TDI Division of Workers' Compensation
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Texas Department of Insurance, Division of Workers' Compensation
Compliance and Investigations
Audit Plan
Fiscal Year Ending August 31, 2027

Goal

For fiscal year (FY) 2027, Compliance and Investigations' goal is to improve system performance in the following key areas:

- Timely and accurate benefit delivery.
- Timely and accurate reporting of electronic data to the Texas Department of Insurance, Division of Workers' Compensation (DWC).

To achieve this goal, DWC will conduct performance audits on select system participants. The Texas Labor Code authorizes DWC to conduct performance audits on participants in the Texas workers' compensation system. Labor Code Section 402.075 specifically directs DWC to focus its regulatory oversight on insurance carriers and health care providers it identifies as poor performers in the Performance-Based Oversight (PBO) program. You can find detailed information about PBO at www.tdi.texas.gov/wc/pbo/index.html.

This audit plan identifies issues for review during FY 2027. It describes the scope and methodology related to each audit type. Please note this audit plan is subject to change because DWC may identify compliance areas of concern, audit risk, or data availability issues. We may need to adjust audit issues, who we are auditing, objectives, scope, the review period, and the methodology, as necessary.

Audit overview

Entity type	Audit type	Applicable statutes and rules	Audit review period	Number of audits
Insurance carrier	• Accuracy of death benefit (DB)/lifetime income benefit (LIB) payments • Timely reporting claim data • Accuracy of claim data	Labor Code §§408.041, 408.161, and 408.181 28 TAC §§124.2, 128.1, 128.3, 132.1, and 131.2	Initial payment of DBs or LIBs issued in calendar year 2025	60
Insurance carrier	• Timely paying initial temporary income benefits • Timely reporting initial payment data • Accuracy of initial payment data	Labor Code §409.021 and 28 TAC §§124.2, 124.3, and 124.7	09/01/26-11/30/26	5

Audit scope and methodology

Accuracy of LIB and DB payments and claim data

The accuracy of LIB and DB payments and claims data review will determine if insurance carriers accurately paid LIBs and DBs and accurately reported claim data to DWC. The review will determine if insurance carriers:

- Accurately calculated the average weekly wage.
- Accurately calculated and paid LIBs and DBs.
- Made required adjustments to benefits.
- Timely and accurately reported claim data to DWC.

The audited claims will be drawn from DWC's database of claim information that insurance carriers submit to DWC.

DWC will select claims where an initiation of DBs or LIBs was issued in calendar year 2025. There will be two rounds of audits, with about 30 insurance carriers being audited in each round. Insurance carriers will randomly be assigned to either the first or second round of the audit. For each claim reviewed, DWC will require insurance carriers to submit the wage statement, indemnity payment records, adjuster notes, and other claim documents. We will review the records to determine if the payment amounts and data reporting were accurate.

Timely paying initial temporary income benefits, timely reporting initial payment data, and accuracy of initial payment data

Timely payment of initial temporary income benefits (TIBs), timely reporting initial payment data, and accuracy of initial payment data review will determine if insurance carriers:

- Timely initiated the first TIBs payment.
- Timely reported initial payment data to DWC.
- Accurately reported the following initial payment data elements to DWC:
    - First Day of Disability EDI DN0056 – Initial date disability began.
    - Accrual Date EDI DN0297 – First day of disability after the waiting period.
    - Date of Initial Payment EDI DN0195 – Payment issue date.
    - TIBs from Date EDI DN0219 - Payment covers period start date.
    - TIBs End Date EDI DN0220 – Payment covers period through date.

The audit samples will consist of randomly selected records drawn from DWC's database of claim information that insurance carriers submitted to DWC.

We will draw the sample data from claims where an insurance carrier issued an initial TIB payment during the period of September 1, 2026, through November 30, 2026. For each claim reviewed, DWC will require insurance carriers to submit:

- DWC Form-001, *Employer's First Report of Injury or Illness*.
- Plain Language Notices.
- Notification of First Temporary Income Benefit Payment.

- Adjuster/claim notes.
- Medical reports.
- Initial TIB payment details.

We will review the records to determine if the insurance carriers timely issued each initial TIB payment and timely and accurately reported the initial payment data elements to DWC.

Audit detail

	Auditee	Audit type	Auditor	Expected initiation date	Expected completion quarter
1-30	30 Insurance carriers to be determined	• Accuracy of DB/LIB payments • Accuracy of claim data	To be determined	October 2026	2
31-35	5 Insurance carriers to be determined	• Timely paying initial TIBs • Timely reporting initial payment data • Accuracy of initial payment data	To be determined	January 2027	3
36-65	30 Insurance carriers to be determined	• Accuracy of DB/LIB payments • Accuracy of claim data	To be determined	February 2027	4

Legend:

Quarter	Number
September-November	1
December-February	2
March-May	3
June-August	4

Fiscal impact

For this FY, DWC will not issue audit billing invoices associated with the above audits.

Respectfully submitted by:

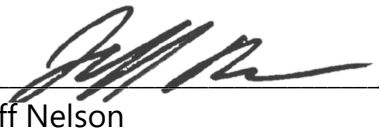


Diana Ramos
Director
Audits and Investigations

Approved by:



Dan LaBruyere
Deputy Commissioner
Compliance and Investigations



Jeff Nelson
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TDI, Division of Workers' Compensation