

# Internal Audit Plan for Fiscal Year 2022

Texas Department of Insurance | Internal Audit

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# TDI | Internal Audit Plan for Fiscal Year 2022

## Overview

The Internal Audit Plan for Fiscal Year 2022 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 the Commissioner of Insurance, the Commissioner of Workers' Compensation, or executive management requests to address critical risks that occur during the year. With that design in mind, the Internal Audit Plan for Fiscal Year 2022 functions as a working document, and we will update it as needed throughout the year.

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

This initial plan sets the table for the fiscal year. We present 10 projects—including carryover projects from fiscal year 2021—that we plan to perform.

TDI   Internal Audit	
Arby James Gonzales, CPA, CFE	Director
Isaac Barajas	Assistant Director
Nathan Beavers, CIA, CISA	Senior Internal Auditor
Laura Bryan, FMLI, CFE	Internal Auditor
Kristina Cleaver, CFE	Senior Internal Auditor
Jessica Hirn	Internal Auditor
Jonathan Gonzalez	Internal Auditor
Daniel Wykes	Internal Auditor

# TDI | Internal Audit Plan for Fiscal Year 2022

## Mission

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

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

### TDI mission

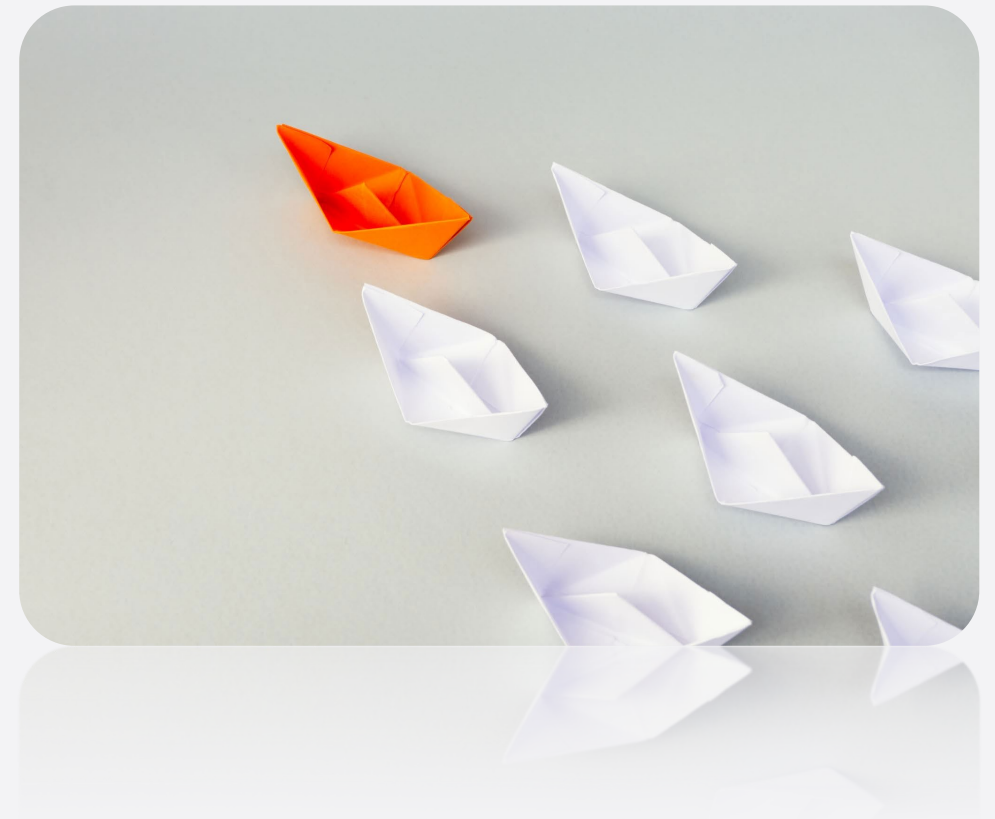
*To protect insurance consumers by regulating the industry fairly and diligently, promoting a stable and competitive market, and providing information that makes a difference.*

### 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

*Reduce the loss of life and property through prevention, education, and protection.*



# TDI | Internal Audit Plan for Fiscal Year 2022

## 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, and
- Using our own professional judgment.

We weigh available IA resources and build in flexibility to respond to special project requests from executive management and to add projects as risks present themselves.

The following page includes projects we plan to conduct in fiscal year 2022. We will determine the scope for each project as we perform our work.

We'll stay tuned to emerging risks throughout the year and adapt this plan if needed.



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## Projects

Projects	Description
Cybersecurity	We'll determine whether TDI's Information Security Office and Information Technology Services identifies or protects from threats. We'll assess cybersecurity activities and determine which of the National Institute of Standards and Technology's (NIST) Cybersecurity Framework functions we'll review.
System development   COMPASS update	We'll review how TDI and DWC is developing systems to update the COMPASS system. We'll review development lifecycle processes compared to NIST frameworks
Agent and Adjuster Licensing	We'll review whether Customer Operations is appropriately processing agent and adjuster license applications. AAL improved its processing time and increased the number of applications it processed in the past 2 years. We want to ensure TDI accurately processed applications.
DWC Workplace Safety	We'll review whether DWC Health and Safety complies with grant requirements and is operating as efficiently and effectively as it can.
Continuity of Operations Plan	We'll review TDI's COOP to determine whether it's updated as needed and set up to ensure TDI quickly recovers from a disruption in service or operations.

# TDI | Internal Audit Plan for Fiscal Year 2022

## Projects

Projects in progress	Description
Mozart artificial intelligence project (assurance)	Assurance project to determine whether Property and Casualty is using best practices to implement artificial intelligence or machine learning tools and whether those tools help form review complete intake more efficiently.
Investigations at the SFMO (assurance)	Assurance project to review SFMO's processes related to maintaining support, investigation reports security, and feedback and communications.
Bid evaluation process (assurance)	Assurance project to ensure TDI appropriately evaluates bids prior to selecting a vendor.
Customer Operations – communications (advisory) <sup>a</sup>	Advisory project to review Customer Operations' processes to communicate with insurance companies and identify opportunities to improve.
General Counsel – Chief Clerk's Office (advisory) <sup>a</sup>	Advisory project to review the Chief Clerk's Office's processes related to tracking cases at the State Office of Administrative Hearings and citations.

We started these projects during fiscal 2021, and they are currently in progress.

<sup>a</sup> These projects were not included in the Internal audit plan for fiscal year 2021. Management requested these advisory projects.

# TDI | Internal Audit Plan for Fiscal Year 2022

## Risk categories

We assessed risks based on how they can impact the agency using the categories below. We also used discussions with agency staff and management, previous IA projects, and our own judgments to consider how likely risks would occur. We will continue to assess risks throughout the year and adapt our plan according to agency needs.

Risk categories	Description
Strategy	Impact on TDI's, DWC's, or SFMO's ability to achieve its goals.
Operations	Impact on how TDI, DWC, or SFMO does its work.
Financial	Impact on TDI's, DWC's, or SFMO's finances or assets.
Compliance	Impact on TDI's, DWC's, or SFMO's ability to comply with requirements.
Reputation	Impact on TDI's, DWC's, or SFMO's standing with the public, industry, and other stakeholders.



## Other activities

General administrative activities help the division operate as efficiently and effectively as possible and enables 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 standards when conducting assurance and advisory services.

Activities
Continuing education
Continuous risk assessment
Quality assurance improvement program
Peer review
Follow-up on internal audit recommendations
TeamMate+ process optimization
Seized/forfeited property certification
Fiscal 2021 internal audit annual report

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## 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 to improve agency processes.

Because we cannot 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 do not audit. We believe this plan provides coverage of key risks given our capabilities and resources.

## Professional standards

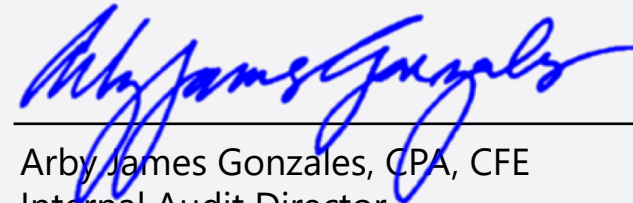
IA adheres to the U.S. Government Accountability Office's *Government Auditing Standards* and the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*, which includes the *Code of Ethics*. In addition, we conform to the Texas Internal Auditing Act requirements and comply with TDI policies and procedures.

## Approvals



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Cassie Brown  
Commissioner of Insurance



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Arby James Gonzales, CPA, CFE  
Internal Audit Director



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