

STATE OFFICE OF ADMINISTRATIVE HEARINGS
Austin, Texas

INTERNAL ANNUAL REPORT

on

Processing Cash Receipts

Fiscal Year 2026



GARZA GONZALEZ & ASSOCIATES
— CERTIFIED PUBLIC ACCOUNTANTS —

STATE OFFICE OF ADMINISTRATIVE HEARINGS
Austin, Texas

Internal Audit Report
On
Cash Receipts

Fiscal Year 2026

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

We performed a limited-scope audit to assess the effectiveness and efficiency of the State Office of Administrative Hearings' (SOAH) internal control structure over the Processing of Cash Receipts (the Area), as well as, its compliance with the applicable state requirements and the Area's established policies and procedures, for the seven months ended March 31, 2026. This audit did not include electronic payments received through interagency vouchers, such as receipts related to interagency contracts.

Our audit procedures determined that SOAH's internal control structure over the Area was generally adequate, and no material instances of noncompliance were noted. However, we did identify certain matters, detailed in this report, that present opportunities to strengthen internal controls and enhance compliance with SOAH's policies and procedures. Based on their degree of risk or effect in relation to the audit objective, these matters were rated as Priority, High, Medium, or Low, as described in the "Summary and Related Rating of Observations/Findings and Recommendations" section of this report.

We have discussed the comments and recommendations from this audit with SOAH personnel. We are available to provide additional information, if needed.

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.



May 15, 2026

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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 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, deputy 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 offices located in Corpus Christi, Dallas, El Paso, Fort Worth, Houston, Lubbock, and San Antonio, and one satellite office in Waco.

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2026 Internal Audit Plan

Following are the internal audits functions performed, as identified in SOAH's 2026 Internal Audit Plan, dated February 25, 2026 and approved by the Chief ALJ on February 26, 2026:

- Risk Assessment & Preparation of the 2026 Internal Audit Plan
- Cash Receipts Audit
- Case Scheduling Audit
- Follow-up of Prior Year Internal Audits
- Preparation of the 2026 Internal Audit Annual Report
- Other Tasks

This report (Report No. 1) contains the results of Cash Receipts Audit. Reports on the remaining internal audit areas and other functions to be performed will be issued upon completion.

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EXECUTIVE SUMMARY

Processing Cash Receipts (Area)

Background

The Cash Receipts audit was a limited-scope review focused on the State Office of Administrative Hearings' (SOAH) processing of cash receipts (Area). The majority of cash receipts received by SOAH consist of interagency contract payments processed electronically through interagency vouchers. These receipts are submitted through Uniform Statewide Accounting System (USAS) and automatically received in the Centralized Accounting and Payroll/Personnel System (CAPPS); therefore, they were excluded from the scope of this audit.

Organizational Structure

The Finance Department (Department), overseen by the Chief Financial Officer (CFO), is responsible for processing cash receipts. The Department's Accountant is responsible for receiving, depositing, recording and reconciling cash receipts. The Department's Budget Analyst or Financial Analyst reviews and approves journal entries related to cash receipts.

Cash Receipts & Mail Processing

Cash receipts processed by the Area primarily consist of fees collected for Transcripts Requests, Open Records Requests, and Appraisal Review Board (ARB) deposits. SOAH accepts only checks and money orders received by mail for these types of payments.

All incoming mail containing cash receipts is initially opened, date-stamped, and sorted by the Chief Clerk's Office. A deputy clerk then places the mail in the Department's mailbox, which is checked daily, typically by the Accountant.

Upon receipt, payments are logged into the Cash Receipts Tracking System (CRTS), an internally developed Excel database used to track and account for cash receipts. The Accountant enters the applicable case number and payee information into CRTS, which automatically assigns a unique cash receipt number to each transaction. A receipt is then printed for each payment. The Accountant also verifies that the related information in eCourt, SOAH's case management system, is accurate.

Once all payments have been entered into CRTS, the receipts are grouped by type (e.g., Transcript Receipt, ARB Deposit). A Deposit Report listing all the receipts included in the deposit is then generated and printed.

Deposit Processing

After cash receipts are entered into CRTS, they are processed in batches using the same deposit number based on the payment type, and a deposit slip is prepared. Deposit numbers are assigned according to the Voucher Log spreadsheet maintained by the Department to track deposits and includes the deposit date, payment type, and total deposit amount. The assigned deposit number is also recorded in CRTS and on the deposit slips.

Deposits are then recorded in the CAPPS, and a Journal Report is generated. Supporting documentation from CRTS, including receipts and Deposit Reports, are attached to the CAPPS Journal Report and saved to a shared drive. The Journal Report is subsequently attached to the Deposit Voucher in CAPPS and submitted for approval by the Budget Analyst or Financial Analyst.

If necessary, cash receipts are secured in a safe until deposited with the Treasury. All payments are deposited within three business days of receipt. Once the Treasury receives the deposit, a teller stamps and returns a copy of the deposit slip to the Accountant as proof of deposit.

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As of March 31, 2026, the Area received and processed the following cash receipts:

Transaction Types	Amount
ARB Deposit	\$ 37,500
Transcripts Deposit	5,250
Open Records Request	<u>162</u>
Total	<u>\$ 42,912</u>

Monthly Review and Reconciliation

On a monthly basis, the Accountant prepares the following reconciliations and provides explanations for any noted variances:

Deposit to Receipts Revenue Reconciliation – The total amount of cash receipts for Transcripts and Open Records Requests reported in CRTS is compared to the total reported in CAPPS.

Transcript Receipts Reconciliation - The total amount of cash receipts for Transcripts and Open Records Requests reported in CRTS is compared to the amounts paid to the third-party vendor responsible for preparing transcripts.

ARB Deposits Reconciliation – A list of ARB cases is compared to an FM Query Report for the suspense account in which ARB deposits are held. The reconciliation is performed by calculating and comparing the following:

- Total ARB deposits received,
- Total adjustments for closed cases, and
- Total balance of the suspense account.

The suspense account balance should equal the difference between the total deposits received and total adjustments for closed cases, as illustrated below:

$$\begin{array}{l} \text{Total Deposits Received} \\ \text{Less: } \# \text{ of Closed Cases} \times (\text{Filing Fee} + \text{Refund Amount}) \\ \text{Equals: Suspense Account Balance} \end{array}$$

The following is an example using the amounts from the February Reconciliation:

$$\begin{array}{r} \$ 106,500 \text{ (Deposits Received)} \\ - \quad 96,000 = 64 \text{ Closed Cases} \times (\$300 \text{ Filing Fee} + \$1,200 \text{ Refund Amount}) \\ \hline \$ 10,500 \text{ (Suspense Account Balance)} \end{array}$$

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AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of this audit was to assess the effectiveness and efficiency of internal controls, policies, procedures, and processes within the Area to ensure that cash receipts are accurately recorded, safe guarded, and deposited in a timely manner in compliance with applicable state requirements.

Scope

The scope of this audit included selected functions performed by the Area during the 7-month period from September 1, 2025 to March 31, 2026 (audit period). This limited scope audit excluded electronic payments received through interagency vouchers, such as receipts related to interagency contracts

Methodology

The audit methodology included reviewing applicable laws and regulations, internal policies and procedures, and other relevant internal and external documentation. Interviews were conducted with appropriate SOAH personnel to gain an understanding of current practices and control activities.

To achieve the audit objective, we performed the following procedures:

1. Reviewed and obtained an understanding of relevant sections of the Texas Government Code and applicable state requirements related to the Area.
2. Reviewed SOAH's written policies and procedures, and relevant documents such as logs and reports. Conducted interviews to gain an understanding of and evaluate the Area's internal controls, processes, and current practices, as well as the safeguards in place to ensure cash receipts are adequately secured.
3. Obtained SOAH's Cash Receipt Report as of March 31, 2026, and randomly selected a sample of 20 out of the 61 cash receipts processed by the Area to test the following attributes:
 - a. Cash receipt details were properly entered into the CRTS and agreed to the supporting documentation.
 - b. eCourt was properly updated, when applicable.
 - c. Deposits were properly prepared, and supporting documentation, such the receipt, Deposit Reports, Journal Reports and Deposit Vouchers are retained.
 - d. Deposit slips were prepared by the Accountant and date-stamped upon submission to the Treasury within three business day of the date they were received in CRTS.
 - e. Deposits were properly recorded in CAPPs and approved by either the Budget Analyst or Travel Coordinator.
 - f. Payment amounts agree to SOAH's fee schedule.
 - g. Deposit numbers and totals agree for the following documents:
 - Cash receipt;
 - Stamped deposit slip;
 - Voucher log;
 - Deposit report; and
 - CAPPs report.

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4. Performed a reconciliation between the Cash Receipt Report, the Voucher Log, and the Texas Comptroller's FM Query Report for cash receipts received during the audit period.
5. Haphazardly selected three months during the audit period to verify reconciliations were accurately performed by the Area. For each month selected, we reviewed the Deposit-to-Receipts Revenue Reconciliation, Transcript Receipts Reconciliation, and ARB Deposits Reconciliation and tested the following attributes:
 - a. Reconciliation was prepared by the Accountant.
 - b. Reconciliation agrees to the supporting documentation.
 - c. Explanations are provided for variances noted, if any.

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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
1	Reconciliation Procedures	Low
Observation No.		
1	General Ledger Procedures	--
2	Mail Receipt Dates	--
<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>		

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OBSERVATIONS/FINDINGS AND RECOMMENDATIONS

Report No.	Report Date	Name of Report	Observations/Findings and Recommendations
1	5/15/26	Cash Receipts	<p>1. Reconciliation Procedures</p> <p>SOAH’s monthly reconciliation procedures have not been formally documented; therefore, the procedures currently being performed are considered informal. Our review of the reconciliations prepared by the Area for 3 selected months, disclosed the following:</p> <ul style="list-style-type: none"> • Variances identified within the reconciliation report were not consistently or adequately explained. • In one instance, the supporting documentation attached to the reconciliation did not agree to the reconciliation report; however, we noted the reconciliation was accurate. <p>The absence of formal written procedures increases the risk that key reconciliation and review activities may not be performed consistently and/or omitted.</p> <p>Recommendation</p> <p>We recommend that SOAH formally document reconciliation procedures, including requirements for identifying, researching, and explaining variances to promote consistency in the reconciliation process and strengthen internal controls over cash receipts.</p> <p>Management’s Response</p> <p>Management agrees with the auditors’ finding and will update the Revenue Procedures to include the various monthly reconciliations performed for cash receipts.</p> <p style="text-align: center;">OBSERVATION</p> <p>1. General Ledger Procedures</p> <p>SOAH’s <i>General Ledger Procedures</i> includes commonly used transaction codes utilized by the agency however the <i>General Ledger Procedures</i> states that the Program Cost Account (PCA) code for ARB deposits as 00900; however, the proper PCA code for ARB deposits is 99600. Our testing confirmed that the correct PCA code is currently being used in practice.</p> <p>Recommendations</p> <p>We recommend that SOAH review and update its <i>General Ledger Procedures</i> to ensure all account numbers, transaction codes, and related guidance are accurate, complete, and current. The <i>General Ledger Procedures</i> should be reviewed annually, at a minimum to ensure accuracy and consistency in financial processing.</p> <p>Management’s Response</p> <p>Management agrees with the auditors’ observation and will update the General Revenue Procedures to reflect the current program cost account (PCA) used for ARB deposits.</p>

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Report No.	Report Date	Name of Report	Observations/Findings and Recommendations
1	5/15/26	Cash Receipts	<p>2. Mail Receipt Dates</p> <p>Texas Government Code §404.094 states that deposits be made at the earliest possible time that the Treasury can accept those funds, but no later than the third business day after the date of receipt. During our testing, we were unable to determine whether selected cash receipts were deposited within the required timeframe because the date of receipt was not documented or retained.</p> <p>We noted mail received by the Chief Clerk’s Office is date-stamped upon receipt; however, the envelopes are not retained and the receipt date is not otherwise recorded or tracked.</p> <p>Recommendations</p> <p>We recommend that SOAH implement a process to document and retain the received date for all cash receipts. The received date should be documented and retained to allow for monitoring and verification of compliance with Texas Government Code §404.094 regarding timely deposit requirements.</p> <p>Management’s Response</p> <p>Management agrees with the auditors’ observation and will update the Revenue Procedures to use the date-stamped date as the receipt date in the Cash Receipts Tracking System (CRTS). Additionally, the procedures will be updated to scan and attach the original date-stamped copy of the cash receipts envelope in the CAPPS deposit journal.</p>