt; 153</b>																	
7 Interagency Contract Billing and Invoicing	3	30.00	2	34.00	2	26.00	1	12.00	1	16.00	1	12.00	1	9.00	1	11.00	150.00
8 Procurement/Contract Management/HUB	3	30.00	1	17.00	1	13.00	1	12.00	1	16.00	2	24.00	2	18.00	1	11.00	141.00
9 Asset Management	1	10.00	1	17.00	2	26.00	1	12.00	1	16.00	1	12.00	2	18.00	1	11.00	122.00
10 Records Management	2	20.00	1	17.00	1	13.00	1	12.00	1	16.00	1	12.00	2	18.00	1	11.00	119.00
11 Performance Measures	1	10.00	1	17.00	1	13.00	1	12.00	1	16.00	1	12.00	1	9.00	2	22.00	111.00

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

**STATE OFFICE OF ADMINISTRATIVE HEARINGS**  
**History of Areas Audited**  
**For Fiscal Year 2023**

	<b>POTENTIAL AUDIT TOPIC</b>	<b>Audit History</b>									
		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1	Accounting (Cash Receipts/Disbursements/Travel) & Budgeting		B	F*	E*			E*			
2	Asset Management							E*			A
3	Docketing						A				
4	Hearings Support - Austin Office					A					
5	Hearings Support - Field Offices										
6	Human Resources & Payroll		B*	F	E*		G*	A/E*			
7	Information Technology	B		D*	A	D/D*		D			
8	Interagency Contract Billing and Invoicing			A/F							A*
9	Performance Measures		B								C
10	Procurement/Contract Management/HUB				E*			E*		A	
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 Auditor's 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 the Sunset Advisory Commission.
- G** Review performed by the Texas Workforce Commission.