

INTERNAL AUDIT 2017 ANNUAL REPORT



TEXAS DEPARTMENT OF INSURANCE
INTERNAL AUDIT DIVISION
OCTOBER 2017

Texas Department of Insurance
333 Guadalupe | Austin, Texas 78701
(800) 578-4677
www.TDI.texas.gov



TEXAS DEPARTMENT OF INSURANCE

Internal Audit Division (105-7A)

333 Guadalupe, Austin, Texas 78701 ★ PO Box 149104, Austin, Texas 78714-9104
(512) 676-6202 | F: (512) 490-1024 | (800) 578-4677 | TDI.texas.gov | @TexasTDI

October 31, 2017

Honorable Greg Abbott, Governor
Members of the Legislative Budget Board
Members of the Sunset Advisory Commission
Ms. Lisa Collier, First Assistant State Auditor
Mr. Kent C. Sullivan, Commissioner of Insurance
Mr. W. Ryan Brannan, Commissioner of Workers' Compensation

Attached is the Fiscal Year 2017 Annual Report for the Texas Department of Insurance (TDI) Internal Audit Division. This report fulfills the requirements set forth in the Texas Internal Auditing Act (the Act). The Act mandates the State Auditor's Office prescribes the content, as such this report has been prepared in accordance with the State Auditor's content requirements.

The work performed by the Internal Audit Division is a key element in assuring accountability, economy, efficiency, and effectiveness within TDI. The division is committed to being a trusted resource by providing quality internal auditing services and aggressively pursuing projects in fiscal year 2018 to continue improving controls, reducing risk, and enhancing TDI operations.

Please contact me at (512) 676-6200 if you desire further information about the contents of this report or would like to request additional copies.

Sincerely,

A handwritten signature in black ink that reads "Greg Royal".

Greg Royal, CPA, CIA, CGAP, CRMA
Internal Audit Director

TABLE OF CONTENTS

SECTION I: COMPLIANCE WITH HOUSE BILL 16	I-1
SECTION IIA: INTERNAL AUDIT FISCAL YEAR 2017 ANNUAL AUDIT PLAN	IIA-1
SECTION IIB: DEVIATIONS FROM INTERNAL AUDIT FISCAL YEAR 2017 ANNUAL AUDIT PLAN	IIB-1
SECTION III: COMPLETED CONSULTING ENGAGEMENTS AND NON-AUDIT SERVICES	III-1
SECTION IV: EXTERNAL QUALITY ASSURANCE REVIEW	IV-1
SECTION V: INTERNAL AUDIT FISCAL YEAR 2018 ANNUAL AUDIT PLAN	V-1
SECTION VI: EXTERNAL AUDIT SERVICES	VI-1
SECTION VII: REPORTING SUSPECTED FRAUD AND ABUSE	VII-1

First printing, October 2017

Publication ID: IAAR | 1017

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

SECTION I: COMPLIANCE WITH HOUSE BILL 16



Internal Audit 2017 Annual Report
Texas Department of Insurance
Internal Audit Division

SECTION I: COMPLIANCE WITH HOUSE BILL 16

To comply with the provisions of House Bill 16, the Texas Department of Insurance Internal Audit Division will post its approved fiscal year (FY) 2018 Internal Audit Plan and FY 2017 Internal Audit Annual Report online at www.tdi.texas.gov/reports.

This section provides all audit reports issued in FY 2017 detailing the report name and number, issue month, objective(s), finding(s), recommendation(s), status of these recommendation(s), and updated management responses with proposed implementation dates.

REPORTS ISSUED IN FISCAL YEAR 2016

1. 2016-102, Gartner Reports Follow-up, January 2016

High-Level Audit Objective(s)

Determine the status of the Gartner recommendations presented during the IT Security Program evaluation.

Determine the status of the Gartner recommendations presented during the IT Governance evaluation.

Due to the confidential nature of the original report, recommendations and management responses are not included in the public document.

The report was finalized during February 2016. Since then, seventeen security recommendations have been fully implemented. The majority of the remaining security recommendations are projected to be completed within the next two fiscal years. Similarly, eight of the nine governance recommendations have been fully implemented since the report was issued. Supporting documentation was provided by management and verified by Internal Audit for recommendations shown as fully implemented.

REPORTS ISSUED IN FISCAL YEAR 2017

2. 2016-302, Regulatory Policy, November 2016

High-Level Audit Objective(s)

The Regulatory Policy Division (RPD) had adequate controls to collect, calculate, and report on two key performance measures.

RPD gathered, analyzed, and utilized audit data to effectively monitor exemption provisions for life, accident, and health insurance.

Observations/Findings and Recommendations

- 2.1 a. In order to ensure the most accurate data is reported into the Automated Budget and Evaluation System of Texas (ABEST) at fiscal year close, management should reconcile rate and form filing totals derived from newly executed SERFF queries with totals previously reported in the Performance Measure Database (PMD). More frequent reconciliations should be performed if deemed necessary. Total performance results, including any material differences noted, should ultimately be recorded within ABEST.
- b. RPD management should present the input control weaknesses surrounding the disposition date field by submitting a design suggestion to the SERFF Product Steering Committee.

Current Status and Updated Management Response: Fully Implemented

- a. Life and Health - The Life and Health Actuarial Office and Life and Health Lines Office prepared and submitted their end-of-year reconciliation on September 18, 2016.

Property and Casualty - The Property and Casualty Actuarial Office and the Property and Casualty Lines Office prepared and submitted their end-of-year reconciliations on September 22, 2016.

RPD - In addition, all involved offices updated their FY2018 calculation procedures to include an end-of-year reconciliation step.

Current Status and Updated Management Response: Incomplete/Ongoing

- b. As of October 4, 2017, SERFF does not have an estimated timeframe for finalizing the redesign or considering enhancements. (See original status update for more information on the SERFF implementation process.)

TDI can submit SERFF design suggestions through a survey tool. The SERFF implementation process is: the SERFF team gathers enhancement requests; SERFF Product Steering Committee (PSC) members prioritize the requests by voting; enhancements are implemented based on SERFF IT and budget resources. It is unlikely an enhancement will be implemented unless the majority of the states agree to its importance.

RPD submitted the design suggestion to SERFF on November 14, 2016. SERFF is currently in the process of redesigning its application, and doesn't anticipate considering enhancements until final decisions are made on the redesign. SERFF doesn't have an estimated timeframe for finalizing the redesign or considering enhancements.

3. 2016-305, Business Continuity, March 2017

High-Level Audit Objective(s)

Determine if division reconstitution plans were current and contained enough information to be used in the event the COOP was activated.

Verify assurances made in the COOP can be carried out at an alternate location.

Observations/Findings and Recommendations

- 3.1 Management should enhance training and guidance at the division level to complete the reconstitution plan template. Training should include an overview of the overall objectives of Division Reconstitution Plans. Objectives would include items such as, but are not limited to:
 - ★ Procedures on how and when to resume normal operations such that surviving and/or replacement personnel can execute, regardless of the level of disruption.
 - ★ Providing the necessary procedures for conducting a smooth transition either back to the primary operating facility or at an alternate operating facility.
 - ★ Procedures to account for personnel and periodically update personnel contact list.

Current Status and Updated Management Response: Incomplete/Ongoing

The reconstitution plan template has been developed and all divisions have submitted their initial plans to PGS. PGS and an ERM team sub-committee are evaluating plans with revised date for completion projected to be no later than January 1, 2018.

- 3.2 a. Management should develop formal procedures for implementing the agencywide TT&E program. The procedures should include instructions on documenting all conducted TT&E activities and storing such documentation.
- b. TDI Executive Management should also consider relocating the Continuity Operations Planning responsibilities to another division that contains staff with more strategic planning focus and can dedicate staff towards training and continuity planning in general.

Current Status and Updated Management Response: Fully Implemented

- a. We are following the established event sequences that were recommended by SORM for TT&E. Tabletop exercises were conducted on Friday 3/31/17. Going forward, OSM has assumed all COOP planning responsibilities including planning of future TT&E events. PGS will still have primary involvement in execution of TT&E events.
- b. OSM has hired an enterprise risk management manager that now has responsibility, among other duties, for all planning activities regarding COOP, including updating of division reconstitution plans that are being developed by PGS and the ERM team.

4. 2017-302, Agent and Adjuster Licensing, August 2017**High-Level Audit Objective(s)**

Verify managements' assertions to Internal Audit recommendations from audit report 2012-313.

- 4.1 Perform periodic supervisory reviews of the manual renewal process entered into the SIRCON database to ensure that complete, accurate, and reliable data is being reported.

Current Status and Updated Management Response: Incomplete/Ongoing

Management will establish a procedure for periodic supervisory reviews of the manual license renewal process to ensure that complete, accurate, and reliable data is being reported. Target Implementation date is February 2018.

- 4.2 Agent and Adjuster Licensing should document their review of ITS' access reports received to ensure that staff both has the appropriate access levels required to perform their job functions and individuals that have left the section no longer have access.

Current Status and Updated Management Response: Incomplete/Ongoing

Management will establish a procedure to document review of ITS' access reports to ensure appropriate access levels are maintained. Target Implementation date is October 2017.

5. 2017-305, Subsequent Injury Fund, August 2017

High-Level Audit Objective(s)

Determine whether payments made from the Subsequent Injury Fund are authorized and accurate.

5.1 Management of the SIF Program area should:

- a. Consult with Information Technology Services (ITS) in the possible creation of an automated application that would allow for the streamlining of reimbursement or benefit payment calculations. Until this application is created, the program area should complete all calculations within an Excel spreadsheet to automate their calculations. These documents should be maintained in the SIF records.
- b. Implement an automated process for calculating and verifying the AWW and eligible reimbursement period in both the first and second reviews that is documented and maintained in the claim files.
- c. Work with specialists to create a way of indicating in the calculation worksheet that PIEs were or were not present within the file, to show that PIEs were taken into consideration for the reimbursement or benefit calculation.

Current Status and Updated Management Response: Incomplete/Ongoing

a. After review, management believes the number of permutations does not allow for simple automation of calculating all relevant data. Instead, the AWW and eligible reimbursement period calculation excel tool will be used. With two reviews, the risk of simple mathematical errors in other parts of the calculation should be minimized.

To bolster this approach, SIF is developing standardized templates to streamline the calculation of reimbursements. A template will be created for each type of reimbursement to display the information pertinent for each. In addition to calculation information, these summaries will also include help text to assist staff in uniformity as well as brief statutory highlights and case information to streamline the SIF administrator's review. Templates are complete for four of the five reimbursement/refund types.

Current Status and Updated Management Response: Fully Implemented

- b. New AWW and eligible reimbursement period calculation excel tool has been developed and implemented.

Current Status and Updated Management Response: Incomplete/Ongoing

- c. Consideration of PIE will be included in the standardized templates being created.

SECTION IIA:
INTERNAL AUDIT
FISCAL YEAR 2017
ANNUAL AUDIT PLAN



Internal Audit 2017 Annual Report
Texas Department of Insurance
Internal Audit Division

INTERNAL AUDIT FISCAL YEAR 2017 ANNUAL AUDIT PLAN



TEXAS DEPARTMENT OF INSURANCE
INTERNAL AUDIT DIVISION
SEPTEMBER 2016

Texas Department of Insurance
333 Guadalupe | Austin, Texas 78701
(800) 578-4677
www.TDI.texas.gov

First printing, September 2016
Publication ID: IAAP | 0916
This document is available online at www.tdi.texas.gov/reports

TEXAS DEPARTMENT OF INSURANCE
INTERNAL AUDIT FISCAL YEAR 2017 ANNUAL AUDIT PLAN
SEPTEMBER 2016

PLAN APPROVED



David C. Mattax
Commissioner of Insurance

9/14/16

Date



W. Ryan Brannan
Commissioner of Workers' Compensation

9/14/16

Date



Greg Royal, CPA, CIA, CGAP, CRMA
Internal Audit Director

9/14/16

Date

This page is intentionally blank.

TABLE OF CONTENTS

OVERVIEW OF TDI INTERNAL AUDIT FISCAL YEAR 2017 ANNUAL AUDIT PLAN	3
SCHEDULE 1 – FY 2017 INTERNAL AUDIT PLAN PROJECTS.....	9
SCHEDULE 2 – INTERNAL AUDIT ORGANIZATION CHART	10
SCHEDULE 3 – FY 2017 ANNUAL OPERATING BUDGET	10

This page is intentionally blank.

OVERVIEW OF TDI INTERNAL AUDIT FISCAL YEAR 2017 ANNUAL AUDIT PLAN

INTRODUCTION

This document provides the Fiscal Year (FY) 2017 Audit Plan as required by professional auditing standards and the Texas Internal Auditing Act (Texas Government Code, Ch. §2102.008). This plan provides our vision of Internal Audit efforts for FY 2017, allocating resources to the most critical areas within the Texas Department of Insurance (TDI).

Projects were identified for the Audit Plan by using a risk assessment model that considered input from TDI management, commissioners, and the State Auditor's Office. Using that input, staff exercised auditor judgment to prioritize projects for FY 2017.

AUDIT CHARTER AND DEFINITION

The Audit Charter approved by the commissioners in November 2015 provides authorization to Internal Audit personnel for full, free, and unrestricted access to any of the agency's systems, records (manual or electronic), functions, property, and personnel relevant to the performance of statutory responsibilities and duties assigned by the Commissioner of Insurance and the Commissioner of Workers' Compensation. The charter also defines reporting relationships and the scope of audit work, as well as audit reporting and follow-up responsibilities.

As the internal audit profession has evolved, so has the definition of our work efforts. The mission of Internal Audit is to enhance and protect organizational value by providing risk based and objective assurance advice and insight. The definition states:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

RISK ASSESSMENT

Internal Audit developed the Audit Plan by first conducting a comprehensive risk assessment of agency program activities. We then selected projects for FY 2017 based on relative risk and available hours.

Risk assessment is a systematic process for assessing and integrating professional judgments about probable adverse conditions and/or events. This process provides a means to organize and integrate professional judgments for project selection and work schedule development. Activities with higher risk were assigned higher audit priorities. Internal Audit used the risk assessment results for recommending projects.

We assessed risk within TDI by sending out agency-wide questionnaires and interviewing selected executive management, as well as other management responsible for championing the agency Balanced Scorecard and Enterprise Risk Management (ERM) programs. Then, staff used the following criteria to determine the relative risk of each program activity and select projects:

- ★ Criticality to agency mission
- ★ Prior audits or studies
- ★ Size or complexity of operations
- ★ Quality of internal controls
- ★ Other high-risk indicators
- ★ Auditor judgment

The activities used in our analysis came from the following sources:

- ★ Activities identified from questionnaires and interviews
- ★ Prior division-level ERM footprints last obtained in 2013
- ★ Balanced Scorecard

An information technology (IT) specific risk assessment was also performed. Internal Audit used similar criteria for the IT assessment to distinguish risk between application controls and general controls. The criteria used to rate applications included:

- ★ Current utilization
- ★ Criticality
- ★ Interfacing with other applications
- ★ Technological complexity
- ★ Number and types of users
- ★ Prior audits
- ★ Vendor support
- ★ Auditor judgment

The following criteria were used to rate IT general controls:

- ★ Control environment
- ★ Change management
- ★ Development life cycle
- ★ Logical access
- ★ Incident management
- ★ Technical support
- ★ Hardware and software
- ★ Disaster recovery and backup
- ★ Physical security

General controls are control procedures that exist in the IT environment as a whole, while application controls exist specifically for each application. Projects selected cover both general and application controls.

ALLOCATION OF HOURS

Previous audit plans distributed project hours into 10 core functions that comprised TDI's regulatory and administrative responsibilities which followed the agency Strategic Plans. The chart in Figure 2 depicting historical data reflects this allocation. The agency changed the *Fiscal Year 2017-2021 Agency Strategic Plan* and project hours are allocated to the current goals and action plans, shown in Figure 1. We allocated 9,246 hours to audit and consulting projects, including 5,826 hours for new projects and 3,420 hours for carry-over projects. All IT, legal, and administrative operations projects are included in agency-wide operations. In addition, there are 400 hours for special requests and 250 hours for miscellaneous advisory projects, which are dispersed evenly to each core function area. The last chart in Figure 3, allocates hours to the four agency balanced scorecard perspectives.

Figure 1 below allocates hours among the agency goals and action plans as depicted in the *Fiscal Year 2017-2021 Agency Strategic Plan*.

Figure 1: FY 2017 Agency Goals and Action Plan Coverage Hours



Figure 2 below compares Internal Audit’s actual coverage for FY 2014, FY 2015, FY 2016, and budgeted coverage for FY 2017. These 10 core functions were from prior strategic plans. The *2015-2019 Agency Strategic Plan* had Workers’ Compensation as a separate category for the first time.

Figure 2: Historical Core TDI Function Coverage Hours

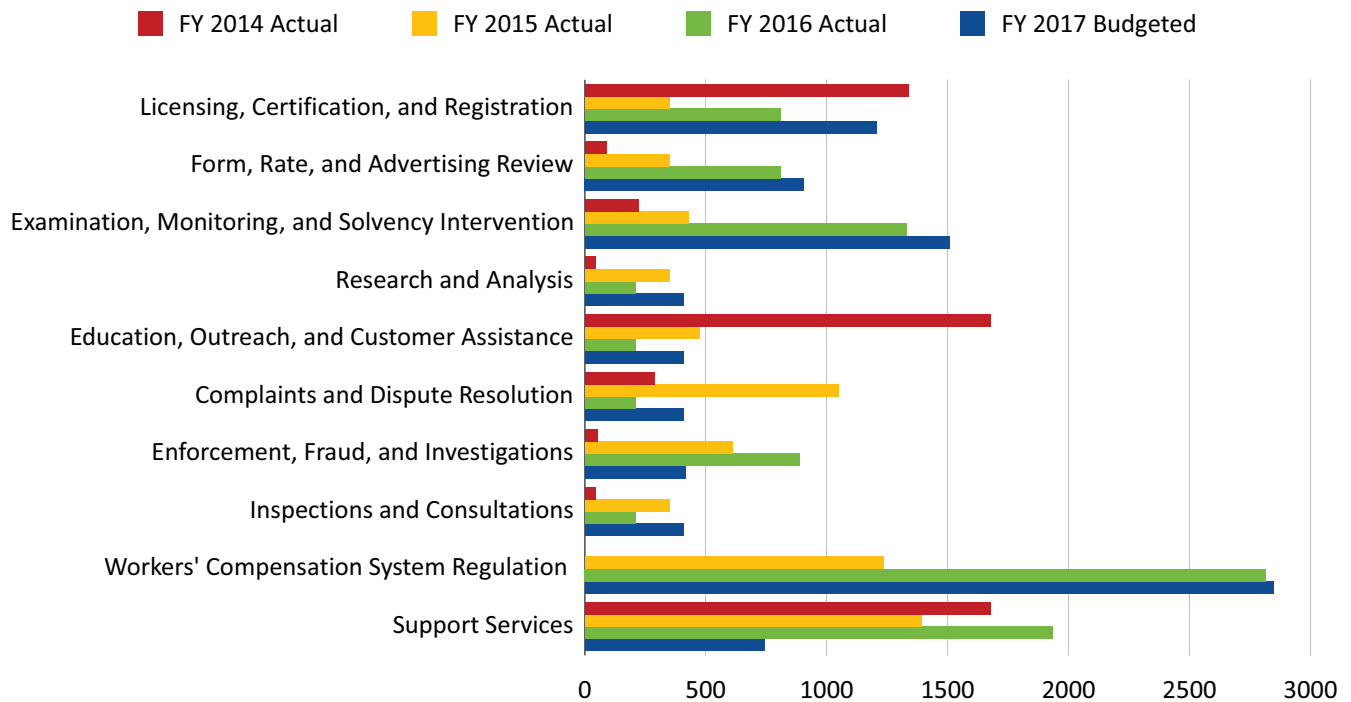
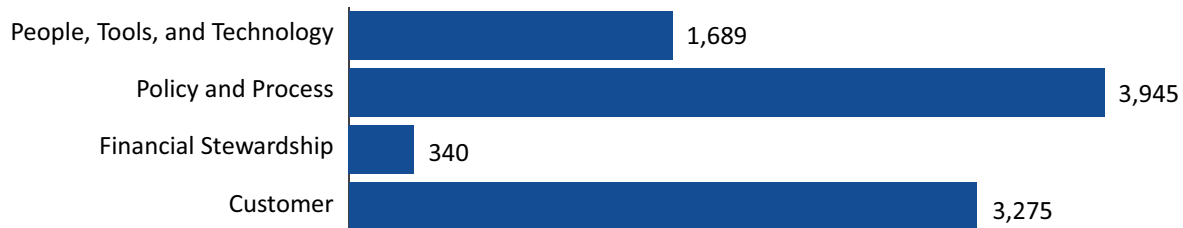


Figure 3 below shows the coverage of each of the four Balanced Scorecard Agency Perspectives.

Figure 3: TDI Balanced Scorecard Perspectives Coverage Hours



ACCEPTABLE LEVEL OF RISK

Although the plan contemplates a wide-ranging scope of audit effort, it does not provide coverage for all TDI components or systems. We attempted to maximize limited Internal Audit resources to provide reasonable coverage of the business activities we believe require the most attention.

However, because we cannot address every risk area, it is important the commissioners and management understand the limitations of the audit coverage and the risks they assume in unaudited areas. This plan allocates Internal Audit resources to the agency's most important priorities and risks at this point in time. The Audit Plan also includes 250 hours for special audit requests from the commissioners or executive management that may occur during the year.

The Internal Audit Division is committed to being a valuable resource in improving the agency's operations and proposes a plan that targets key processes, yet builds flexibility to allow for commissioner and management special requests that require immediate attention. After accounting for scheduled holidays, vacation, sick leave, required training, and administrative projects, 9,426 hours are available for audits, consulting activities, investigations, and special requests.

FY 2017 INTERNAL AUDIT PLAN ALLOCATION

The Audit Plan depicts hours allocated to audit engagements in various divisions and sections of the agency and is shown in Schedule 1. The Audit Plan includes the following sections:

Projects Carried Forward

Some projects that began in FY 2016 were not completed by the end of the fiscal year. The following projects were started in FY 2016 and have hours allocated in FY 2017 to complete the project: Business Continuity, Regulatory Policy, Designated Doctor Exam Scheduling, Workplace Safety, Agent & Adjuster Licensing, and Risk Assessment for FY 2017. Other projects that were not started in FY 2016, yet are still included in the FY 2017 Audit Plan in some format include Rehabilitation, Liquidation & Oversight, Controls Survey, and TeamMate build-out of other modules.

In addition, the division underwent an independent quality assurance review, which was completed with a report issued in September 2015 and the division obtained the highest rating. Internal Audit staff participated in a quality assurance review of another state agency in FY 2016 and plans to participate in FY 2017.

Information Technology Services Project

The project listed will assess IT general and application controls and is specific to the agency environment and specific applications. Although most audit projects have an IT component included in the audit scope, this project will have a scope and objectives specific to IT controls in place.

Financial/Performance Assurance Activities

Internal Audit provides assurance services for TDI which are defined as objective examinations of evidence for the purpose of providing an independent assessment on risk management, control, and governance processes for the agency. Examples may include financial, compliance, economy and efficiency, effectiveness, investigations, and information technology engagements.

Hours allocated in this section are dedicated to projects that were selected through the agency-wide risk assessment.

Special Initiatives

In addition to assurance and consulting engagements, Internal Audit allocates resources toward special initiatives. These initiatives include any liaison activities which may occur during the year and special requests

to be responsive to the immediate needs of the commissioners and management.

Consulting/Advisory Activities

By definition, internal auditing includes the provision of consulting services. Consulting services are advisory and related client service activities, the nature and scope of which are agreed upon with the client. These activities are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.

Progressive Internal Audit departments provide additional management assistance or consulting services to their organizations. We will continue to provide representation on TDI committees and work groups as needed and requested by the Commissioner of Insurance, the Commissioner of Workers' Compensation, and management. Upon request, we will provide both formal and informal advice and suggestions on management issues, concerns, and draft policies and procedures.

By providing consulting or advisory activities, Internal Audit adds value to TDI beyond assurance services and assists in strengthening agency internal controls.

Administrative Activities

We included hours for various administrative activities of the Internal Audit Division, some of which are mandated either by the professional standards or statute we are required to follow. Department leave time is also included to show a full picture of hours to be used by Internal Audit during the year.

Professional Standards

We adhere to *Government Auditing Standards*, as promulgated by the U.S. Government Accountability Office and the *International Standards for the Professional Practice of Internal Auditing*, as promulgated by the Institute of Internal Auditors, which includes the Code of Ethics. In addition, we conform to requirements found under the Texas Internal Auditing Act (Texas Government Code §2102) and comply with all policies and procedures of TDI.

PERFORMANCE MEASURES

Internal Audit performance measures for FY 2017 are as follows:

- ★ Complete development and approval of the Fiscal Year 2017 Audit Plan by September 30, 2016.
- ★ Complete the FY 2016 Annual Internal Audit Report by November 1, 2016.
- ★ Complete 80 percent of the scheduled FY 2017 Audit Plan projects.
- ★ Spend over 60 percent of total planned hours available on direct audit and consulting work.
- ★ Obtain management acceptance of 95 percent of audit issues and/or recommendations.
- ★ Obtain management satisfaction on at least 80 percent of audit assurance and consulting activities.

Internal Performance Measure results for FY 2016 were:

- ★ FY 2016 Audit Plan was approved in September.
- ★ FY 2015 Annual Internal Audit Report was completed in October.
- ★ Seventeen of the 29 projects in the 2016 Audit Plan were completed by the end of FY 2016 (59 percent). There were six on-going projects carried over into the FY 2017 Audit Plan along with two projects carried forward that had not started, two projects combined and carried forward, and two projects canceled.
- ★ Internal Audit spent less than 60 percent of total hours available on direct audit or consulting work in FY 2016, as we experienced significant turnover of senior level staff; during the fiscal year four new auditors and a new executive assistant replaced staff leaving or retiring. Due to training new staff, approximately 33 percent of recorded time was spent on administrative or staff development activities.

- ★ Management acceptance of audit issues and/or recommendations exceeded 95 percent.
- ★ Management satisfaction from returned surveys exceeded 80 percent of audit assurance and consulting activities.

AUDIT ORGANIZATION STAFFING AND BUDGET

A current organization chart for Internal Audit is attached to this plan and shown in Schedule 2. The division includes nine full-time equivalent positions: an audit director, seven auditors, and an executive assistant. The FY 2017 Internal Audit Plan was developed based on the assumption that the division would be fully staffed throughout the year. The FY 2017 budget is included in this plan and is shown in Schedule 3.

Current Internal Audit staff members collectively have over 63 years auditing experience, including over 26 years at TDI. In addition, audit staff possess the following 11 professional certifications and advanced education:

- ★ Three master's degrees
- ★ Three Certified Internal Auditors (CIA)
- ★ Three Certified Government Auditing Professionals (CGAP)
- ★ One Certified Public Accountant (CPA)
- ★ One Certification in Risk Management Assurance (CRMA)
- ★ One Certified Fraud Examiner (CFE)
- ★ One Certified Investments and Derivatives Auditor (CIDA)
- ★ One Certified Internal Controls Auditor (CICA)

Current staff are also actively pursuing the following certifications: CPA, CIA, CGAP, and CFE in order to enhance skills.

CLOSING

Audit plans act as a guide for audit departments. Our plan includes proposed projects and other initiatives to perform during the year. We have budgeted time for special requests so that we can be responsive to the immediate needs of the commissioners and management as they may arise throughout the fiscal year.

As discussed previously under "Acceptable Level of Risk" our plan does not, nor is it intended to, address or provide complete coverage for all TDI components or system risks. We believe that this plan allocates the resources of the Internal Audit Division to the most important priorities and risks of the agency at this point in time.

Internal Audit wishes to thank TDI management and staff for their assistance in providing information which led to the development of this proposal. In addition, the Internal Audit Division looks forward to helping the agency meet its objectives this fiscal year. For further information on the FY 2017 Internal Audit Plan, please contact the Internal Audit Director, Greg Royal, at (512) 676-6200 or by email at greg.royal@tdi.texas.gov.

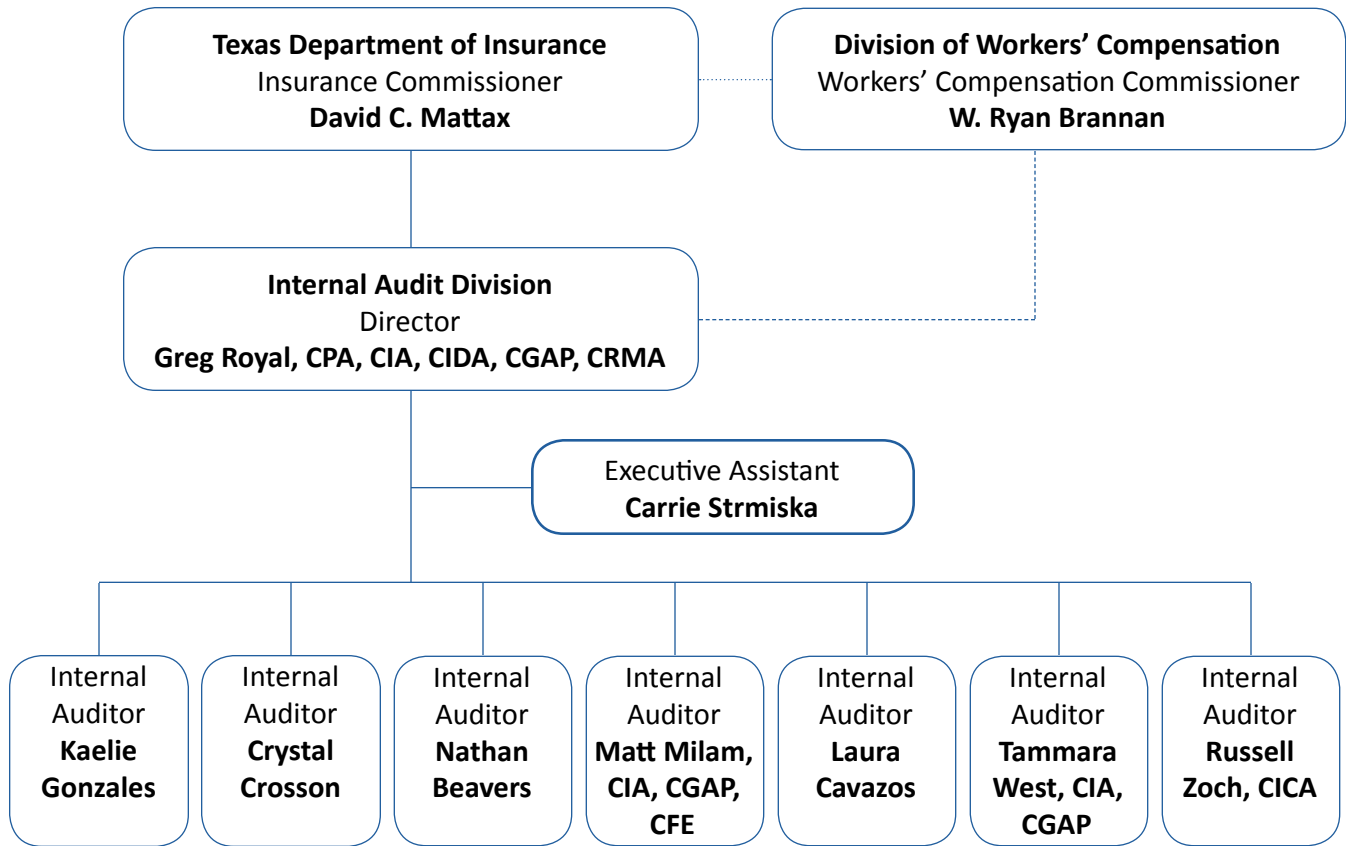
SCHEDULE 1 – FY 2017 INTERNAL AUDIT PLAN PROJECTS

Project #	Project Description	Program Area	Hours
Audit, Investigation, and Advisory Projects			
Projects Started and Carried Forward from FY 2016			
2016-302	Regulatory Policy (P&C, LAH)	Reg. Policy	500
2016-304	Designated Doctor Exam Scheduling	DWC	500
2016-305	Business Continuity	Admin. Ops	300
2016-306	Workplace Safety	DWC	500
2016-407	FY 2017 Risk Assessment	Agencywide	320
2017-302	Agent and Adjuster Licensing Office	Financial Reg.	800
Carry-Forward Project Subtotal			2,920
Information Technology Services Project			
Pending	General Controls/Application Controls	Agencywide	760
Information Technology Services Project Subtotal			760
Financial/Performance Assurance Projects			
Pending	Rehabilitation and Liquidation Oversight Program (FY 2016 Audit Plan)	Financial Reg.	800
Pending	Certified Self-Insurance	DWC GC	700
Pending	Subsequent Injury Fund	DWC	500
Pending	Administrative Operations Review	Admin. Ops	500
Pending	Mid-year Recommendations Follow-up (Internal Audit reports)	Agencywide	50
2017-301	FY 2016 Seized/Forfeited Property Audit (<i>Code of Criminal Procedures Art 59.06</i>)	Fraud/SFMO	10
Financial/Performance Assurance Project Subtotal			2,560
Special Initiatives			
Various	Special assigned audits, investigations, or management requests	N/A	400
Special Initiatives Subtotal			400
Consulting/Advisory Projects			
Pending	Agency Strategy - Balanced Scorecard Workgroups	Admin. Ops	100
Pending	Controls Survey/Risk Ranking (FY 2016 Audit Plan Project)	Agencywide	1,200
Pending	ITS Customer Meetings	Admin. Ops	36
Pending	SB 20 Implementation	Admin. Ops	240
Pending	Managed Care Quality Assurance	Financial Reg.	300
Pending	Data Governance	Agencywide	240
Pending	Ethics Survey (UT students)	Agencywide	240
Pending	Miscellaneous Advisory Projects	Agencywide	250
Consulting/Advisory Project Subtotal			2,606
Audit, Investigation, and Advisory Project Subtotal			9,246
Administrative and Required Internal Audit Projects			
Pending	Internal Audit General Administration (Auditor staff at 17.5 percent)	N/A	2,604
Pending	Maximum Annual Vacation and Sick Leave Accrual for Each Employee	N/A	1,800
Pending	FY 2018 Risk Assessment	N/A	400
2017-401	Staff Training	N/A	320
Pending	TeamMate Build-out of Other Modules	N/A	240
Pending	External Peer Review – Part of the State Agency Internal Audit Forum Team	N/A	150
2017-403	FY 2016 Internal Audit Annual Report	N/A	120
Administrative and Other Internal Audit Project Subtotal			5,634
Total Available Hours*			14,880

* Available Hours: (261 work days) - (13 holidays @ 8 hours/day) = 1,984 hours/year
(1,984 hours x 7 auditors + 1,984 x .5 audit director hours to projects) = 14,880 Total Hours

SCHEDULE 2 – INTERNAL AUDIT ORGANIZATION CHART

As of September 2016



SCHEDULE 3 – FY 2017 ANNUAL OPERATING BUDGET

Expenditure Category	FY 2017
Salaries and Longevity (9.0 FTEs)	\$ 636,007.20
Other Operating Expenses	10,016.00
Total Operating Budget	\$ 646,023.20



Internal Audit Fiscal Year 2017 Annual Audit Plan
Texas Department of Insurance
Internal Audit Division
IAAP | 0916

SECTION IIB:
DEVIATIONS FROM
INTERNAL AUDIT FISCAL YEAR
2017 ANNUAL AUDIT PLAN



Internal Audit 2017 Annual Report
Texas Department of Insurance
Internal Audit Division

SECTION IIIB: DEVIATIONS FROM FISCAL YEAR 2017 AUDIT PLAN

In an effort to be responsive to the agency's needs and timely address areas posing higher risk to the agency, the Internal Audit Division did not start two projects during fiscal year (FY) 2017 that were in the approved FY 2017 Audit Plan. These projects include:

- ★ Certified Self-Insurance
- ★ General Controls/Application Controls

These two projects are in the FY 2018 Audit Plan.

As of October 2017, all other planned activities approved in the FY 2017 Audit Plan were either completed as an assurance or advisory activity or are in process. Current status of carry-over projects from the FY 2017 Audit Plan:

- ★ Managed Care Quality Assurance – currently in planning stage
- ★ Controls Survey – currently in fieldwork stage
- ★ Risk Assessment for FY 2018 – completed September 2017
- ★ Rehabilitation, Liquidation, & Oversight – completed September 2017

SECTION III:
COMPLETED CONSULTING
ENGAGEMENTS AND
NON-AUDIT SERVICES



Internal Audit 2017 Annual Report
Texas Department of Insurance
Internal Audit Division

SECTION III: COMPLETED CONSULTING ENGAGEMENTS AND NON-AUDIT SERVICES

The following list shows the high-level objectives and impact of completed consulting engagements and non-audit services.

Project	Engagement	High-Level Consulting Engagement Objective	Impact
2017-003	Balanced Scorecard	Participated on each perspective team and attended quarterly Balanced Scorecard meetings.	Kept abreast of agency activities and provided internal audit advice.
2017-004	ERM Workgroup	Participated in an agencywide ERM workgroup.	Provided advice and counsel during the development of the agency's ERM framework.
2017-007	Data Governance	Commissioner directive aimed at providing a baseline assessment of agency safeguarding of sensitive info.	Provided advice and counsel to the team assessing agency data governance.
2017-404	Mid-Year Follow-Up of Prior Audit Recommendations	Followed up on all outstanding prior internal audit recommendations.	Satisfied Texas Internal Audit Act requirements.
2017-405	FY 2018 Risk Assessment	Assessed various risks throughout TDI in order to assist in the formation of the FY 2018 Internal Audit Plan.	Basis for forming the Internal Audit FY 2018 Annual Audit Plan.
N/A	ITS Customer Meetings	Participated in an advisory capacity at monthly meetings with ITS staff and division staff that use applications.	Information obtained can be used for audit planning and the annual risk assessment.
2017-601	Consumer Protection	Assessed Consumer Protection's ability to effectively resolve consumer complaints.	<ul style="list-style-type: none"> – Performed agreed upon procedure as requested. – Provided four recommendations in an internal report to agency management.
2017-602	Document Management	Participated in an advisory capacity at team meetings for new system.	Provided advice and counsel to the team in the design of an improved document management system.
2017-603	SB 20 Implementation	Reviewed documents and verified processes to ensure changes prescribed by Senate Bill 20 have been put into place by the agency.	Performed agreed upon procedure as requested.
2017-606	Ethics Review	<ul style="list-style-type: none"> – Assessed TDI's ethical climate by conducting interviews and an agencywide ethics survey. – Compared the survey results to the 2011, 2013, and 2015 results. – Evaluated and rated the effectiveness of the agency's current ethics compliance using a maturity model. 	<ul style="list-style-type: none"> – Worked with students from the McCombs School of Business on the project. – Obtained agency awareness of ethics and provided ideas to advance to the next level of the maturity model.
2017-605	State Auditor's Office (SAO) Reports Follow-up	Acted as agency liaison to the SAO for follow-up to prior TDI-related audit report recommendations.	Helped to ensure management's responses addressed audit recommendations.

Project	Engagement	High-Level Consulting Engagement Objective	Impact
N/A	Executive Steering Committee	<ul style="list-style-type: none"> - The Steering Committee drives projects for the limited resources of the ITS division. - Attended meetings and module demonstrations and provided analysis when needed. 	Assisted management as requested on projects approved by the Steering Committee and provided observations to assist in identifying any control issues or bottlenecks.

SECTION IV:
EXTERNAL QUALITY
ASSURANCE REVIEW



Internal Audit 2017 Annual Report
Texas Department of Insurance
Internal Audit Division

**TEXAS DEPARTMENT OF INSURANCE
INTERNAL AUDIT DIVISION
EXTERNAL QUALITY ASSURANCE REVIEW - SEPTEMBER 2015**

OVERALL OPINION


Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Texas Department of Insurance Internal Audit Division receives a rating of “pass” and is in compliance with the Institute of Internal Auditors (IIA) International Professional Practices Framework and Code of Ethics, the United States Government Accountability Office (GAO) Government Auditing Standards, and the Texas Internal Audit Act (Texas Government Code, Chapter 2102). This opinion, which is the highest of the three possible ratings, means that policies, procedures, and practices are in place to implement the standards and requirements necessary for providing assurance and consulting engagements in conformance with professional auditing standards.

The annual audit plan and individual audit projects are planned using risk assessment techniques; audit conclusions are supported in the working papers; and findings and recommendations are reported, as required.


Internal Audit has sufficient independence to perform its work. Surveys and interviews conducted during the quality assurance review indicated that management considers Internal Audit a useful part of the overall agency operations; however, opportunities to further communicate and engage management in the value proposition of Internal Audit were identified. Overall, management agreed that additional value could be gained through Internal Audit’s demonstrated focus on collaboration, while maintaining its independence.

ACKNOWLEDGEMENTS

We appreciate the courtesy and cooperation extended to us by the Internal Audit Director, Internal Audit staff, the Commissioner and TDI leaders who participated in the survey and interview processes. The feedback from the surveys and the interviews provided valuable information regarding the operations of the Internal Audit Division and its relationship with management.



Benito Ybarra
 Chief Audit and Compliance Officer
 Texas Department of Transportation
 SAIAF Peer Review Team Leader



Chance Watson
 Internal Audit Director
 Texas Department of Family and Protective Services
 SAIAF Peer Review Team Member

SECTION V:
INTERNAL AUDIT
FISCAL YEAR 2018
ANNUAL AUDIT PLAN



Internal Audit 2017 Annual Report
Texas Department of Insurance
Internal Audit Division

INTERNAL AUDIT FISCAL YEAR 2018 ANNUAL AUDIT PLAN



TEXAS DEPARTMENT OF INSURANCE
INTERNAL AUDIT DIVISION
OCTOBER 2017

Texas Department of Insurance
333 Guadalupe | Austin, Texas 78701
(800) 578-4677
www.TDI.texas.gov

First printing, October 2017
Publication ID: IAAP | 1017
This document is available online at www.tdi.texas.gov/reports

TEXAS DEPARTMENT OF INSURANCE
INTERNAL AUDIT FISCAL YEAR 2018 ANNUAL AUDIT PLAN
OCTOBER 2017

PLAN APPROVED



Kent C. Sullivan
Commissioner of Insurance

October 26, 2017

Date



W. Ryan Brannan
Commissioner of Workers' Compensation

October 26, 2017

Date



Greg Royal, CPA, CIA, CGAP, CRMA
Internal Audit Director

October 26, 2017

Date

This page is intentionally blank.

TABLE OF CONTENTS

OVERVIEW OF TDI INTERNAL AUDIT FISCAL YEAR 2018 ANNUAL AUDIT PLAN	3
SCHEDULE 1 – FY 2018 INTERNAL AUDIT PLAN PROJECTS.....	9
SCHEDULE 2 – INTERNAL AUDIT ORGANIZATION CHART	10
SCHEDULE 3 – FY 2018 ANNUAL OPERATING BUDGET	10

This page is intentionally blank.

OVERVIEW OF TDI INTERNAL AUDIT FISCAL YEAR 2018 ANNUAL AUDIT PLAN

INTRODUCTION

This document provides the Fiscal Year (FY) 2018 Audit Plan as required by professional auditing standards and the Texas Internal Auditing Act (Texas Government Code, Ch. §2102.008). This plan provides our vision of Internal Audit efforts for FY 2018, allocating resources to the most critical areas within the Texas Department of Insurance (TDI).

Projects were identified for the Audit Plan by using a risk assessment model that considered input from TDI management, commissioners, and the State Auditor's Office. Using that input, staff exercised auditor judgment to prioritize projects for FY 2018.

AUDIT CHARTER AND DEFINITION

The Audit Charter approved by the commissioners in November 2015 provides authorization to Internal Audit personnel for full, free, and unrestricted access to any of the agency's systems, records (manual or electronic), functions, property, and personnel relevant to the performance of statutory responsibilities and duties assigned by the Commissioner of Insurance and the Commissioner of Workers' Compensation. The charter also defines reporting relationships and the scope of audit work, as well as audit reporting and follow-up responsibilities.

As the internal audit profession has evolved, so has the definition of our work efforts. The mission of Internal Audit is to enhance and protect organizational value by providing risk based and objective assurance advice and insight. The definition states:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.¹

RISK ASSESSMENT

Internal Audit developed the Audit Plan by first conducting a comprehensive risk assessment of agency program activities. We then selected projects for FY 2018 based on relative risk and available hours.

Risk assessment is a systematic process for assessing and integrating professional judgments about probable adverse conditions or events. This process provides a means to organize and integrate professional judgments for project selection and work schedule development. Activities with higher risk were assigned higher audit priorities. Internal Audit used the risk assessment results for recommending projects.

We assessed risks within TDI by sending out agencywide questionnaires and interviewing all executive management, as well as other management responsible for championing the agency Balanced Scorecard and Enterprise Risk Management programs. Then, staff used the following criteria to determine the relative risk of each program activity and select projects:

- ★ Criticality to agency mission
- ★ Prior audits or studies
- ★ Size or complexity of operations
- ★ Quality of internal controls
- ★ Other high-risk indicators
- ★ Auditor judgment

1 The Institute of Internal Auditors – International Professional Practices Framework, July 2015

ALLOCATION OF HOURS

Project hours are allocated to the current goals and action plans contained in the *Fiscal Year 2017-2021 Agency Strategic Plan*, shown in Figure 1. We allocated 7,344 hours to audit and consulting projects including 5,998 hours for new projects and 1,346 hours for carry-over projects. All IT, legal, and administrative operations projects are included in agencywide operations. In addition, there are 400 hours for special requests and 300 hours for miscellaneous advisory projects, which are dispersed evenly to each core function area. The chart in Figure 2 depicts historical data of 10 core functions. Figure 3, allocates hours to the four agency balanced scorecard perspectives.

Figure 1 below allocates hours among the agency goals and action plans as depicted in the *Fiscal Year 2017-2021 Agency Strategic Plan*.

Figure 1: FY 2018 Agency Goals & Action Plans Coverage Hours



Figure 2 below compares Internal Audit’s actual coverage for FY 2015, FY 2016, FY 2017, and budgeted coverage for FY 2018. These 10 core functions were from prior strategic plans.

Figure 2: Historical Core TDI Function Coverage

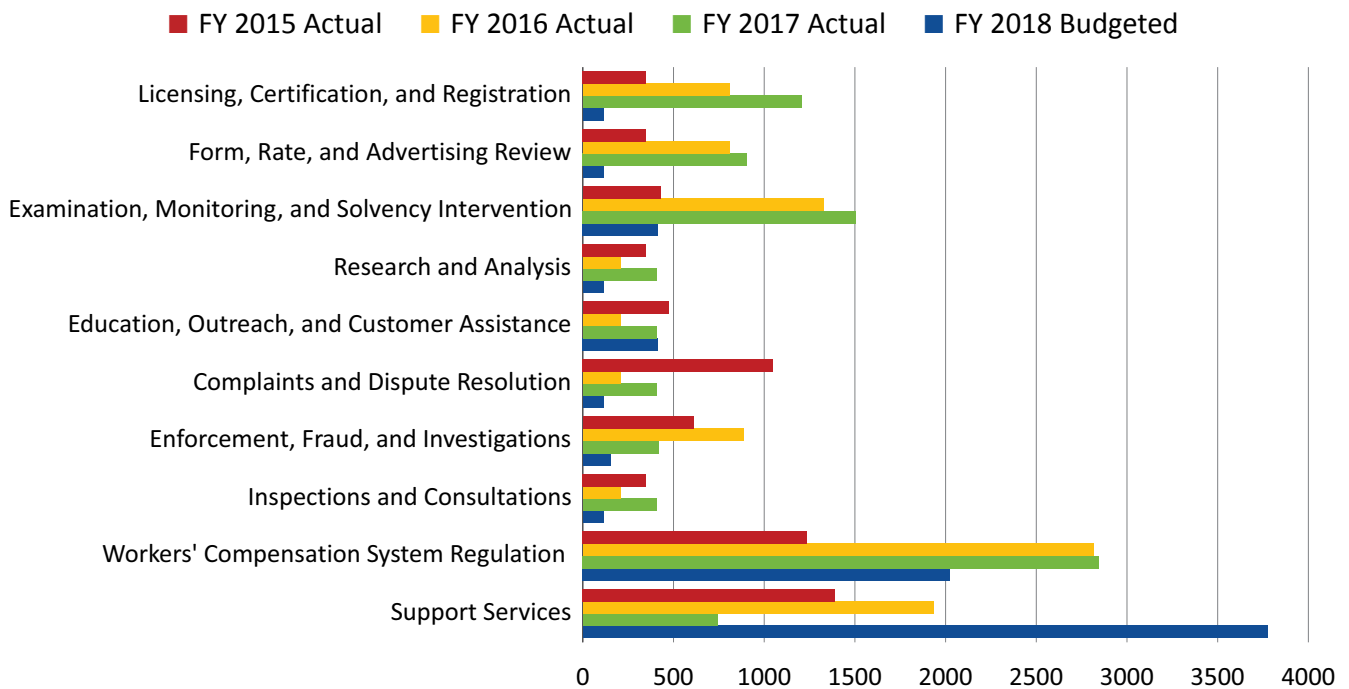
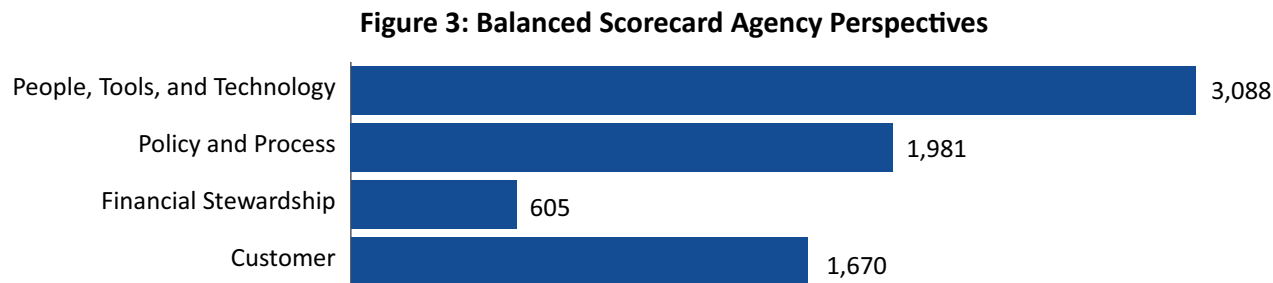


Figure 3 below shows the coverage of each of the four Balanced Scorecard Agency Perspectives.



ACCEPTABLE LEVEL OF RISK

Although the plan contemplates a wide-ranging scope of audit effort, it does not provide coverage for all TDI components or systems. We attempted to maximize limited Internal Audit resources to provide reasonable coverage of the business activities that require the most attention. Due to budget constraints, our audit staff was reduced by one full-time equivalent auditor (14 percent of staff). This reduction has led to fewer hours allocated to projects than in prior fiscal years.

Because we cannot address every risk area, it is important the commissioners and management understand audit coverage limitations and the assumed risks in unaudited areas. This plan allocates Internal Audit resources to the agency's priorities and risks at this point in time. The Audit Plan also includes 400 contingency hours for special audit requests from the commissioners or executive management that may occur during the year.

The Internal Audit Division is committed to being a valuable resource in improving the agency's operations and proposes a plan that targets key processes, yet builds flexibility to allow for commissioner and management special requests that require immediate attention. After accounting for scheduled holidays, vacation, sick leave, required training, and administrative projects, 7,344 hours are available for audits, consulting activities, investigations, and special requests.

FY 2018 INTERNAL AUDIT PLAN ALLOCATION

The Audit Plan depicts hours allocated to audit engagements in various divisions and sections of the agency and is shown in Schedule 1. The Audit Plan includes the following sections:

Projects Carried Forward

Some projects that began in FY 2017 were not completed by the end of the fiscal year. The following projects were started in FY 2017 and have hours allocated in FY 2018 to complete the project: Managed Care Quality Assurance; Rehabilitation, Liquidation, and Oversight; Controls Survey; and Risk Assessment for Fiscal Year 2018. Other projects that were not started in FY 2017, yet are still included in the FY 2018 Audit Plan in some format include ITS General and Application Controls, Certified Self Insurance, and TeamMate build-out of other modules.

Information Technology Services Projects

One project listed will assess IT general and application controls and is specific to the agency environment and specific applications. The other audit will focus on user developed applications on the insurance side. Although most audit projects have an IT component included in the audit scope, these projects will have a scope and objectives specific to IT controls in place.

Financial/Performance Assurance Activities

Internal Audit provides assurance services for TDI, which are defined as objective examinations of evidence for the purpose of providing an independent assessment on risk management, control, and governance processes for the agency. Examples may include financial, compliance, economy and efficiency, effectiveness, investigations, and information technology engagements.

Hours allocated in this section are dedicated to projects that were selected through the agencywide risk assessment.

Special Initiatives

In addition to assurance and consulting engagements, Internal Audit allocates resources toward special initiatives. These initiatives include any liaison activities during the year and special requests from commissioners and management.

Consulting/Advisory Activities

By definition, internal auditing includes the provision of consulting services. Consulting services are advisory and client-related service activities, the nature and scope of which are agreed upon with the client. These activities are intended to add value and improve governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.

Internal Audit will continue to provide representation on TDI committees and work groups as needed and requested by the Commissioner of Insurance, the Commissioner of Workers' Compensation, and management. Upon request, Internal Audit will provide both formal and informal advice and suggestions on management issues, concerns, and draft policies and procedures.

Progressive Internal Audit departments provide additional management assistance or consulting services to their organizations. By providing consulting or advisory activities, Internal Audit adds value to TDI beyond assurance services and assists in strengthening agency internal controls.

Administrative Activities

We included hours for various administrative activities of the Internal Audit Division, some of which are mandated either by the professional standards or statute we are required to follow. Department leave time is also included to show a full picture of hours to be used by Internal Audit during the year.

In addition, the Internal Audit division underwent an independent quality assurance review that was completed with a report issued in September 2015, and the division obtained the highest rating. Internal Audit staff periodically participates in a quality assurance review of another state agency and plans to participate in FY 2018. The Internal Audit Division is scheduled to go through another independent quality assurance review in the fall of 2018.

PROFESSIONAL STANDARDS

We adhere to *Government Auditing Standards*, as promulgated by the U.S. Government Accountability Office, and the *International Standards for the Professional Practice of Internal Auditing*, as promulgated by the Institute of Internal Auditors, which includes the Code of Ethics. In addition, we conform to requirements found under the Texas Internal Auditing Act (Texas Government Code §2102) and comply with all policies and procedures of TDI.

PERFORMANCE MEASURES

Internal Audit performance measures for FY 2018 are as follows:

- ★ Complete development and approval of the *Internal Audit Fiscal Year 2018 Audit Plan* by September 30, 2017.
- ★ Complete the *Internal Audit 2017 Annual Report* by November 1, 2017.
- ★ Complete 80 percent of the scheduled FY 2018 Audit Plan projects.
- ★ Spend over 60 percent of total planned hours available on direct audit and consulting work.
- ★ Obtain management acceptance of 95 percent of audit issues or recommendations.
- ★ Obtain management satisfaction on at least 80 percent of audit assurance and consulting activities.

Internal Performance Measure results for FY 2017 were:

- ★ The *Internal Audit Fiscal Year 2017 Audit Plan* was approved in September 2016.
- ★ The *Internal Audit 2016 Annual Report* was completed in October 2016.
- ★ Of the 23 projects in the FY 2017 Audit Plan, 16 were completed by the end of the fiscal year (70 percent). There were five on-going projects and two projects that had not started and were carried over to the FY 2018 Audit Plan.
- ★ Internal Audit spent 65 percent of total hours available on direct audit or consulting work in FY 2017.
- ★ Management acceptance of audit issues or recommendations exceeded 95 percent.
- ★ Management satisfaction from surveys exceeded 80 percent of audit assurance and consulting activities.

INTERNAL AUDIT STAFFING AND BUDGET

A current organization chart for Internal Audit is attached to this plan and shown in Schedule 2. The division includes eight full-time equivalent positions: an audit director, six auditors, and an executive assistant. The FY 2018 Internal Audit Plan was developed based on the assumption that the division would be fully staffed throughout the year. The FY 2018 budget is included in this plan and is shown in Schedule 3.

Current Internal Audit staff members collectively have over 69 years auditing experience, including over 31 years at TDI. In addition, audit staff possesses the following 19 professional certifications and advanced education:

- ★ Four Certified Internal Auditors (CIA)
- ★ Three Certified Government Auditing Professionals (CGAP)
- ★ Three Certified Fraud Examiners (CFE)
- ★ Two master's degrees
- ★ Three Certified Public Accountants (CPA)
- ★ One Certification in Risk Management Assurance (CRMA)
- ★ One Certified Investments and Derivatives Auditor (CIDA)
- ★ One Certified Internal Controls Auditor (CICA)
- ★ One Certified Information Systems Auditor (CISA)

During FY 2017, one CPA, one CIA, one CISA, and two CFE certifications were obtained by four different staff members. Current staff is also actively pursuing CPA and CISA certifications in order to enhance skills.

CLOSING

Audit plans act as a guide for audit departments. This plan includes proposed projects and other initiatives for FY 2018. We have budgeted time for special requests so that we can be responsive to the immediate needs of the commissioners and management as they arise throughout the fiscal year.

As discussed under “Acceptable Level of Risk” our plan does not, nor is it intended to, address or provide complete coverage for all TDI components or system risks. We believe that this plan allocates the resources of the Internal Audit Division to the most important priorities and risks of the agency at the time of publication.

Internal Audit wishes to thank TDI management and staff for their assistance in providing information which led to the development of this proposal. In addition, the Internal Audit Division looks forward to helping the agency meet its objectives this fiscal year. For further information on the Internal Audit FY 2018 Audit Plan, please contact the Internal Audit Director, Greg Royal, at (512) 676-6200 or by email at greg.royal@tdi.texas.gov.

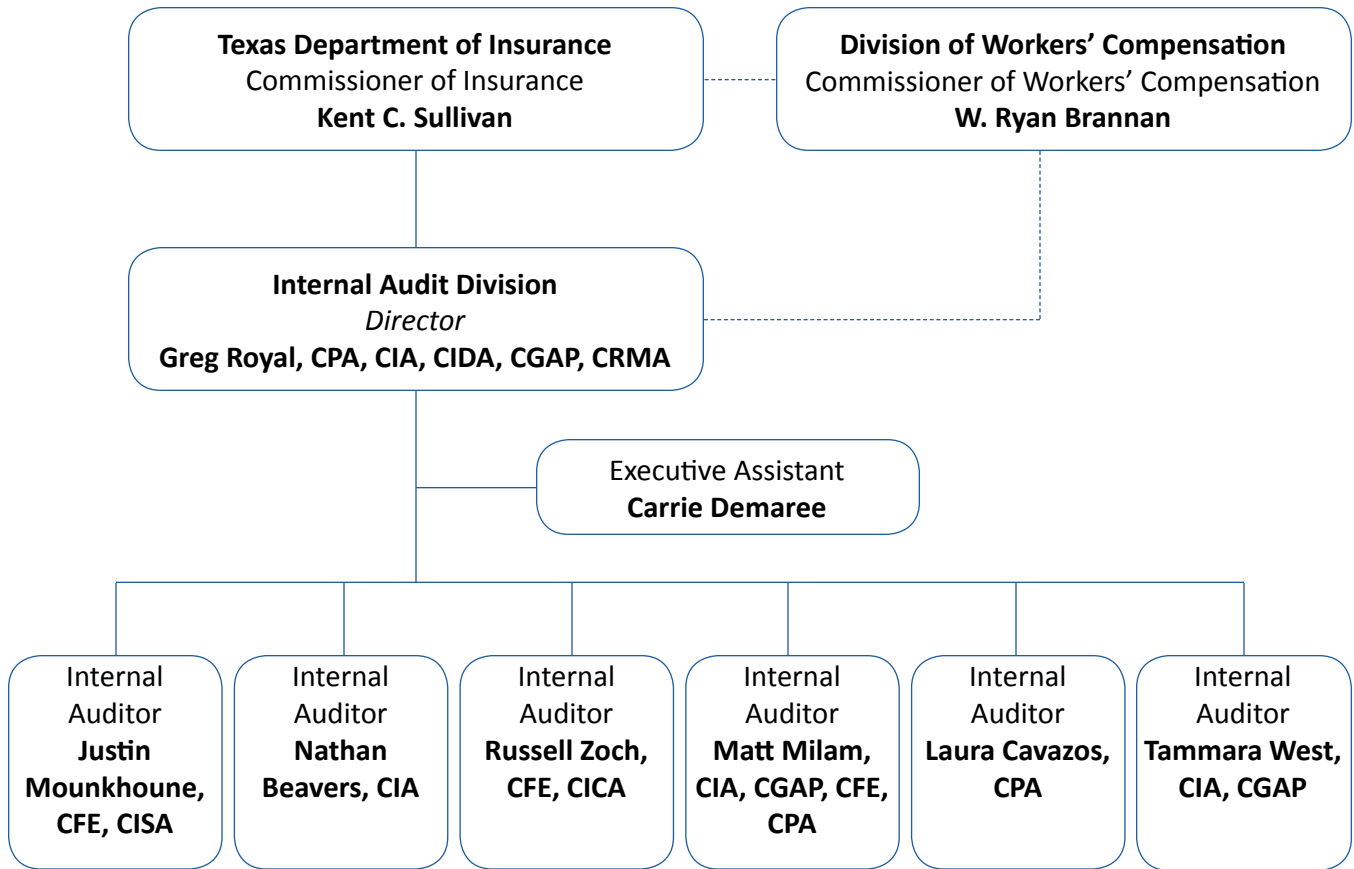
SCHEDULE 1 – FY 2018 INTERNAL AUDIT PLAN PROJECTS

Project #	Project Description	Program Area	Hours
Audit, Investigation, and Advisory Projects			
Projects Started and Carried Forward from FY 2017			
2017-607	Managed Care Quality Assurance (MCQA)	Fin. Reg.	150
2017-304	Rehabilitation and Liquidation Oversight Program	Fin. Reg.	150
2017-604	Controls Survey Risk Ranking	Agencywide	250
Pending	Certified Self-Insurance	DWC GC	700
2017-305	Subsequent Injury Fund	DWC	10
2017-405	FY 2018 Risk Assessment	Agencywide	86
Carry-Forward Project Subtotal			1,346
Information Technology Services Project			
Pending	General Controls/Application Controls (FY 2017 Audit Plan)	Agencywide	750
Pending	User Developed Applications (Hobby)	Agencywide	750
Information Technology Services Project Subtotal			1,500
Financial/Performance Assurance Projects			
Pending	Claims and Customer Service (Form 24 Review)	DWC	600
Pending	Records Management and Support	DWC	600
Pending	Purchasing and Contracts	Admin. Ops	750
Pending	Mail room/cashier's office	Admin. Ops	500
Pending	Mid-year recommendations follow-up (Internal Audit Reports)	Agencywide	50
2018-301	FY 2017 Seized/Forfeited Property Audit (<i>Code of Criminal Procedures Art 59.06</i>)	Fraud/SFMO	40
Financial/Performance Assurance Project Subtotal			2,540
Special Initiatives			
Various	Special assigned audits, investigations, or management requests	N/A	400
Special Initiatives Subtotal			400
Consulting/Advisory Projects			
Ongoing	Agency Strategy – Balanced Scorecard/ERM Workgroups	Admin. Ops	100
Ongoing	ITS Customer Meetings	Agencywide	24
Pending	Internet Posting Requirements	Public Affairs	300
Pending	Cell Phone and iPad Usage	Agencywide	440
Pending	Breach Response	Legal	300
Pending	Data Governance	Agencywide	47
Pending	Document Management	Agencywide	47
Pending	Miscellaneous Advisory Projects	Agencywide	300
Consulting/Advisory Project Subtotal			1,558
Audit, Investigation, and Advisory Project Subtotal			7,344
Administrative and Required Internal Audit Projects			
Ongoing	Internal Audit general administration (auditor staff at 17.5 percent)	N/A	2,220
Ongoing	Maximum annual vacation and sick leave accrual for each employee	N/A	1,620
Pending	FY 2019 Risk Assessment	N/A	400
Ongoing	Staff Training	N/A	280
Pending	TeamMate build-out of other modules	N/A	400
Pending	External Peer Review – part of the State Agency Internal Audit Forum Team	N/A	150
Pending	FY 2017 Internal Audit Annual Report	N/A	120
Pending	Internal Self-Assessment	N/A	150
Administrative and Other Internal Audit Project Subtotal			5,340
Total Available Hours*			12,684

* Available Hours: (261 work days) - (14 holidays @ 8 hours/day) = 1,976 hours/year
(1,976 hours x 6 auditors + 1,976 x .5 audit director hours to projects) = 12,844 Total Hours
Total Hours (12,844 - 160) = 12,684 (1 auditor out of the office the month of September)

SCHEDULE 2 – INTERNAL AUDIT ORGANIZATION CHART

As of October 1, 2017



SCHEDULE 3 – FY 2018 ANNUAL OPERATING BUDGET

Expenditure Category	FY 2018
Salaries and Longevity (8.0 FTEs)	\$ 590,911.43
Other Operating Expenses	10,016.00
Total Operating Budget	\$ 600,927.43



Internal Audit Fiscal Year 2018 Annual Audit Plan
Texas Department of Insurance
Internal Audit Division

IAAP | 1017

SECTION VI: EXTERNAL AUDIT SERVICES



Internal Audit 2017 Annual Report
Texas Department of Insurance
Internal Audit Division

SECTION VII: EXTERNAL AUDIT SERVICES

The following represents TDI external audit services procured or in progress in fiscal year 2017.

Auditee	Auditor
N/A	N/A

SECTION VII: REPORTING SUSPECTED FRAUD AND ABUSE



Internal Audit 2017 Annual Report
Texas Department of Insurance
Internal Audit Division

SECTION VIII: REPORTING SUSPECTED FRAUD AND ABUSE

The following represent TDI actions taken to meet suspected fraud and abuse reporting requirements.

Requirement	Actions Taken
Reporting Requirements: Article IX, Section 7.09, Fraud Reporting, General Appropriations Act (83rd Legislature)	The agency received no American Recovery and Reinvestment Act funds, but has provided a link to the SAO fraud hotline on the home page of TDI's websites. In addition, the agency has internal procedures for staff to report fraud, waste, or abuse.
Texas Government Code, Section §321.022	The Internal Audit director sits on the agency Fraud Panel and sends quarterly reports to the SAO Special Investigative Unit of any suspected fraud, waste, or abuse that is brought to the attention of the panel. Any incident considered remarkable is immediately reported to the SAO.



Internal Audit 2017 Annual Report
Texas Department of Insurance
Internal Audit Division