

Texas Department of Insurance

Internal Audit Annual Report

October 2024

TDI | Texas Department
of Insurance





Internal Audit Annual Report

by the

Texas Department of Insurance

Submitted October 2024

A handwritten signature in black ink, appearing to read "C. Brown".

Cassie Brown
Commissioner of Insurance

A handwritten signature in black ink, appearing to read "Isaac Barajas".

Isaac Barajas, CIA
Internal Audit Director

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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 online.

[State law](#) requires the Texas Department of Insurance (TDI) Internal Audit (IA) to publish its approved Internal Audit Plan and Internal Audit Annual Report [online](#).

Neither the audit plan nor the annual report raised any weakness or concerns.

Part 2 | Internal Audit Plan for fiscal year 2024

The table below includes completed assurance reports from the Internal Audit Plan for fiscal year 2024. One audit project from last year's audit plan will carry over.

Assurance reports completed in fiscal year 2024

Report code	Date	Report title	Status
IA23C	Nov. 2023	Business Process should update PBO process procedures and create data accuracy controls	Completed
IA23G	Nov. 2023	Information Technology Services is completing projects but needs to update procedures and improve project documentation	Completed
IA23H	Nov. 2023	Lifetime income benefits should follow requirements to verify recipient information and maintain records, and train employees in validation and quality control	Completed
IA23I	Nov. 2023	General Services should update its processes to accurately record and ensure correct reporting to the Comptroller's Office of Public Accounts	Completed
IA23K	April 2024	TPCIGA should update the plan of operations and improve claims processing to ensure proper management and timely payments to individuals	Completed
IA24A	June 2024	TDI Human Resources and ITS should collaborate with General Services to collect agency inventory during a separation. ITS should establish CSR documentation and timeframes. HR should review separation documents as they receive them	Completed
IA24B	July 2024	TDI should create a standard SharePoint policy and improve controls over SharePoint user access	Completed
IA24C	Aug. 2024	The Agent and Adjuster Licensing Office should create procedures to document the revenue report review process	Completed
IA24I	Sept. 2024	TDI and DWC implemented all recommendations in IA reports	Completed

Part 3 | Completed consulting services and non-audit services

We completed one consulting and non-audit service in fiscal year 2024. We didn't issue a report. The review was about a Division of Workers' Compensation's Fraud Unit performance measure.

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 2025

Overview

The Internal Audit Plan for fiscal year 2025 offers a strategy for the assurance and advisory projects we will complete to enhance and protect TDI's mission.

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

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

This plan presents 11 projects – including one carryover project from fiscal year 2024 – that we plan to do.

IA has seven staff members:

- Internal Audit Director Isaac Barajas, CIA.
- Assistant Internal Audit Director Edna Torres.
- Senior Internal Auditor Nathan Beavers, CIA, CISA.
- Senior Internal Auditor Rachel Kukucka, CFE.
- Senior Internal Auditor Alyssa Limon.
- Senior Internal Auditor Elijah Marchlewski, CISA, CISSP.
- Senior Internal Auditor Patricia Zavala.

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 affect 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 it is that risks would occur.

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

IA risks

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 their 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 follow 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 IA resources, build in flexibility for executive management's project requests, and add projects as risks come up.

The table on the next page lists the projects we plan to conduct this fiscal year. We decide the scope of each project as we work. We'll watch for emerging risks throughout the year and adapt this plan if needed.

We're also carrying over the contract monitoring project from last year's report. We're [reviewing the contract monitoring process](#) by selecting several contracts to verify compliance with contractual monitoring pieces. We'll make sure the agency follows comptroller guidance. We'll watch out for emerging risks throughout the year and adapt this plan if needed.

Fiscal year 2025 projects

Subject	Description
DWC quality assurance procedures	Review quality assurance procedures and decide if current processes match established procedures. Find gaps, risks, and control weaknesses in the current process.
TDI travel procedures	Review the Financial Regulation Division's travel procedures and make sure staff follow TDI policies for requesting and documenting travel.
Policy review tool	Review the new AI policy review tool contract and language to find risks.
TDI Customer Operations complaint process	Review the complaint process to include set-up, adhering to policies and procedures, identification of trends, customer follow up where bottlenecks occur, and where we can gain efficiencies.
Board reviews	Gain an understanding of the operation plans and claims processing of select boards that TDI governs.
Server patching	Review server patching of TDI-administered servers to make sure they're up-to date, tested, and put into timely production to mitigate agency risk.
Follow up on prior audit recommendations	Select reports from the past three years to make sure TDI implemented the recommendations or the risk was mitigated.
Accident prevention services	Review the accident prevention services process for adoption of all the rules established in Texas Administrative Code Chapter 166 for DWC.
Lifetime income benefits follow up	Perform an in-depth follow up review on the lifetime income benefits report to make sure prior recommendations were adopted and determine if the risks identified were mitigated.
Office of the Medical Advisor follow up	Perform an in-depth follow up on the Office of the Medical Advisor report to make sure prior recommendations were adopted and find any gaps in the process.
Medical fee dispute resolution	Review the medical fee dispute resolution process to make sure procedures match the processes followed. If there are gaps in the process, identify the risks and efficiencies that can be gained.

Other activities

General administrative activities help the division run efficiently and effectively and help us 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 have a quality assurance improvement program to make sure we comply with standards when conducting assurance and advisory services.

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

- Continuing education.
- Continuous risk assessment.
- Quality assurance improvement program.
- Seized/forfeited property certification.
- Fraud panel participation.
- Audit management software 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 Audit Plan. We use current resources to cover key processes and areas found 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 a code of ethics. We also conform to [Texas Internal Auditing Act](#) requirements and comply with TDI policies and procedures.

Part 6 | External audit services procured

TDI didn't use audit services outside the agency in fiscal year 2024. 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.

IA actions taken in fiscal year 2024

<u>Requirement</u>	<u>Actions taken</u>
<u>General Appropriation Act 7.09, page IX-40</u>	TDI includes 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.
<u>Coordination of investigations</u>	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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