

Internal Audit Plan for Fiscal Year 2023

Texas Department of Insurance | Internal Audit

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Overview

The Internal Audit Plan for Fiscal Year 2023 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. With that design in mind, will update it as needed.

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

This plan sets the table for the fiscal year. We present 13 projects—including carryover projects from fiscal year 2022—that we plan to do.

TDI Internal Audit	
Arby James Gonzales, CPA, CFE	Director
Isaac Barajas	Assistant Director
Nathan Beavers, CIA, CISA	Senior Internal Auditor
Laura Bryan, CFE, FMLI	Internal Auditor
Jessica Hirn	Internal Auditor
Elijah Marchlewski	Senior Internal Auditor
Patty Ramirez	Internal Auditor

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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.



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Risk categories

We assessed risks based on how they can impact the agency using the categories to the right. We also used discussions with agency staff and management; previous IA projects; reviews of agency procedures and reports; and our own knowledge, experience, and 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.

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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 2023. 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

Subjects	Description
Maintenance Tax	We'll review TDI's calculation to determine maintenance tax rates.
Revenue	We'll assess processes to monitor, reconcile, and report revenue at selected program area(s) and financial services.
Information Technology	We'll review general IT controls project on selected system(s). General IT controls ^a could include: logical access, change management, backup and recovery, physical security, and application controls.
Rate Setting	We'll assess the rate-setting processes at the Life & Health division to address whether decisions are appropriate and consistent.
DWC Performance Based Oversight	We'll assess DWC's process related to ranking insurance carriers and health care providers for the Performance Based Oversight.
Follow-up on IA recommendations for the SFMO	We'll review SFMO's implementation of previous IA recommendations on inspections and investigations.
Contract or renewals for TxRAMP certification for cloud products ^b	We'll audit TDI's processes to monitor contracts or renewals for cloud products to ensure they comply with Texas Risk and Authorization Management Program (TxRAMP) requirements.

^a General controls can be applied to IT system applications, operating systems, databases, and infrastructure.

^b This project fulfills the requirement to consider methods for ensuring compliance with contract processes and controls for monitoring agency contracts in Government Code section 2102.005

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Projects: Carry over projects from fiscal 2022

Projects	Description
Cybersecurity ^a	We're reviewing whether TDI's Information Technology Services responds to vulnerabilities and remedies identified by the Information Security Office.
DWC Workplace Safety ^a	We're reviewing whether DWC Health and Safety complies with grant requirements related to the Survey of Occupational Injuries and Illnesses and the Census of Fatal Occupational Injuries and is operating as efficiently and effectively as it can.
System development COMPASS update ^b	We'll review how TDI and DWC updates the COMPASS system. We'll review development lifecycle processes compared to the National Institute of Standards and Technology frameworks.
Follow-up on IA recommendations (advisory) ^{a, c}	We're following up on managements' status implementing previous IA recommendations.
Property & Casualty - Amusement Rides revenues (assurance) ^{a, c}	We're reviewing how P&C monitors, reconciles, and reports revenues in the Amusement Rides section.

We started or postponed these projects during fiscal 2022, and they are currently in progress.

^a We are currently conducting these projects.

^b This project was postponed in fiscal 2022, and we will audit specific modules that went live in TxCOMP in September 2022.

^c These projects were not included in the Internal audit plan for fiscal year 2022, and we conducted these projects either because management requested the project or as a response to elevated risks.

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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 standards when conducting assurance and advisory services.

Activities
Continuing education
Continuous risk assessment
Fiscal 2022 internal audit annual report
Follow-up on IA recommendations
Peer review
Quality assurance improvement program
Seized/forfeited property certification
TeamMate+ process optimization
Volunteer to help advance the profession (IA associations, presentation or training, etc.)

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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.

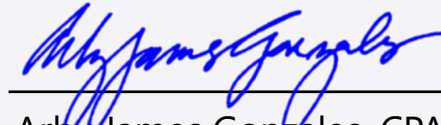
Professional standards

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 Texas Internal Auditing Act requirements and comply with TDI policies and procedures.

Approvals

DocuSigned by:

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Cassie Brown
Commissioner of Insurance



Arby James Gonzales, CPA, CFE
Internal Audit Director



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