



# Internal audit plan for fiscal year 2021

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Texas Department of Insurance

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## Overview

The Internal audit plan for fiscal year 2021 offers a strategy for the assurance and advisory projects Internal Audit (IA) will conduct to enhance and protect TDI's mission.

We designed a flexible plan to respond to Commissioner of Insurance, Commissioner of Workers' Compensation, or executive management requests, and to address any critical risks that occur during the year. With that design in mind, the Internal audit plan for fiscal year 2021 functions as a working document, and we will update it—no less than semi-annually—throughout the year.

We believe this plan provides coverage of key risks given our capabilities and resources.

Version one sets the table for FY 2021. We present nine projects—including carryover projects from fiscal year 2020—that we'll perform and five "themes" that allow us to continuously assess risk and develop into projects, if needed.

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## Mission

IA enhances and protects TDI's mission by providing risk-based and objective assurance, advice, and insight.

The Department of Insurance includes the Division of Worker's Compensation (DWC) and the State Fire Marshal's Office (SFMO). The projects in this plan align with the agency's mission statements.



### **TDI 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 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 mission**

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

## Projects

We developed projects in this plan by systematically assessing agency risk, including:

- Reviewing TDI functions and processes
- Discussing program risks with commissioners and executive management
- Surveying associate commissioners, directors, and managers
- Considering information from our current Enterprise Risk Management project
- Using our own professional judgment

We weighed available internal audit resources and built in flexibility to respond to special project requests from executive management and to add projects as risks present themselves.



## Projects

Project	Description
Independent Dispute Resolution portal	Senate Bill 1264 (2019 legislative regular session) outlines arbitration and mediation processes for certain billing disputes. TDI developed the Independent Dispute Resolution (IDR) portal to handle the arbitration and mediation process between providers and carriers. We want to ensure that the portal does what it's supposed to do.
Cybersecurity	Our current environment forced us to change the way—and from where—we work, which increases cybersecurity threats. We want to ensure that TDI's cybersecurity protocols are up to task.
Mozart artificial intelligence project	The Property and Casualty division spearheaded an artificial intelligence project through the National Association of Insurance Commissioners, called Mozart, that's designed to accelerate form review. We want to ensure the project does what it's designed to do, and we want to provide assurance early.
Bid evaluation process	We want to ensure that TDI does what it's supposed to do in this critical purchasing process. This project address the requirement to consider methods to ensure compliance with contract processes.

## Projects

Project	Description
Investigations at the SFMO	We want to ensure that the State Fire Marshal's Office conducts investigations according to statute, rules, and its polices & procedures.
Penalty fees at DWC	We want to assist the Compliance and Investigations division at the Division of Workers' Compensation in reviewing how it ensures consistent and supportable penalty fees.
Medical Quality Review <sup>a</sup>	We are currently reviewing DWC's Medical Quality Review to ensure it meets its objectives.
Customer Operations training and procedures <sup>a</sup>	We are currently assisting Customer Operations - Complaints Processing Office by compiling best practice information related to training and procedures.
Enterprise risk management <sup>a</sup>	We are currently assisting TDI's Enterprise Risk Management efforts by providing information on program processes and risks based on reviews and facilitated discussions.

<sup>a</sup> Carryover from FY2020 plan, in progress.



## Themes

We developed themes based on our risk assessment process and through our Enterprise Risk Management project. We noticed certain risks that either crossed divisional lines or affected multiple divisions.

We focused on the following five themes, and overall, these themes can affect agency culture. To uphold IA's strategic goal for a more dynamic audit plan, we will monitor TDI processes and develop projects as needed in these themes throughout the fiscal year.

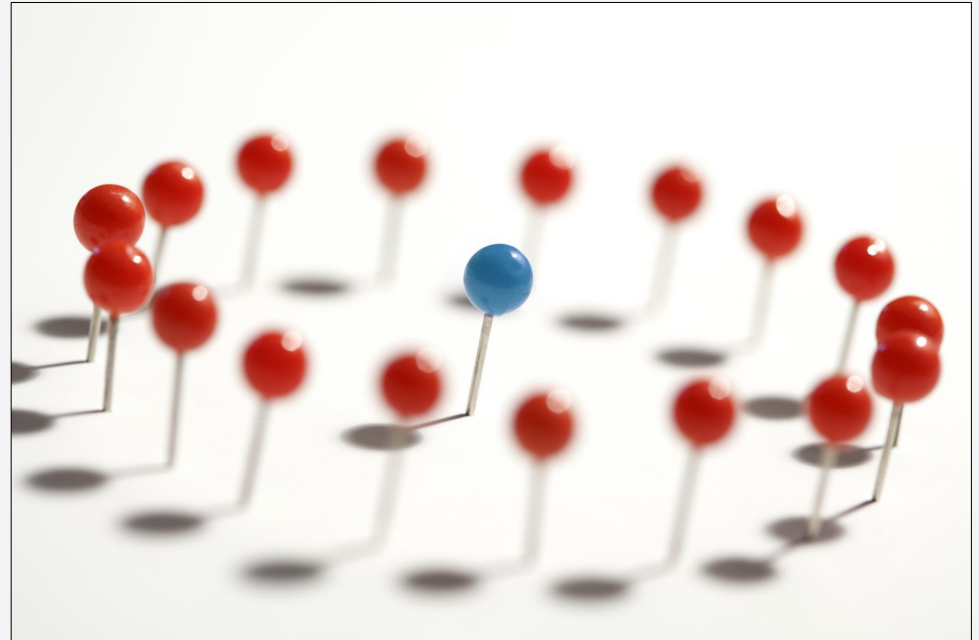


## Themes

	Themes	Description
CULTURE	People	TDI understands that people are its most valuable assets. This theme focuses on how TDI recruits, retains, and prepares its people.
	Decisions	TDI makes decisions that can significantly impact people, companies, and industries. This theme focuses on how TDI makes those decisions, whether they're consistent, whether they're supportable, and how it communicates information up and down the chain.
	Reporting	TDI deals in data. This theme focuses on how TDI turns that data into important information for the public, companies, and decision makers.
	Systems	TDI emphasizes modernization. This theme focuses on how TDI's information systems function the way they're supposed to.
	Change	TDI adapted to changes brought on by COVID-19. This theme focuses on ensuring TDI produces quality work during our changing environment.

## Other 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.



## Other activities

Activities
Continuing Education
Continuous risk assessment
Quality assurance improvement program
Follow-up on internal audit recommendations
TeamMate+ Migration
Seized/forfeited property certification
Fiscal 2020 internal audit annual report

## Acceptable level of risk

IA 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 provides coverage of key risks given our capabilities and resources.

## 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 the *Code of Ethics*. In addition, we conform to the Texas Internal Auditing Act requirements and comply with TDI policies and procedures.

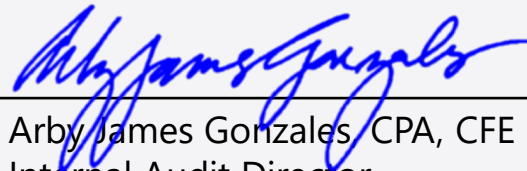
## Approval



10/20/2020

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Doug Slape  
Chief Deputy Commissioner



10/19/2020

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Arby James Gonzales, CPA, CFE  
Internal Audit Director



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Texas Department of Insurance  
Internal Audit

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