

**STATE OFFICE OF ADMINISTRATIVE HEARINGS**

Austin, Texas

**INTERNAL AUDIT ANNUAL REPORT**

Fiscal Year 2025



STATE OFFICE OF ADMINISTRATIVE HEARINGS  
Austin, Texas

Internal Audit Annual Report  
Fiscal Year 2025

TABLE OF CONTENTS

	<u>Page</u>
Internal Auditor's Report.....	1
Introduction.....	2-3
I. Compliance with Posting Requirements .....	4
II. Consulting and Nonaudit Services Completed .....	4
III. External Quality Assurance Review .....	4
IV. Internal Audit Plan for Fiscal Year 2025 .....	4-6
V. Executive Summary	
Performance Measures (A Limited Scope Audit)	
Background .....	7-9
Audit Objective, Scope, and Methodology .....	10
VI. Observations/Findings and Recommendations	
Summary and Related Rating of Observations/Findings and Recommendations .....	11
Observation/Findings and Recommendations .....	12
VII. External Audit Services Procured in Fiscal Year 2025 .....	13
VIII. Reporting Suspected Fraud and Abuse .....	13
IX. Proposed Internal Audit Plan for Fiscal Year 2026 .....	13

# Garza/Gonzalez & Associates, LLC

CERTIFIED PUBLIC ACCOUNTANTS

---

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

We performed a limited-scope audit to evaluate the State Office of Administrative Hearings' (SOAH) methodology and internal control structure for the collection, calculation, and reporting of its key performance measures (the Area). Our review covered four key performance measures reported to the Legislative Budget Board (LBB) in the fiscal year 2024 annual report and four key performance measures reported to the LBB in the second quarter report of fiscal year 2025.

Our audit procedures determined that SOAH's internal control structure over the Area was adequate, with no instances of noncompliance identified. However, we noted one observation for management's consideration to further enhance the methodology for the collection, calculation, and reporting of its key performance measures. This observation is detailed in this report.

This report also includes all information required for compliance with the State of Texas Internal Audit Report requirements.

This report was prepared by Garza/Gonzalez & Associates, LLC, an independent Certified Public Accounting firm, following Generally Accepted Government 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 audit observation and recommendation with management and are available to provide additional clarification or details upon request.

*Garza/Gonzalez*  
*& Associates, LLC*

July 25, 2025

# STATE OFFICE OF ADMINISTRATIVE HEARINGS

Internal Audit Annual Report

Fiscal Year 2025

---

## 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.

Hearings are held virtually and in-person at SOAH's main office in Austin, and 7 regional located in Corpus Christi, Dallas, El Paso, Fort Worth, Houston, Lubbock, San Antonio, and 1 satellite office in Waco.

## STATE OFFICE OF ADMINISTRATIVE HEARINGS

### Internal Audit Annual Report

Fiscal Year 2025

---

#### 2025 Internal Audit Plan

Following are the internal audits and other functions performed, as identified in SOAH's *2025 Internal Audit Plan*, dated February 5, 2025 and approved by the Chief ALJ on February 5, 2025:

- Risk Assessment & Preparation of the 2025 Internal Audit Plan
- Human Resources and Payroll Audit
- Limited Scope Audit of Performance Measures
- Follow-up of Prior Year Internal Audits
- Preparation of the 2025 Internal Audit Annual Report
- Other Tasks

This report (Report No. 2) contains the results of the limited scope audit of Performance Measures, and complies with the State of Texas Internal Audit Annual Report requirements. Below are the reports that were issued for the internal audits and other functions that were included in SOAH's approved 2025 Internal Audit Plan:

Report No.	Report Title	Report Date
1	Human Resources and Payroll Audit	May 1, 2025
2	Limited Scope Audit of Performance Measures	July 25, 2025
2	2025 Internal Audit Annual Report	July 25, 2025
3	Follow-up of Prior Year Internal Audits	July 25, 2025

# STATE OFFICE OF ADMINISTRATIVE HEARINGS

## Internal Audit Annual Report

Fiscal Year 2025

---

### I. Compliance with Posting Requirements

To comply with the provisions of Texas Government Code, Section 2102.015 and the State Auditor's Office guidelines, within 30 days of acceptance by SOAH's Chief Administrative Law Judge, SOAH will post the following information on its website:

- An approved fiscal year 2026 audit plan, as provided by Texas Government Code, Section 2102.008.
- A fiscal year 2025 internal audit annual report, as required by Texas Government Code, Section 2102.009.

SOAH will also post periodic internal audit reports on its website, except where content is confidential or exempt from public disclosure under Texas Government Code Chapter 552. These reports, along with the internal audit annual report, include any identified weaknesses, deficiencies, wrongdoings, or other concerns raised by internal audits or other functions performed by the internal auditor, as well as the actions taken by SOAH to address them.

### 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 January 20, 2025, 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 2025

The approved Internal Audit Plan (Plan) included two audits to be performed during fiscal year 2025. The Plan also included a follow-up on prior year internal audit recommendations that were not fully implemented as of fiscal year 2024, other tasks as may have been assigned by SOAH's Chief Administrative Law Judge, and preparation of the 2025 Internal Audit Annual Report.

#### Risk Assessment

Utilizing information obtained through the completed questionnaires received and background information reviewed, 11 potential audit topics were identified. 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

### Internal Audit Annual Report

Fiscal Year 2025

---

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

HIGH RISK	MODERATE RISK	LOW RISK
Human Resources & Payroll	Hearings - Clerks  Hearings – Legal Secretaries  Accounting (Cash Receipts/Disbursements/Travel)  Information Technology  Hearings – ALJs  Procurement/Contract Management/HUB	Records Management  Interagency Contract Billing and Invoicing  Performance Measures  Asset Management

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

Fiscal Year 2024:

- Risk Assessment & Preparation of the Internal Audit Plan
- Hearings (ALJs, Clerks, and Legal Assistants) Audit (IDEA & PUC cases)
- Follow-up of the Prior Year Internal Audits
- Preparation of the Internal Audit Annual Report

Fiscal Year 2023:

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

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

## STATE OFFICE OF ADMINISTRATIVE HEARINGS

### Internal Audit Annual Report

Fiscal Year 2025

---

The internal audit and other tasks performed for fiscal year 2025 were as follows:

<b>Report No.</b>	<b>Audits/Report Titles</b>	<b>Report Date</b>
1.	Human Resources and Payroll Audit <i>Objective:</i> To assess the effectiveness and efficiency of internal controls, policies, procedures, and processes within the Human Resources and Payroll Area, and assess compliance with applicable state requirements.	5/1/2025
2.	Limited-scope audit of the Performance Measures <i>Objective:</i> To evaluate SOAH's methodology and controls in place over the collection, calculation, and reporting of its key performance measures.	7/25/2025
2.	Internal Audit Annual Report	7/25/2025
3.	Follow-Up of Prior Year Internal Audits Follow-up on findings and recommendations that were presented in the fiscal year 2024 internal audit report.	7/25/2025
-	Other Tasks Assigned by SOAH's Chief Administrative Law Judge	None



## STATE OFFICE OF ADMINISTRATIVE HEARINGS

Internal Audit Annual Report

Fiscal Year 2025

---

### V. Executive Summary

#### Performance Measures – (Limited-Scope Audit)

##### **Background**

##### Performance Measures in the State Budgeting Process

Performance measures are essential components of the State's budgeting process, which is a mission- and goal-driven, results-oriented system with three key components: strategic planning, performance budgeting, and performance monitoring. Performance measures are integrated into the State's external accountability and fiscal decision-making frameworks.

Performance measures are developed and revised as part of the strategic planning process. In addition to fulfilling external reporting requirements, successful agencies use performance information to manage operations more effectively and efficiently. Performance measures and their definitions for state agencies are approved by the Legislative Budget Board (LBB).

The LBB monitors agency appropriation requests throughout the legislative appropriations process and tracks agency performance over the biennial budget cycle using the Automated Budget and Evaluation System of Texas (ABEST). State agencies report actual performance data for key measures on a quarterly and annual basis through ABEST, which the LBB uses to evaluate and monitor agency performance.

There are four types of performance measures reported by state agencies:

- *Outcome Measures* – Quantifiable indicators of the public or customer benefits resulting from a state agency's actions. These measure how the public is positively impacted when the agency achieves its objectives.
- *Output Measures* – Quantifiable indicators of a state agency's workload or the volume of goods or services it produces in pursuit of its strategies.
- *Efficiency Measures* – Indicators of productivity, typically expressed as unit costs, time per unit, or other ratio-based metrics that show the cost or time associated with completing specific workloads.
- *Explanatory Measures* – Indicator of external factors, resources, or requests received that affect or explains a state agency's performance. These provide context for understanding outcomes and outputs.

Actual performance data for key outcome and explanatory measures is reported annually, while key output and efficiency measures are reported quarterly. Agencies are required to provide explanations in ABEST for variances of 5 percent or more from a performance target.

##### Performance Measures Reporting and Review Process

The State Office of Administrative Hearings (SOAH) currently reports the following performance measures:

- Quarterly - 5 key output measures and 4 efficiency measures.
- Annually - 3 key outcome measures, 4 key explanatory measures, 3 non-key output measures, and 2 non-key explanatory measures.

## STATE OFFICE OF ADMINISTRATIVE HEARINGS

### Internal Audit Annual Report

Fiscal Year 2025

---

SOAH's Program Specialist is responsible for collecting the required documentation and entering all performance information into ABEST. The majority of the information is generated from the eCourt system, with the Program Specialist running various reports using specific filters such as date ranges and case types.

Supporting documentation for two key measures is provided by the Finance Department. The Budget Analyst extracts data from SOAH's Timekeeping System, performs the required calculations, and submits the results to the CFO for review and approval. Once approved, the information is forwarded to the Program Specialist for entry into ABEST.

SOAH utilizes SurveyMonkey, an online platform for creating surveys, collecting responses, and analyzing results, to conduct customer satisfaction surveys for 2 key annual outcome measures. The IT Department compiles a list of participants who were involved in a hearing or Alternative Dispute Resolution (ADR) process that was resolved during the fiscal year. Each participant receives an email invitation with instructions to complete the survey within a designated response window. Once the response window closes, the survey is deactivated.

The Program Specialist then forwards the survey results to the Finance Department to calculate the required percentages for reporting.

After gathering all required information, the Program Specialist logs into ABEST and enters the data. The Chief Administrative Law Judge (ALJ) provides comments or explanations for any items with variances or requiring explanation. The Program Specialist enters the Chief ALJ's explanations and reruns the report.

The report is then sent to the Chief ALJ, Chief Financial Officer (CFO), and General Counsel for initial review. If changes are not identified, the same individuals conduct a final review and approval. As part of this process, the CFO verifies every figure against the supporting documentation to ensure accuracy.

SOAH uses a sign-off sheet to formally document the approval process for ABEST submissions. The sign-off sheet includes:

- The name of the individual who entered the information and the date of entry
- The names of each reviewer and their respective approval dates
- The final submission information once the report is submitted in ABEST

If a reviewer identifies a correction, the reviewer notifies the Program Specialist, who updates ABEST accordingly and records the correction date on the sign-off sheet. After receiving final approval from the Chief ALJ, the Program Specialist marks the report as "complete" and submits it in ABEST.

If an insignificant change is identified after the report has been marked "complete," the Program Specialist updates the year-to-date information in the following reporting period rather than reopening the current quarter.

At the conclusion of the fourth quarter, SOAH posts the final ABEST report and the Measure Definitions to its public website. These reports are retained for six years in accordance with SOAH's records retention policy.

## STATE OFFICE OF ADMINISTRATIVE HEARINGS

Internal Audit Annual Report

Fiscal Year 2025

---

### Reconciliations

Throughout the performance measure reporting period, the Program Specialist runs reconciliation reports to identify and resolve discrepancies prior to submission in ABEST. These reconciliations address issues such as missing data, or negative time values that could impact the accuracy of reported results. Reconciliations are performed at the midpoint of the reporting period and again shortly before the report is due. If discrepancies are identified, the Program Specialist works with the Chief Clerk to correct the data. Additionally, the Program Specialist performs a year-to-date reconciliation (true-up) to ensure consistency and accuracy across all reporting periods.

# STATE OFFICE OF ADMINISTRATIVE HEARINGS

Internal Audit Annual Report

Fiscal Year 2025

---

## AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY

### Objective

The objective of our audit was to evaluate SOAH's methodology and internal control structure over the collection, calculation, and reporting of its key performance measures reported to the Legislative Budget Board.

### Scope

This limited-scope audit focused on selected key performance measures reported in SOAH's 4<sup>th</sup> quarter annual ABEST report for fiscal year 2024, and selected key performance measures reported in the 2<sup>nd</sup> quarter ABEST report for fiscal year 2025.

### Methodology

The audit methodology included a review of SOAH's established policies and procedures, other internal and external documentation, and resource guides issued by the state. Additionally, remote interviews and correspondence were conducted with selected SOAH employees.

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

1. Reviewed and obtained an understanding of state-issued resource guides related to performance measures management, specifically the *Guide to Performance Measures Management* released jointly by the Legislative Budget Board, State Auditor's Office, and the Governor's Office of Budget, Planning, and Policy, as well as the State Auditor's Office *Guide to Performance Measure Management*.
2. Reviewed SOAH's Performance Measures Procedure, SOAH's 2025-2029 Strategic Plan, Performance Measures Definitions, and the 2025-2029 General Appropriations Act. Conducted remote interviews to obtain an understanding of controls, processes, and current practices in place for performance measures management, and the collection, calculation and reporting of its key performance measures.
3. Selected a sample of 4 key performance measures from SOAH's fiscal year 2025 2nd quarter ABEST report and 4 key performance measures from SOAH's 4<sup>th</sup> quarter annual ABEST report, and performed the following procedures:
  - a. Verified that the target amounts agreed with those specified in the General Appropriations Act.
  - b. Confirmed that the reported "Actual," "YTD," and the percentage of the annual target met agreed with source documentation, including various reports from the eCourt system or SOAH's Timekeeping system.
  - c. Ensured the review sign-off sheet was signed by the following individuals, denoting their approvals:
    - i. Program Specialist
    - ii. CFO
    - iii. General Counsel
    - iv. Chief ALJ
  - d. Reviewed the definitions for each selected measure and verified that the stated data sources and methodologies were consistent with SOAH's policies, procedures, and processes for collecting, calculating, and reporting performance measures.
  - e. Recalculated reported results based on the measure definitions described in ABEST.
4. Ensured the final ABEST report for fiscal year 2024 was properly posted on SOAH's website.

## STATE OFFICE OF ADMINISTRATIVE HEARINGS

Internal Audit Annual Report

Fiscal Year 2025

---

### 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 was developed by the Texas State Auditor's Office and is based on the degree of risk or effect on the findings in relation to the audit objective(s). The table below presents a summary of the observations/findings and recommendations included in this report and the related rating.

Summary of Observations/Findings & Recommendations and Related Ratings		
Finding No.	Title	Rating
	None	
Observation No.		
1	Performance Measures Definition	--
<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.		

# STATE OFFICE OF ADMINISTRATIVE HEARINGS

Internal Audit Annual Report

Fiscal Year 2025

## OBSERVATIONS/FINDINGS and RECOMMENDATIONS

Report No.	Report Date	Name of Report	Observations/ Findings and Recommendations
1	6/30/2024	Performance Measures	<p style="text-align: center;"><b>OBSERVATION</b></p> <p><b>1. Performance Measure Definitions</b> Surveys are distributed to eligible participants who have taken part in a hearing or an Alternative Dispute Resolution (ADR) process. As part of the survey, participants are asked to rate their overall satisfaction with the hearing or ADR process using the following scale:</p> <ul style="list-style-type: none"><li>• Very satisfied</li><li>• Satisfied</li><li>• Neutral</li><li>• Unsatisfied</li><li>• Very unsatisfied</li><li>• Not applicable</li></ul> <p>Responses from the surveys are used to calculate 2 of SOAH's performance measures:</p> <ul style="list-style-type: none"><li>• Percentage of Participants Surveyed Satisfied with Overall Process</li><li>• Percentage of Participants Surveyed Satisfied with Overall ADR Process</li></ul> <p>Currently, SOAH's calculation of "satisfied" participants includes those who selected "neutral." However, the performance measure definitions and methodologies do not specify which survey responses are categorized as "satisfied." This lack of clarity may lead to misinterpretation or overstatement of participant satisfaction.</p> <p><b>Recommendation</b> We recommend that SOAH revise the performance measure definitions and methodologies to explicitly state which survey responses are considered indicative of participant satisfaction. Clearly defining the criteria will enhance transparency, improve the accuracy of reported results, and reduce the risk of misinterpretation.</p> <p><b>Management's Response</b> Management agrees with the recommendation and will work with the Governor's Office and the Legislative Budget Board (LBB) to update the definition to be more specific to which responses are considered indicative of satisfaction.</p>

## STATE OFFICE OF ADMINISTRATIVE HEARINGS

Internal Audit Annual Report

Fiscal Year 2025

---

### **VII. External Audit Services Procured in Fiscal Year 2025**

SOAH procured the internal audit services documented in the approved Internal Audit Plan for fiscal year 2025. No other external audit services were performed.

### **VIII. 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.

### **IX. Proposed Internal Audit Plan for Fiscal Year 2026**

The risk assessment performed during fiscal year 2025 was used to identify the following *proposed* area that is recommended for internal audit and other tasks to be performed for fiscal year 2026. The Internal Audit Plan for fiscal year 2026 will be developed and presented to the Chief Administrative Law Judge, for acceptance and approval, at a later date.

- Accounting (Cash Receipts/Disbursements/Travel)
- Follow-up of Prior Year Internal Audits
- Other Tasks Assigned by the Chief Administrative Law Judge