

Internal Audit Plan for Fiscal Year 2020



Texas Department of Insurance
www.tdi.texas.gov

Overview

The Internal Audit Plan for Fiscal Year 2020 offers a strategy of the assurance and advisory projects to enhance and protect the Texas Department of Insurance's mission. It also includes the administrative activities the Internal Audit Division needs to perform TDI's internal audit function.

The Internal Audit Plan focuses on critical risk areas within TDI. It is designed to be flexible to respond throughout the year to requests from the Commissioner of Insurance, the Commissioner of Workers' Compensation, and executive management.

Professional auditing standards and the Texas Internal Auditing Act (Texas Government Code Section 2102.008) requires the Internal Audit Division to prepare an Internal Audit Plan each year.

Mission and strategic goals

The Internal Audit Division enhances and protects TDI's mission by providing risk-based and objective assurance, advice, and insight.

The Department of Insurance includes the Division of Workers' Compensation (DWC) and the State Fire Marshal's Office. The proposed projects outlined in this report align with the agency's mission statements:

Department of Insurance 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.

Division of Workers' Compensation mission

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

State Fire Marshal's Office mission

The Texas State Fire Marshal's Office will reduce the loss of life and property through prevention, education, and protection.

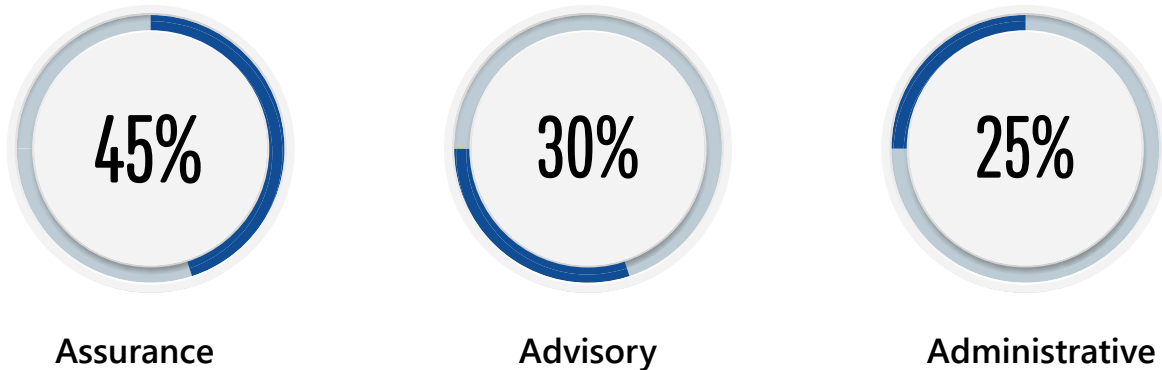
Developing the Internal Audit Plan

The Internal Audit Division developed the Internal Audit Plan after systematically assessing agency risk. We reviewed TDI's functions and processes, considered management input, and used our own professional judgment to identify key processes and risk areas to focus our proposed projects. We weighed available internal audit resources and built in flexibility to respond to special project requests from the commissioners and executive management and to add projects as additional resources become available.

Internal Audit projects

The following chart shows our preliminary estimate for allocation of Internal Audit resources by project type. We will develop more concrete information on project budgets and duration once we start and plan each project.

Estimated Internal Audit Division resource allocation by project type



Assurance services

We typically perform assurance service projects by conducting performance audits. These audits provide analysis, findings, and conclusions to help the commissioners and executive management improve program performance, reduce costs, facilitate decision making, and contribute to public accountability. Performance audit objectives can include assessments of program effectiveness, economy, and efficiency; internal controls; and compliance. Another objective might be to gauge the current status or condition of a program.

Projects

- Company Licensing and Registration processes
- Division of Workers' Compensation medical quality review process
- State Fire Marshal's Office inspections and reporting processes
- Procurement and General Services contract management processes¹
- Other assurance services as assigned or requested

¹ Addresses the SB65 (86th Legislative Session) requirement to "consider methods for ensuring compliance with contract processes and controls for monitoring agency contracts"

Advisory services

We generally provide advisory services at the specific request of a project client. Clients can include the commissioners, executive management, or a program area. We work with the client to agree on the objective, nature, and scope of the project. Conducting advisory services adds value to TDI beyond assurance services and helps improve the agency's governance, risk management, and control processes. To maintain objectivity and independence, we do not maintain, participate, or assume management responsibilities while conducting advisory services.

Projects

- Review Agent and Adjuster Licensing and Complaints policies and procedures
- Inventory user-developed DWC applications²
- Assist Enterprise Risk Management—Understanding business processes, risks, and controls
- Other advisory services as assigned or requested

Required administrative duties and activities

General administrative activities help the division operate as efficiently and effectively as possible and enable us to meet our goals and objectives. Audit standards require us to develop and maintain our professional competence by completing continuing education. The standards also require us to maintain a quality assurance improvement program to ensure that we comply with professional standards when conducting assurance and advisory services.

Duty or activity

- Internal Audit staff required continuing education
- Quality Assurance Improvement Program
- Seized/forfeited property certification³
- Internal Audit administration
- Fiscal 2019 Internal Audit Annual Report
- Fiscal 2020 Internal Audit Plan
- Internal Audit Division risk assessment redesign
- Risk assessment to develop fiscal 2021 Annual Audit Plan

² Carry-over from the Fiscal 2019 Internal Audit Plan

³ Code of Criminal Procedures Art 59.06

Acceptable level of risk

The Internal Audit Division does not – nor do we intend to – cover all TDI functions or risks in its Internal Audit Plan. Our goal is to use current resources to cover key processes and risk areas we identified during our risk assessment and to develop and improve division processes.

Because we cannot address every key process and risk area, the commissioners and executive management should understand the limits of the audit coverage and risks they assume in the areas we do not audit. We believe this plan appropriately and best allocates Internal Audit Division resources to TDI's key processes and risks at this time.

Professional standards

The Internal Audit Division 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. In addition, we conform to the Texas Internal Auditing Act requirements and comply with TDI policies and procedures.

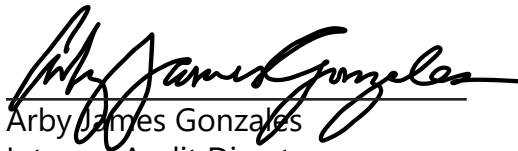
Plan approved



Kent C. Sullivan
Commissioner of Insurance

October 1, 2019

Date



Arby James Gonzales
Internal Audit Director

October 1, 2019

Date



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Texas Department of Insurance
Internal Audit Division

Internal Audit Plan 20-01