

# Internal Audit Annual Report

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Fiscal Year 2023

Texas Department of Insurance

[www.tdi.texas.gov](http://www.tdi.texas.gov)

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## Part 1 | Compliance with Texas Government Code 2102.015

### Posting the Internal Audit Plan, Internal Audit Annual Report, and other audit information on the website.

To comply with Texas Government Code 2102.015, the Texas Department of Insurance (TDI) Internal Audit (IA) will post its approved Internal Audit Plan for Fiscal Year 2024 and its Internal Audit Annual Report for Fiscal Year 2023 online at <https://tdi.texas.gov/reports/>.

Neither the audit plan or annual report raised any weakness or concerns.

## Part 2 | Internal Audit Plan for Fiscal Year 2023

This table includes completed assurance reports in the Internal Audit Plan for Fiscal Year 2023.

Report code	Date	Title	Status
IA22D	Oct. 2022	"Aligning expectations to address vulnerabilities identified in third-party reports can help TDI implement remedies"	Completed
IA23C	Sept. 2023	"IT ensured the Sircon and X-Fire systems had appropriate general IT controls"	Completed
IA23A	June 2023	"The Life and Health Actuarial Office applies key procedures to help staff consistently review rates"	Completed
IA23B	April 2023	"The State Fire Marshal's Office must improve its firework display permit processes to accurately record, track, and report fees"	Completed
IA23D	April 2023	"The Life and Health Actuarial Office conducts activities to ensure rate reviews are performed consistently"	Completed
IA23F	Sept. 2023	"An Audit Report on Processes to Determine Maintenance Tax Rates"	Completed
IA23E	Sept. 2023	"A Follow-Up Audit of Prior Internal Audit Recommendations at the State Fire Marshal's Office"	Completed

Two audit projects from the Internal Audit Plan for Fiscal Year 2023 are carryover projects in the Internal Audit Plan for Fiscal Year 2024.

### Part 3 | Completed consulting services and non-audit services

We completed one consulting and non-audit service during Fiscal Year 2023. That report title is "Advisory Project on Company Licensing and Registration."

### Part 4 | External quality assurance review



Texas Department of Insurance  
Internal Audit Department  
Receives a rating of  
**"Pass with Deficiency"**

In compliance with the Institute of Internal Auditors' International Professional Practices Framework, Government Auditing Standards, and the Texas Internal Auditing Act.

This opinion is based on a quality assessment review conducted by members of the Texas State Agency Internal Audit Forum (SAIAF) during the period of August, 2022.

The review was based on the methodology developed by the Texas State Agency Internal Audit Forum.



Life's better outside.

Handwritten signature of Brandy Meeks in black ink.

Brandy Meeks, CPA, CIA, CISA  
Director of Internal Audit  
Texas Parks and Wildlife



Life's better outside.

Handwritten signature of Sherise Stewart in black ink.

Sherise Stewart, MBA  
Senior Internal Auditor  
Texas Parks and Wildlife

## Part 5 | Internal Audit Plan for Fiscal Year 2024

### Overview

The Internal Audit Plan for Fiscal Year 2024 offers a strategy for the assurance and advisory projects IA will conduct to enhance and protect TDI's mission.

We designed a flexible plan to respond to the commissioner of insurance, the commissioner of workers' compensation, and executive management requests to address critical risks that occur. With that design in mind, we'll update the plan as needed.

This plan covers the key risks given our capabilities and resources.

This plan presents eight projects – including carryover projects from Fiscal Year 2023 – that we plan to do.

IA has four staff members:

- Internal Audit Director Isaac Barajas, CIA.
- Senior Internal Auditor Nathan Beavers, CIA, CISA.
- Senior Internal Auditor Elijah Marchlewski.
- Senior Internal Auditor Edna Torres.

### Mission

IA enhances and protects TDI's mission by providing risk-based and objective assurance, advice, and insight.

TDI includes the Division of Workers' Compensation (DWC) and the State Fire Marshal's Office (SFMO). The plan's projects align with these mission statements.

#### **TDI's mission:**

To protect insurance consumers by regulating the industry fairly and diligently, promoting a stable and competitive market, and providing information that makes a difference.

#### **DWC's mission:**

Regulate Texas workers' compensation efficiently, educate system participants, and achieve a balanced system in which everyone is treated fairly with dignity and respect.

#### **SFMO's mission:**

Reduce the loss of life and property through prevention, education, and protection.

### Risk categories

We assessed risks based on how they can impact the agency. We also used discussions with agency staff and management; previous IA projects; reviews of agency procedures and reports; and our knowledge, experience, and judgment to consider how likely risks would occur.

We will assess risks throughout the year and adapt our plan according to agency needs.

Risk categories	Description
Strategy	Impact on TDI's, DWC's, or SFMO's ability to achieve its goals.
Operations	Impact on how TDI, DWC, or SFMO does its work.
Financial	Impact on TDI's, DWC's, or SFMO's finances or assets.
Compliance	Impact on TDI's, DWC's, or SFMO's ability to comply with requirements.
Reputation	Impact on TDI's, DWC's, or SFMO's standing with the public, industry, and other stakeholders.

## Projects

We developed projects in this plan by systematically assessing agency risk, including:

- Reviewing agency functions and processes.
- Discussing program risks with commissioners and management.
- Considering information from Enterprise Risk Management.
- Using our professional judgment and historical knowledge.

We weigh available IA resources and build in flexibility to respond to executive management's project requests and add projects as risks present themselves.

The following section includes projects we plan to conduct in Fiscal Year 2024. We will determine the scope of each project as we work.

We'll watch for emerging risks throughout the year and adapt this plan if needed.

Subject	Description
SharePoint	Assess the governance of SharePoint to include safeguarding of information and provisioning of users.
DWC Subsequent Injury Fund	Assess DWC's verification and payments process.
Contract monitoring <sup>1</sup>	Review the contract monitoring process, selecting several contracts to verify compliance with contractual monitoring pieces and ensure TDI follows comptroller guidance.
Human Resources separations	Review the HR process to remove employees that separate from the agency.
Revenue	Review processes to monitor, reconcile, and report revenue in select program areas and financial services.
Follow up on prior audit recommendations	Select reports from the past three years to ensure TDI implemented the recommendations or the risk was mitigated.

### Projects: Carry over projects from Fiscal Year 2023

Project	Description
Inventory management	Review whether TDI has processes to accurately find, track, and report on capitalized, controlled, and high-risk items.
System development-COMPASS	Review process to document the development and testing of implemented COMPASS modules.

### Other activities

General administrative activities help the division run as efficiently and effectively as possible, enabling us to meet our goals and objectives.

Audit standards require us to develop and maintain our professional competence by completing 80 continuing education hours every two years. We must also maintain a quality assurance improvement program to ensure we comply with standards when conducting assurance and advisory services.

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<sup>1</sup> This project fulfills the requirement to consider methods for ensuring compliance with contract processes and controls for monitoring agency contracts in Government Code 2102.005. We budget about 900 hours for each of these projects.

In addition to publishing the Fiscal Year Internal Audit Annual Report, other division activities include:

- Continuing education.
- Continuous risk assessment.
- Quality assurance improvement program.
- Seized/forfeited property certification.
- TeamMate+ process optimization.
- Volunteering to help advance the profession (IA associations, presentation, training, etc.).

### **Acceptable level of risk**

IA doesn't cover all TDI functions or risks in its Internal Audit Plan. We use current resources to cover key processes and areas identified during our risk assessment to improve agency processes.

Because we can't address every key process and risk, the commissioners and executive management should understand the limits of the audit coverage and the risks they assume in the areas we don't audit. Given our capabilities and resources, we believe this plan covers the key risks.

### **Professional standards**

IA adheres to the U.S. Government Accountability Office's Government Auditing Standards and the Institute of Internal Auditors' "International Standards for the Professional Practice of Internal Auditing," which includes the Code of Ethics. We also conform to Texas Internal Auditing Act requirements and comply with TDI policies and procedures.

### **Approvals**



Cassie Brown

Commissioner of Insurance



Isaac Barajas, CIA

Internal Audit Director

## Part 6 | External audit services procured

TDI didn't procure audit services outside the agency in Fiscal Year 2023. TDI provided internal audit services for the Office of Injured Employee Counsel as part of an interagency contract.

## Part 7 | Reporting suspected fraud and abuse

IA took two actions to meet suspected fraud and abuse reporting requirements.

Requirement	Actions taken
General Appropriation Act 7.09, page IX-38 (87th Legislature)	TDI added a link on its website to the State Auditor's Office (SAO) Fraud Hotline. The agency also has internal procedures for staff to report fraud, waste, or abuse.
Texas Government Code 321.022, Coordination of Investigations	The TDI Fraud Panel gives SAO's Audit and Investigations Team quarterly updates about internal investigations and SAO Fraud Hotline complaints.



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