

Texas Department of Insurance

Internal Audit Annual Report

October 2025



TDI | Texas Department
of Insurance



Internal Audit Annual Report

by the

Texas Department of Insurance

Submitted October 2025

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

First posting, October 2025

Publication ID: TDIAAR | 1025

This document is available online at tdi.texas.gov/reports.

Contents

Part 1 Compliance with Texas Government Code 2102.015	2
Part 2 Internal Audit Plan for fiscal year 2025	3
Part 3 Completed consulting services and non-audit services	4
Part 4 External quality assurance review	5
Part 5 Internal Audit Plan for fiscal year 2026	6
Overview.....	6
Mission.....	6
Risk categories	7
Projects	7
Other activities.....	9
Acceptable level of risk.....	9
Professional standards.....	9
Part 6 External audit services procured	10
Part 7 Reporting suspected fraud and abuse	11

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 Division (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 2025

IA completed six audits from its fiscal year 2025 audit plan, which was included in the [2024 Internal Audit Annual Report](#). Three audits weren't needed due to legislative and program changes and one audit will carry over.

Assurance reports completed in fiscal year 2025

Subject	Recommendation	Date	Report ID
Prior audit recommendation follow up	TDI and the Division of Workers' Compensation (DWC) implemented all recommendations in prior Internal Audit reports.	Sept. 2024	IA24I
TDI Customer Operations complaint process	There are opportunities for Complaints and Dispute Resolution to reduce overall processing time by centralizing complaints intake and addressing other areas causing delays.	June 2025	2025D
Contract monitoring	Contract monitoring invoices were reviewed, approved, and paid in a timely manner. Purchasing and Contract Administration should provide more training for contract administrators and make sure monitoring activities are documented correctly.	Aug. 2025	2025A
TDI travel procedures	Financial Regulation processed, approved, and paid travel reimbursement vouchers timely. Minor improvements could help staff understand the documentation and approval process.	Aug. 2025	2025B
Server patching	The Information Technology Division made improvements to its processes for addressing high-risk vulnerabilities.	Aug. 2025	2025E
Subsequent Injury Fund follow up	Subsequent Injury Fund implemented the 2023 Audit Report recommendations.	Aug. 2025	2025H

Part 3 | Completed consulting services and non-audit services

IA completed three consulting and non-audit services in fiscal year 2025 and started another that will continue in fiscal year 2026.

Consulting and non-audit projects completed in fiscal year 2025

Subject	Description
Lifetime income benefits follow up	Reviewed lifetime income benefits program to make sure prior recommendations were adopted and determine if the identified risks were fixed.
DWC Fraud Unit*	Provided statistics and charts on multiple data sets.
Medical fee dispute resolution	Reviewed the medical fee dispute resolution process to make sure procedures matched the processes followed.

* This project wasn't included in the 2025 Internal Audit Plan. We conducted this project because management requested the project.

Part 4 | External quality assurance review

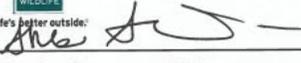


Texas Department of Insurance
Internal Audit Department
Receives a rating of
“Pass with Deficiency”

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.


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


Life's better outside.


Sherise Stewart, MBA
Senior Internal Auditor
Texas Parks and Wildlife

Part 5 | Internal Audit Plan for fiscal year 2026

Overview

The Internal Audit Plan for fiscal year 2026 offers a strategy for the assurance and advisory projects we will complete to enhance and protect TDI's mission.

IA 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 12 projects, including one carryover project from fiscal year 2025. Hours will be determined during project kickoffs.

IA has seven full-time equivalent positions.

Mission

- IA enhances and protects TDI's mission by providing risk-based and objective assurance, advice, and insight.
- TDI includes DWC and 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 had discussions with agency staff and management; prior 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 the plan according to agency needs.

IA risks

Risk categories	Impact
Strategy	Agency's ability to achieve its goals.
Operations	How divisions do their work.
Financial	Agency finances or assets.
Compliance	Agency's ability to follow requirements.
Reputation	Agency'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 professional judgment and historical knowledge.

We weigh IA resources, build in flexibility for executive management's project requests, and add projects as risks arise.

The table on the next page lists projects we plan to complete in fiscal year 2026. The project scope is decided during the review. We'll watch for emerging risks throughout the year and adapt this plan if needed.

Fiscal year 2026 projects

Subject	Description
SFMO inspections	Review SFMO's state building inspection process.
Program services	Review the program that handles Consumer Protection's open records requests to find ways to improve efficiency and effectiveness.
Purchasing	Review processes to make sure purchasing requirements are communicated to divisions and that the agency is following all state guidelines, policies, and procedures.
Inventory follow up	Conduct a targeted follow up on a past inventory report to make sure program area followed recommendations to help reduce identified risks.
Help Desk	Review Help Desk processes to make sure staff is following policies and procedures.
Complaints process follow up	Perform a targeted follow up on Consumer Protection's complaints process.
Prior audit recommendation follow up	Select reports from the past three years to make sure TDI followed the recommendations or removed the risk.
Designated Doctor exams	Review DWC's Designated Doctor exam process to: <ul style="list-style-type: none">• Find areas of improvement.• Make sure policies are up to date and reflect current processes.• Make sure there aren't law or rule process gaps.
Consent order enforcement	Perform an in-depth review on enforcement action timeframes, documentation, and reviews.
DWC hearings	Review DWC hearings process to make sure there is a quality assurance process in place and decisions are made according to legal requirements.
Board reviews	Review select boards under authority of the commissioner of insurance.

Carry over fiscal year 2025 project

Subject	Description
Mozart review	Review the Mozart contract for risks.

Other activities

General administrative activities help the division run efficiently and effectively and help meet IA goals and objectives.

Audit standards require IA to develop and maintain an employee's professional competence by completing 80 continuing education hours every two years. IA must also have a quality assurance improvement program to make sure employees follow standards when conducting assurance and advisory services.

In addition to publishing this report, the division:

- Performs continuous risk assessments.
- Conducts a quality assurance improvement program.
- Certifies seized and forfeited property.
- Participates in fraud panels.
- Optimizes audit management software processes.
- Volunteers to help advance the profession (IA associations, presentations, training, etc.).

Acceptable level of risk

The Audit Plan doesn't cover all TDI functions or risks. IA covers key processes and areas found during risk assessments to improve agency processes.

Because IA 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 2025. The agency 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 2025

<u>Requirement</u>	<u>Actions taken</u>
<u>General Appropriation Act 7.09, page IX-40</u>	The agency's website includes a link 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 agency's Fraud Panel gives SAO's Audit and Investigations Team quarterly updates about internal investigations and SAO Fraud Hotline complaints.



Texas Department of Insurance
Internal Audit Annual Report