

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

**ANNUAL INTERNAL AUDIT REPORT**

Fiscal Year 2023



STATE OFFICE OF ADMINISTRATIVE HEARINGS  
Austin, Texas

Annual Internal Audit Report  
Fiscal Year 2023

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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

This report includes the results of the two audits performed for the State Office of Administrative Hearings' (SOAH) for the nine months ended May 31, 2023, as detailed below.

1. Information Technology (IT) – Account Management Audit

We performed procedures to determine the effectiveness and efficiency of SOAH's internal control structure over the IT – Account Management Area (the Area); and, its compliance with applicable Texas Government Code chapters, the Texas Administrative Code rules; and, SOAH's established policies and procedures.

2. Human Resources (HR) Audit (limited scope)

We performed procedures in conjunction with the IT-Account Management audit, to assess the effectiveness and efficiency of the HR area's internal controls, policies, procedures, and processes in place, as related to account management during employee onboarding and offboarding in the Centralized Accounting and Payroll/Personnel System (CAPPS).

The results of our procedures performed, for the 2 audits, disclosed that SOAH's internal control structure over the areas were adequate and no instances of noncompliance were noted.

We also performed a follow-up of the findings and recommendations that were not fully implemented in the prior year annual internal audit report. This report, which 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, 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.

We have discussed the results of the two audits, and the implementation status from the follow-up procedures performed, with various SOAH personnel; and, will be pleased to discuss them with you in further detail.



June 30, 2023

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### INTRODUCTION

The State Office of Administrative Hearings (SOAH) was established in 1991 by the 72<sup>nd</sup> 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 (General) 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.

General Hearings are held virtually and in-person 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 virtually and in-person at 31 additional remote hearing locations which are typically local government offices.

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### 2023 Internal Audit Plan

Following are the internal audits and other functions performed, as identified in SOAH's 2023 Internal Audit Plan, dated January 23, 2023, and approved by the Chief ALJ on January 24, 2023:

- Risk Assessment & Preparation of the 2023 Internal Audit Plan
- Audit of the Information Technology (IT) – Account Management Area
- Audit of the Human Resources (HR) Area – Account Management (limited scope)
- Follow-up of Prior Year Internal Audits
- Preparation of the 2023 Internal Audit Annual Report
- Other Tasks

This report contains the results of the IT – Account Management and the HR – Account Management Audits; 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 annual report; and, meets the State of Texas Internal Audit Annual Report requirements.

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

To comply with the provisions of Texas Government Code, Section 2102.015, and the State Auditor's Office 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 2024 audit plan, as provided by Texas Government Code, Section 2102.008.
- A fiscal year 2023 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, the summary of the action taken by SOAH to address such concerns, and other functions performed by the internal auditor.

## **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 2023**

The approved Internal Audit Plan (Plan) included two audits to be performed during fiscal year 2023. 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, 2022; other tasks, as assigned by SOAH's Chief Administrative Law Judge; and, preparation of the Internal Audit Annual Report for fiscal year 2023.

### **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.

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

HIGH RISK	MODERATE RISK	LOW RISK
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

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

Fiscal Year 2022:

- Risk Assessment & Preparation of the Internal Audit Plan
- Asset 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

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The internal audits and other tasks performed for fiscal year 2023 were as follows:

<b>Report No.</b>	<b>Audits/Report Titles</b>	<b>Report Date</b>
1.	IT – Account Management Audit <i>Objective:</i> To evaluate the design and operating effectiveness of the internal controls, policies, procedures, and processes in place, over the account management for SOAH’s selected IT systems and applications.	6/30/2023
2.	HR – Account Management Audit (limited scope) <i>Objective:</i> To assess the effectiveness and efficiency of the HR area’s internal controls, policies, procedures, and processes in place, as related to account management during employee onboarding and offboarding in CAPPS.	6/30/2023
3.	Annual Internal Audit Report – Follow-Up of findings and recommendations that were presented in the Prior Year Annual Internal Audit Report.  <i>Includes all reported audit results for fiscal year 2023.</i>	6/30/2023
-	Other Tasks Assigned by SOAH’s Chief Administrative Law Judge	None



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### V. Executive Summary

#### IT – Account Management

##### **Background**

Texas Government Code (TGC) Chapter 2054, Information Resources (the Information Resources Management Act) and the Texas Administrative Code (TAC) Chapter 202, Information Security Standards, determine state agencies' responsibilities relating to information resources and information security. The Security Control Standards Catalog (Catalog) was prepared by the Texas Department of Information Resources (DIR) to identify the minimum baseline controls for Texas state agencies, in accordance with TAC §202.26. Each control in the Catalog must be implemented by January 20, 2023 if no substantial changes from the prior Catalog; or, July 20, 2023 for a new control or for a control that has been substantially changed from the prior Catalog.

##### Organization

The Chief Information Officer (CIO) supervises the activities of the IT - Account Management Area (Area), which includes a database administrator and a team of systems administrators, led by an IT Support Lead. Each IT staff member has specific administrator roles assigned to certain systems and applications, to maintain a separation of duties. Thus, none of the IT staff, including the CIO, possess administrator privileges for all systems and applications utilized by SOAH, which ensures a controlled and secure approach to managing SOAH's IT resources.

##### Account Management

The Area is responsible for administering and managing user access to SOAH's information resources, as well as third-party applications used by SOAH; such as, eFile Texas, which is an electronic filing system administered by the Office of Court Administration. The Area has implemented account management policies and procedures built on the principle of least privilege. This principle ensures that access to information resources is restricted only to authorized users and that users are granted the minimum privileges necessary to perform their specific tasks, reducing the potential risks associated with excessive access rights. SOAH has established a role-based approach for granting access to its information resources. Thus, users are assigned specific roles within the system or application, and these roles determine the level of access and permissions they are granted. Each user is given rights based on the tasks they are responsible for performing, as defined by their respective roles.

Furthermore, in accordance with TGC Sec. 2054.135, the Area has developed a data use agreement (DUA) that outlines the necessary steps for users of SOAH's information resources in safeguarding confidential information. The DUA is required to be updated and provided to users at least once every two years or earlier, if any updates occur before the biennial period. SOAH's DUA, along with each update, which was last biennially updated in November 2021, is distributed to SOAH employees for acknowledgment through their signature and then retained by Human Resources (HR).

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### eCourt

In June 2022, SOAH implemented eCourt, an internal, cloud-based case management system. This system enables SOAH employees, contractors, and law clerks (interns), except for HR and Purchasing staff, to access it with various roles according to their daily job responsibilities. The implementation of eCourt aligns with SOAH's strategic goal of modernizing administrative hearings processes, including the transition to an all-electronic filing and an efficient scheduling of hearings. The Area has established clear eCourt account policies, which define and document roles and their associated rights. Each user's role is determined based on their position within the organization, following these account policies.

### Access Change Management

SOAH has implemented the Service Desk ticketing system, which operates as a software-as-a-service (SaaS) ticketing platform, and serves to centralize and standardize account change processes. The platform enables proper documentation of user account change requests, including any necessary approvals. To ensure consistency, the Area has developed Service Desk "Solutions," which are internal desk manuals containing tasks performed by the Area, that are organized based on the category and subcategory of various service requests. For each ticket, an audit log is automatically generated. This log tracks and records all actions taken, whether automated or manual, that are relevant to the respective ticket.

The Area has developed Service Desk "forms", to be used by HR, for common changes; such as, new employee onboarding, role changes, terminations, and name changes, to semi-automate the HR change processes. When HR initiates a request using these forms, the Service Desk system automatically generates and assigns appropriate tasks to the relevant departments. Since administrator access to various information resources is segregated, IT-related tasks are assigned to multiple IT staff members based on their roles, as configured in the Service Desk system. Upon completion of the assigned task, the IT staff member marks the status of the Service Desk task as complete.

When an existing SOAH employee requires additional access, often due to newly assigned responsibilities, the employee or their supervisor initiates the process by creating a ticket in the Service Desk system. If the IT staff determines that the requested access involves a sensitive matter, based on their knowledge of the organization, nature of the data, and previous similar requests, the IT staff obtains email approval from the requestor's manager and attaches it to the ticket before proceeding with the access change. This procedure ensures that access modifications are evaluated and properly authorized before implementation.

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### AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY

#### Objective

The objective of the audit was to evaluate the design and operating effectiveness of the internal controls, policies & procedures, and processes in place over the account management for SOAH's selected IT systems and applications.

#### Scope

The scope of the audit was SOAH's activities related to Information Technology – Account Management Area (Area) performed during the 9-month period from September 1, 2022 to May 31, 2023 (audit period).

#### Methodology

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

We obtained and/or reviewed the following internal and external documentation:

- a. Security Control Standards Catalog Version 2.0 (January 20, 2022), Texas Department of Information Resources, as applicable to the Area.
- b. Organizational chart of the Information Technology and Security (IT&S) Department.
- c. Service Desk procedures ("solutions") applicable to the Area.
- d. Listing of current and former employees, contractors, and interns who had access to SOAH's information resources during the audit period.
- e. Listing of user account change request tickets created during the audit period.
- f. eCourt active users, Roles, and rights listing.

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

1. Reviewed and obtained an understanding of TAC rules, and controls in the Security Control Standards Catalog, as applicable to the Area.
2. Reviewed policies and procedures and other documents, and conducted remote interviews, to obtain an understanding of controls, processes, and current practices in place, as established by the Area. Then, evaluated whether such controls, processes, and current practices adequately ensure compliance with applicable requirements identified in Procedure 1 above, in ensuring information resources is restricted to authorized users.
3. Reviewed a listing of defined Roles and rights granted to each Role in eCourt to assess whether the account policies clearly define and document the roles and rights allowed in the system; and, such defined roles and rights are reasonable and in accordance with the principle of least privileges. Then, compared the current eCourt users to these account policies to verify that such policies are enforced.

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4. Compared a list of employees, contractors, and interns (collectively users) hired by and/or separated from SOAH during the period from September 1, 2022 to May 31, 2023, to Service Desk tickets created during the same period, to verify that IT was formally notified of all personnel changes through a Service Desk ticket.
5. Obtained a list of service tickets created during the period from September 1, 2022 to May 31, 2023 that were identified by the Area as user access change requests, and selected 14, consisting of 8 additions, 2 position changes, and 4 deletions, to test for the following attributes, as applicable:
  - a. Service Desk ticket contained adequate documentation about the change made to the user account.
  - b. Request relating to personnel changes; such as, hiring, position change, and termination, was initiated by HR, using the applicable form ticket.
  - c. For additional or new employee access, the granted access is consistent with the user's business needs.
  - d. For access deletion, the Service Desk ticket indicates all accounts associated with the user were deleted or deactivated.

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### VI. Executive Summary

#### Human Resources Accounts Management Area (Area)

##### **Background**

The Human Resources (HR) Department at SOAH is responsible for managing employee onboarding and offboarding procedures. The HR Department operates under the supervision of the Chief Financial Officer (CFO) and is comprised of an HR Manager, HR Specialist, and a Staff Service Officer. The audit of this Area was limited, and specifically focused on the review of the account management processes during employee onboarding and offboarding in the Centralized Accounting and Payroll/Personnel System (CAPPS), the statewide Enterprise Resource Planning system developed by the Comptroller's Office.

When a person is hired at SOAH, the Texas Department of Information Resources (DIR) will send (by email) the new employee instructions on how to enroll in the Texas Digital Identity Solutions (TDIS). TDIS provides a streamlined identity proofing and verification process, along with risk-based multi-factor authentication (MFA) and single-sign on (SSO) access for Texas Government employees. This enables Texas Government employees to access authorized agency systems securely using a global unique identifier. After registering with TDIS, employees gain 'self-service' access to CAPPS. Within CAPPS, employees can complete essential information; such as, the W-4 form, direct deposit details, and contact information. Employees also have the capability to submit their time and leave records through the 'self-service' access. However, this level of access does not grant employees permission to use the Finance or Human Resources modules in CAPPS.

If an employee's role at SOAH requires advanced access to CAPPS beyond the 'self-service' level, the HR Manager will initiate the process by submitting a help desk ticket to the IT Department. In the ticket, the HR Manager will specify which roles and profiles the employee needs, by using the preestablished roles defined by the Comptroller's Office. Since access to CAPPS is managed by the Comptroller's Office, the IT Department then submits a formal request through FMX (Facilities Management eXpress) to the Comptroller, who ultimately assigns the appropriate access level to the user. Additionally, the CFO periodically runs a report within CAPPS to review user access. This review ensures that all employees have been assigned the proper access according to their roles and responsibilities, maintaining a secure and efficient system of account management.

During the new hire orientation at SOAH, new employees are required to complete various forms and checklists. These include the Virtual Private Network (VPN) Agreement, the Data Use Agreement Form, and new hire checklists. Additionally, new employees are required to undergo Cybersecurity Awareness Training to ensure they are well-informed about SOAH's cybersecurity protocols and practices, which promotes a secure and compliant work environment.

When there are changes needed to an employee's name or a change in their position at SOAH, the HR Manager will initiate the process by using a Service Desk "form" developed by IT. This form is designed to facilitate and semi-automate the HR change processes. Upon receiving the request through the Service Desk system, appropriate tasks are automatically generated and assigned to the relevant departments, streamlining the change processes, and ensuring that the necessary actions are taken to update the employee's information accurately.

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When an employee is leaving SOAH, the HR Manager will initiate the process by submitting a help desk ticket to notify IT of the employee's termination date. When the employee's termination date is entered into CAPPS, the employee's CAPPS access is automatically transferred to a 'terminated' status, which grants the terminated employee limited access to CAPPS for a duration of 24 months from the termination date. With 'terminated' access, employees can access specific functions; such as, viewing their W-2 forms and checking their remaining leave and time balances. However, all advanced access, becomes inactive once the 'terminated' access status is activated by the Comptroller's Office.

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### **Audit Objective, Scope, and Methodology**

#### **Objective**

The objective of our audit was limited to, and specifically focused on, the assessment of the effectiveness and efficiency of the Human Resources area's internal controls, policies, procedures, and processes in place, as related to account management during employee onboarding and offboarding in CAPPS.

#### **Scope**

The scope of this audit was limited to the review of CAPPS account management during employee onboarding and offboarding, during the 9-month period from September 1, 2022 through May 31, 2023 (audit period).

#### **Methodology**

The audit methodology included a review of user roles defined by CAPPS, SOAH's established policies and procedures, and other internal and external documentation; and, remote interviews and correspondence with selected SOAH staff.

We obtained and/or reviewed the following information:

- a. SOAH's *Onboarding Procedure* and *Offboarding Procedure*.
- b. *HR Important Information Desk Aid*.
- c. *Important IT Information Desk Aid*.
- d. Security Roles report generated from CAPPS, listing the user rights assigned to each employee.
- e. HR / Payroll and Financial Security Roles defined by CAPPS.
- f. List of employees and their positions responsible for the Area, and their respective roles and responsibilities related to the Area.
- g. Organizational chart related to the Area.
- h. List of current employees.
- i. List of employees who were hired and separated from the agency during the audit period.
- j. List of New Hire Forms.
- k. List of New Hire Training.
- l. Completed new hire and termination forms for a sample of selected new hires and terminated employees.
- m. SOAH's Employee Handbook.
- n. *HR New Employee Orientation Forms Checklist* template.
- o. Examples of the *Virtual Private Network (VPN) Agreement* and *Data Use Agreement Form*.

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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; and, conducted interviews to obtain an understanding of controls, processes, and current practices in place over the Area.
2. Assessed the adequacy of advanced access rights assigned to 5 CAPPS users.
3. Selected 5 of the 8 employees hired during the audit period to test for the following attributes:
  - a. CAPPS access was reasonable based on the employee's job title.
  - b. Virtual Private Network (VPN) signed by the employee.
  - c. Data Use Agreement Form signed by the employee.
  - d. Completed New Employee CAPPS Checklist signed by the employee.
  - e. Certificate of Security Awareness Training.
  - f. Personnel Action Form (PAF) completed, and approved by the CFO and Chief ALJ.
  - g. Effective Hire Date on PAF agrees to CAPPS.
4. Ensured all 14 employees who separated from SOAH during the audit period had terminated access to CAPPS, as applicable.
5. Selected 5 of the 14 employees who separated from SOAH during the audit period to test for the following attributes:
  - a. Separation PAF completed, and approved by the HR Manager.
  - b. Completed Employee Separation Checklist Form, and approved by the HR Manager.
  - c. CAPPS Job Data Screen shows inactive HR status and terminated Payroll status.
  - d. Effective termination date on PAF agrees to CAPPS.



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## VII. 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
	None.	
Observation No.		
	None.	
<u>Description of Rating</u>		
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.		
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.		
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.		
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.		

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**OBSERVATIONS/FINDINGS and RECOMMENDATIONS**

<b>Report No.</b>	<b>Report Date</b>	<b>Name of Report</b>	<b>Observations/ Findings and Recommendations</b>	<b>Fiscal Impact/ Other Impact</b>
1	6/30/2023	IT – Account Management	None.	
2	6/30/2023	HR – Account Management	None.	

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Report No.	Report Date	Name of Report	Observations/ Findings and Recommendations	Status (Fully Implemented, Substantially Implemented, Incomplete/ Ongoing, or Not Implemented) with explanation if not yet fully implemented
3	6/30/2023	2023 Follow-Up	<p><b><u>Follow-Up of Prior Year Internal Audits</u></b></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>Assets Management (Report date 6/13/2022)</u></p> <ol style="list-style-type: none"> <li> <b>Asset Tags</b>   SOAH should ensure asset tags are attached to all capital and controlled assets to be compliant with TAC §5.200(h). </li> <li> <b>Asset Location and Assigned Custodian</b>   A review of information reported in CAPPS and SPA should be performed for agreement, and the location and custodian should be updated, as needed, to ensure compliance with TAC §5.200(h)(4)(B) and SOAH's <i>AM Procedure</i>. </li> <li> <b>Asset Disposal</b>   SOAH should ensure Asset Transfer Forms are completed and retained when assets are salvaged; and, ensure TFC authorization is obtained when required.   <i>Explanation for FY23 Status</i>   Asset Transfer Forms were not provided for 3 of the surplus controlled assets transferred to TDCJ. </li> <li> <b>CAPPS / SPA Reconciliation</b>   A reconciliation between the CAPPS and SPA reports should be performed on a periodic basis to ensure completeness and accuracy of the information report. Furthermore, errors in the CAPPS reporting function should be reported to the CPA to determine if there is a needed update.   OBSERVATIONS </li> <li> <b>Policies &amp; Procedures</b>   SOAH should consider a more effective reconciliation process and update their AM Procedures to agree to their current practices. </li> <li> <b>SPA User Access</b>   The Property Manager's SPA Designated Title Code should be corrected to ensure they have the proper access rights in SPA. </li> </ol>	<p><b>Fully Implemented</b></p> <p><b>Fully Implemented</b></p> <p><b>Substantially Implemented</b></p> <p><b>Fully Implemented</b></p> <p><b>Fully Implemented</b></p>

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Fiscal Year 2023

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
3	6/30/2023	2023 Follow-Up	<p><u>IAC Billing &amp; Invoicing (Report date 7/7/2022)</u></p> <p><b>1. Billing Timekeeping Policies &amp; Procedures</b></p> <p>SOAH should 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><b>2. Interagency Contracts (IAC)</b></p> <p>SOAH should determine if BHEC should be billed monthly or quarterly and then amend the IAC or revise its current practice, as considered necessary.</p> <p style="text-align: center;">OBSERVATIONS</p> <p><b>1. Revenue Policies &amp; Procedures</b></p> <p>SOAH should review their policies and procedures and ensure they are up-to-date and reflect SOAH's current practices.</p> <p><i>Explanation for FY23 Status</i></p> <p>SOAH remains in the process of updating the Revenue Procedures.</p> <p><b>2. Invoice Approvals</b></p> <p>SOAH should consider using an alternate method for obtaining the Finance Team Lead or CFO approval for invoices to ensure they are retained in accordance with the record retention schedule of such invoices.</p> <p><i>Explanation for FY23 Status</i></p> <p>Our review of 3 monthly invoices disclosed 2 instances where evidence of approval was not obtained.</p> <p><u>Procurement/Contract Management/HUB (Report date 5/3/2021)</u></p> <p><b>1. Procurement Testing</b></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><b>Fully Implemented</b></p> <p><b>Fully Implemented</b></p> <p><b>Incomplete / Ongoing</b></p> <p><b>Incomplete / Ongoing</b></p> <p><b>Fully Implemented</b></p>

# STATE OFFICE OF ADMINISTRATIVE HEARINGS

## Annual Internal Audit Report

Fiscal Year 2023

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
3	6/30/2023	2023 Follow-Up	<p><u>Records Management (Report date 3/31/2020)</u></p> <p><b>1. Archival Records</b></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><u>Docketing (Report date 5/1/2018)</u></p> <p>OBSERVATIONS</p> <p><b>1. Policies &amp; Procedures</b></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 FY23 Status</i></p> <p>SOAH remains in the process of updating procedures and guides. SOAH's goal for completion is January 2024.</p> <p><u>Hearings Support (Report date 6/30/2017)</u></p> <p>OBSERVATIONS</p> <p><b>1. Policies and Procedures</b></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 FY23 Status</i></p> <p>SOAH remains in the process of updating procedures and guides. SOAH's goal for completion is January 2024.</p> <p><u>Information Resources (Report date 7/1/2016)</u></p> <p><b>1. Documentation of Formal Procedures</b></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><b>Fully Implemented</b></p> <p><b>Substantially Implemented</b></p> <p><b>Substantially Implemented</b></p> <p><b>Fully Implemented</b></p>

## STATE OFFICE OF ADMINISTRATIVE HEARINGS

Annual Internal Audit Report

Fiscal Year 2023

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### **VIII. External Audit Services Procured in Fiscal Year 2023**

SOAH procured the internal audit services documented in the approved Internal Audit Plan for fiscal year 2023. No other external audit services were performed.

### **IX. Reporting Suspected Fraud and Abuse**

SOAH has provides 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.

### **X. Proposed Internal Audit Plan for Fiscal Year 2024**

The risk assessment performed during the 2023 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 2024. The Internal Audit Plan for fiscal year 2024 will be developed and presented to the Chief Administrative Law Judge, for acceptance and approval, at a later date.

- Hearings Support – Field Office
- Follow-up of Prior Year Internal Audits
- Other Tasks Assigned by the Chief Administrative Law Judge