

BOARD OF DIRECTORS' MEETING AGENDA

October 5, 2021



State Office of Risk Management

300 W. 15TH, AUSTIN, TEXAS 78701 / P.O. BOX 13777, AUSTIN, TEXAS 78711-3777
(512) 475-1440, FAX (512) 370-9025 / WWW.SORM.TEXAS.GOV

Public Meeting

Board of Directors

October 5, 2021, 11:00 a.m.

William P. Clements Building, Room 103
Austin, Texas

1. Call to order, roll call, and recognition of a quorum
2. Consideration and possible action to excuse previous board member absences
3. Approval of the minutes from the July 27, 2021, meeting
4. Presentation and discussion of Agency Operations Report
5. New business
 - 5.1 Presentation, discussion, and action regarding the Fiscal Year 2021 Internal Audit Report
 - 5.2 Presentation, discussion, and action regarding the Fiscal Year 2022 Internal Audit Plan
6. Old business
7. Public comment *
8. Discussion and possible action on future meeting dates
9. Adjournment

Individuals who may require auxiliary aids or services for this meeting should contact Audrea Blake at (512) 936-1564 or audrea.blake@sorm.texas.gov at least two days prior to the meeting so that appropriate arrangements can be made.

*All public comments must be emailed to Ms. Blake by noon the day prior to the meeting. In the subject line of your email, please include the meeting date and topic of your comment. All comments received by this deadline will be read or summarized at the meeting and included in full to the official record of the meeting.



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BOARD MEMBERS	DATES OF TERM	HOMETOWN
Lloyd Garland, M.D., Chair	02/01/2025	Lubbock
Honorable Ricardo Galindo III	02/01/2025	San Antonio
Rosemary Gammon, PAHM	02/01/2021	Plano
Tomas Gonzalez	02/01/2023	El Paso
Gerald Ladner	02/01/2021	Austin

1. Call to order, roll call and recognition of a quorum

Information

The Chair:

1. Calls the meeting to order;
2. Identifies the board members present.

Action Required

The Chair recognizes a quorum is established.

2. Consideration and possible action to excuse previous board member absences

Information

Board member absences may be excused for good cause as determined by the Board.

Action Required

The Chair may entertain a motion for consideration and possible action to excuse previous absences, if any.

3. Approval of the minutes from the July 27, 2021, meeting

Information

Attached are the minutes from the July 27, 2021, meeting.

Action Required

The Chair may entertain a motion for approval of the minutes, with any amendments.



**Minutes of the Public Meeting
on
July 27, 2021**

The following Board of Directors meeting was conducted via Zoom during the COVID-19 quarantine.

Board Members present via Zoom were Lloyd Garland (Chair), Gerald Ladner, Ricardo Galindo, and Tomas Gonzalez (at 10:51 a.m.).

Item 1. Board Chair Garland called the public meeting to order at 9:34 a.m. on July 27, 2021. Board Chair Garland recognized Members present. A quorum was established.

Item 2. No previous absences requiring action.

Item 3. Board Chair Garland asked for any comments or changes to the Minutes of the April 27, 2021, meeting. Hearing no changes, Board Member Ladner moved to accept. Board Member Galindo seconded the motion, which carried without objection (3-0 vote).

Item 4. Agency Operations Report:

Stephen Vollbrecht (Executive Director and State Risk Manager) introduced the Agency Operations Report (AOR) highlighting upcoming reports on the Risk Management Information System (RMIS), selected projects such as the Risk Management Guidelines Advisory Committee, climate survey, Leadership Council, and Continuity Program, and presented an update to the Executive Administration section addressing the COVID-19 response regarding onsite staffing/task forces and agency naming structure changes.

Todd Holt (Deputy Executive Director) and Keith Despain (Director of Project Management) presented an update on current activities with the transition to Origami Risk and internal projects outside of the risk management information system (RMIS). Mr. Holt introduced Shelby Hyman (Director of Public Relations and COOP Task Force Leader) to update the board on recent training and creating content for the Learning Management System (LMS). Ms. Hyman also provided an update on the Continuity of Operations Plan program reset, recent legislation, and videos.

Stuart B. Cargile (Chief of Internal Operations) and Linda Griffin (Director of Talent Management) introduced new employees, provided a list of current vacancies, and provided updates to separations and turnover. Mr. Cargile introduced Lori Shaw (Director of

Financial Management and Chief Financial Officer) to present the administrative and claim budgets with projected costs. Mr. Cargile introduced Leo Ramirez (Director of Information Technology and Information Resource Manager) to give an update on department support with a focus on the RMIS transition and current projects such as cybersecurity. Mr. Ramirez also updated the board on vulnerability awareness and data migration.

James Cox (Chief of Strategic Programs) introduced Marc Guyot (Director of Enterprise Risk) to greet board. Mr. Cox presented an update on Risk Management visit counts and recommendations provided/closed, plus an update on the Statewide Insurance Program including participant lines, notary applications, and insurance purchases. Mr. Cox introduced Lydia Scranton (Director of Claims Operations) to provide an update on current workers' compensation claims with a breakdown of costs and claims per income benefit. Ms. Scranton detailed the COVID-19 legislation impact and expired exceptions with a claim overview.

Deea Western (Chief of Legal Services and General Counsel) and Tshau Todman (Director of Indemnity Quality Assurance) presented an update on indemnity files compliance and audits. Ms. Western introduced Janine Lyckman (Director of Medical Quality Assurance) to provide an update on cost savings, Network vs. Non-network counts, and prescription savings. Ms. Western provided an update on virtual hearings, fraud investigations, and subrogation. Ms. Western introduced Kathy Cordova (Director of Compliance Management) to give an update on contracts for insurance, equipment, and Origami Risk. Staff heard comments, tasks, and answered questions from the board.

Item 5. New Business:

- 5.1 Ms. Shaw presented staff recommendations for funding the Fiscal Year 2022 assessments. Staff heard comments and answered questions from the Board. Board Member Ladner moved to accept the recommendation of \$40,000,000.00 for claims and \$12,891,627.00 for the administrative operating budgets. Board Member Galindo seconded the motion, which carried without objection (3-0 vote). Board Member Gonzalez joined meeting during vote and in favor.
- 5.2 Ms. Western provided an update to the Origami Risk data extraction from FileNet and asked the board to delegate approval to the executive director to negotiate the contract. Board Member Ladner moved to allow approval. Board Member Galindo seconded the motion, which carried without objection (4-0 vote).
- 5.3 Board Chair Garland created a sub-committee to oversee the annual evaluation for the executive director. This sub-committee consists of Board Member Ladner, sub-committee chair, and Board Member Gonzalez. Board Member Ladner proposed a new template and will advise staff when moving forward.
- 5.4 Mr. Vollbrecht provided background on the Risk Management Guidelines and shared the draft with the board. A final version will be sent upon completion. Staff heard comments from the Board.

Item 6. Old Business.

6.1 Board Chair Garland opened for discussion a climate survey he initiated with staff. Concerns lead to a need for an internal survey that was presented to the Board after staff consolidated the results. Staff heard comments and answered questions from the board. An annual climate survey was recommended to supplement the Survey of Employee Engagement. Staff was tasked with an internal survey in 2023.

Item 7. No Public Comment.

Item 8. Future Meeting Dates. Discussion on suggested dates for the next board meeting. Board Chair Garland set October 5, 2021, as the next tentative Zoom meeting date with a back-up of October 26, 2021.

Item 9. Board Chair Garland adjourned the meeting at 11:38 a.m.

4. Presentation and discussion of Agency Operations Report

Presentation of division reports

Information

Management will be available to summarize agency and division activities and provide additional information requested by the Board.

Board identification of key metrics or other components for inclusion or removal in subsequent reports.

Action Required

No official action required.



AGENCY OPERATIONS REPORT FY21Q4 TO THE SORM BOARD OF DIRECTORS

October 5, 2021



EXECUTIVE OFFICE

I. RISK MANAGEMENT INFORMATION SYSTEM

- The Office is currently focusing on data transfer and other milestones. Updates will be provided in the Project Management report.

II. SELECTED PROJECTS

- The Risk Management Guidelines Advisory Council has completed its review and revision of the current Risk Management for Texas State Agencies guidelines. The Advisory Council is scheduling a final meeting for approval of the new guidelines.
- The Continuity Program Reset (CPR) initiative has been instituted, with a new Continuity Council Charter under consideration and a Continuity Summit completed.
- The Office implemented a new Remote Work policy and trained staff on new procedures.

III. COVID-19 RESPONSE

- The Claims Operations report will provide information about the impact of the SB 22 Presumption Bill.
- The Division of Workers' Compensation (DWC) has extended the C-19 data call. The secondary system automation project was completed ahead of schedule and submitted on September 23, 2020, with modifications to incorporate the SB 22 refiled claims. Notifications are currently live.

PROJECT MANAGEMENT

I. RMIS IMPLEMENTATION PROJECT UPDATE

A. PROJECT EXECUTION

The Project Execution Phase for Phase 1 is in progress. We are focused on data conversion, requirement solutions, security, and user profile configurations.

Our primary focus in FY21Q4 was the Phase 1 Origami implementation. The implementation includes our Claims Operations, Intake Management, Financial, Litigation, Compliance Management, Cost Containment, and to a large extent, our Information Technology processes.

Our initial forecast was to be in Production with these systems by July 19, 2021. In the FY21Q3 board meeting we reported to you the production date had been rescheduled to October 4, 2021. Over the past 4 months target milestone dates have continued to slip for various reasons.

- Origami and SORM resource availability were not enough to keep pace with the critical path milestone projections to meet the October 4, 2021, target.
- The complex solutions required for SORM have been a significant challenge to the Origami team.
- In addition, SORM has added some critical scope items to the project.

Mid-August it was apparent that the Origami system would not be ready by September 1, 2021, to start our User Acceptance Test which is estimated to take 4 full weeks to complete. SORM and Origami collectively decided to push out the production date so we could have a fully tested integrated Workers' Compensation solution when we go live. As a result, both SORM and Origami collaborated in forecasting the remaining work and are now projecting a November 1, 2021, production date for our Phase 1 Origami system.

B. PROJECT MONITOR AND CONTROL

We are actively managing our Scope, Budget, and Timeline utilizing our internal Project Monitor and Control processes. In addition, this project was selected to undergo an external audit for our SORM FY21 Annual Audit Plan. The McConnell & Jones audit report will be presented later in this meeting.

Another responsibility the Project Management Team is charged with is facilitating our SORM internal project activity. As you can see from the quarterly stats, our internal project numbers did increase in FY21Q4 from the prior quarter. Out of the 12 projects initiated in FY21Q4, 10 of them are directly supporting the Origami system implementation.

Quarterly Statistics by Status

		Opened	Complete	Withdrawn	In Progress	On Hold	Pending Approval	Not Started
2019	Prior to FY20Q1	7	0	1	1	0	0	0
2020	Q1	57	6	9	10	9	0	1
	Q2	23	24	0	0	1	1	0
	Q3	21	17	1	1	1	0	0
	Q4	7	17	1	0	1	1	1
2021	Q1	21	9	8	1	2	0	2
	Q2	10	7	0	2	0	3	1
	Q3	9	8	0	2	1	0	0
	Q4	12	10	1	6	0	0	0
TOTAL		167	98	21	23	15	5	5

Quarterly Statistics by Category

		External Audit Finding	Legislative Requirement	New RMIS	SORM Necessity	Other
2019	Prior to FY20Q1	2	1	1	2	1
2020	Q1	3	12	9	13	20
	Q2	0	2	0	12	9
	Q3	1	1	14	3	2
	Q4	0	0	3	1	3
2021	Q1	0	1	6	5	9
	Q2	0	1	3	5	1
	Q3	0	0	5	3	1
	Q4	0	1	9	2	0
TOTAL		6	19	50	46	46

PUBLIC RELATIONS

I. TRAINING

Public Relations continues to have an impactful role in client agency success by providing training and other resources as many agencies start promoting e-learning days. The Training Consultants also noticed a rise in requests for future topics surrounding stress, aggression, and conflict for scheduled training as more agencies begin returning to the office in FY22Q1.

Instructor Led Agency Training for FY21Q4

Course Name	Classes Taught	Students
Additional Duty Safety Officer (ADSO) Orientation	2	15
Driving Safety	9	302
GHS/HazCom/SDS	2	27
Heat Stroke and Heat-Related Illness	1	17
Office Safety	1	20
Personal Safety and Situational Awareness	1	20
TOTAL	16	401

Self-Paced LMS Training FY21Q4

Virtual Course Name	Students
Driving Safety	85
TOTAL	85

II. STATEWIDE CONTINUITY OF OPERATIONS (COOP) PROGRAM

We welcomed the new Continuity Planning Specialist at the beginning of FY21Q4, and she immediately took charge of the COOP Program Reset (CPR) initiative. She implemented several program changes which included a re-establishment of the Continuity Council, creation of the Continuity Council charter and webpage, and the development of the Continuity Summit which occurred on September 10, 2021. The goal of this new Council is to generate engagement from state, local, tribal, and private entities to support a robust community of continuity.

The two most common recommendations on continuity plans during FY21Q4 were Administrative and Essential Functions.

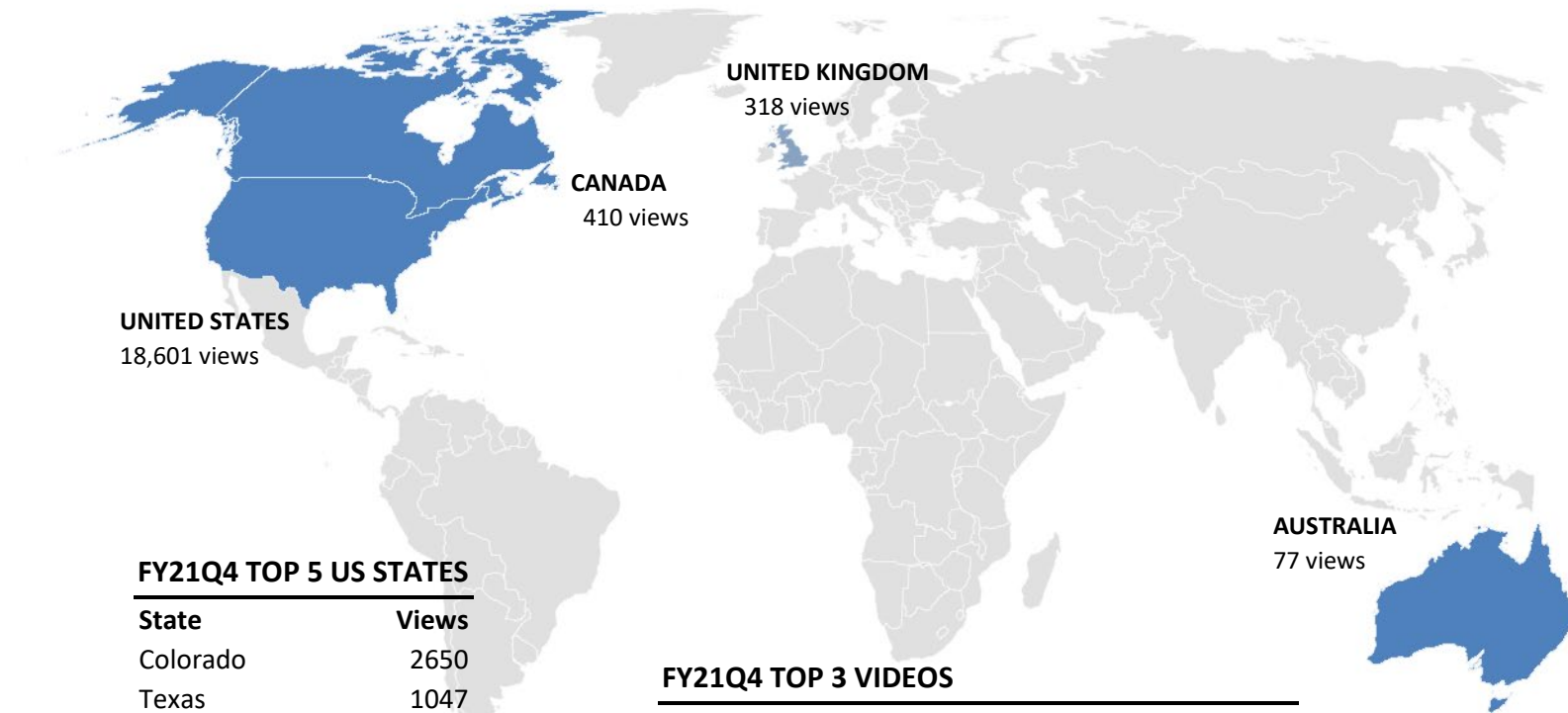
COOP Recommendations

	FY18	FY19	FY20	FY21
Administrative	5	3	2	10
Alternate Facilities and Telework	1	2	1	2
Budgeting and Acquisition	0	1	2	1
Communications	5	5	1	1
Continuity Standards	14	7	3	7
Backup Strategies (Devolution)	7	3	0	5
Essential Functions	10	5	3	10
Essential Records and IT	5	3	0	2
Human Resources	6	3	1	2
Recovery/ Reconstitution	3	0	0	0
Threat Analysis (BIA)	2	2	0	3
Training and Exercises	1	3	1	3
Integration of Plans	1	1	1	0
TOTAL PLANS EVALUATED	19	23	12	39
TOTAL EXERCISES EVALUATED	0	1	19	29

III. PUBLIC RELATIONS OUTREACH

The agency continues to monitor the Texas Legislature during the called special sessions. The first two special sessions concluded without any legislative action directly impacting the agency. The third special session began on September 20, 2021, and will conclude on Tuesday, October 19, 2021. At the time this report was generated, it is unknown if legislation impacting the agency will be enacted; however, the agency is monitoring legislation providing for appropriations from the American Rescue Plan Act of 2021 (ARPA), Pub. L. No. 117-2, as it relates to requesting federal funds to help offset the cost of COVID-19 claims and expenses.

IV. YOUTUBE ANALYTICS



FY21Q4 TOP 5 US STATES

State	Views
Colorado	2650
Texas	1047
California	718
Missouri	357
Florida	178

FY21Q4 TOP 3 VIDEOS

How to Survive an Active Shooter	11,657 views
How to Prevent Heat-Related Illness	4,918 views
Same Level Slips, Trips and Falls	1,675 views

FY21Q4 TOTAL

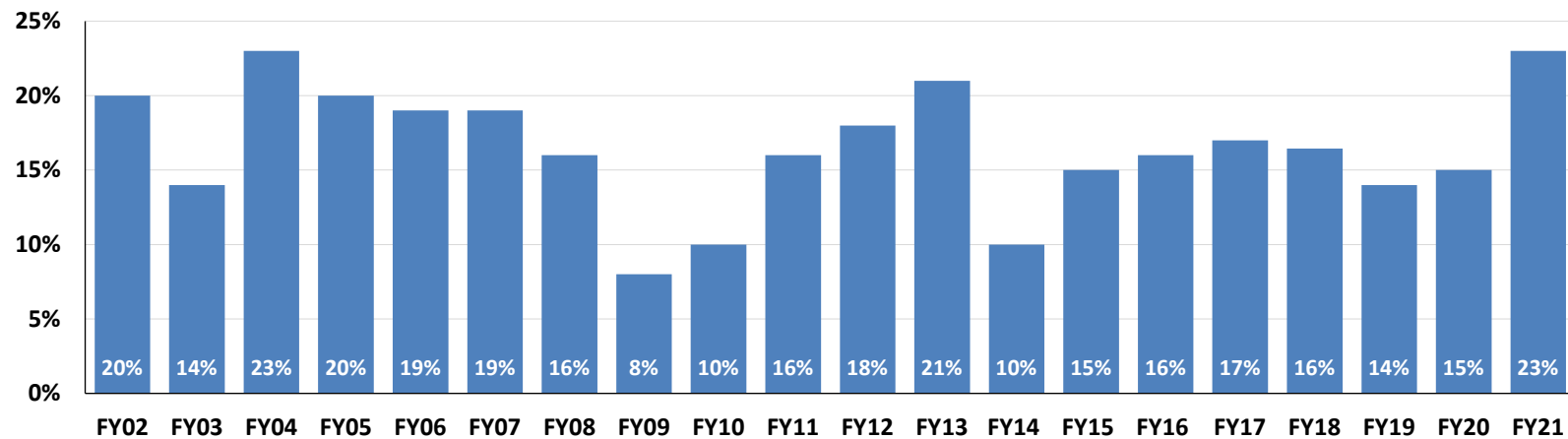
Total views	24,467
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TALENT MANAGEMENT

New Hires	Vacancies
Keith Cole, Senior Accountant	Director of Litigation Management
Devin Crase, Creative Media Specialist	Systems Analyst
Collin Davis, Programmer	Public Relations Liaison
Amy Torres, Claims Adjuster	Web Systems Administrator
Christine Torres, Senior Claims Adjuster	Senior Claims Adjuster (2) (<i>new FTEs</i>)
Kimberly Trevino, Claims Adjuster	Claims Adjuster (5)
	Lead Cost Containment Specialist
	Cost Containment Specialist
	Medical Clean Bill Specialist
	Document Specialist
	Receptionist

Annual Turnover Rates



FINANCIAL MANAGEMENT

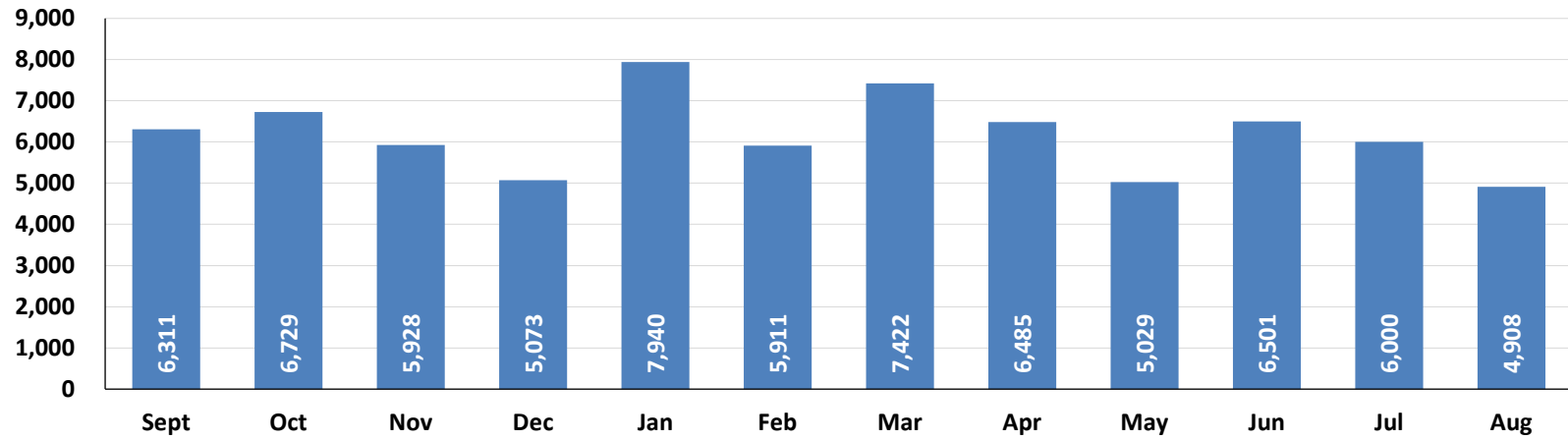
FY21 AGENCY (CONSOLIDATED) BUDGET

August 31, 2021

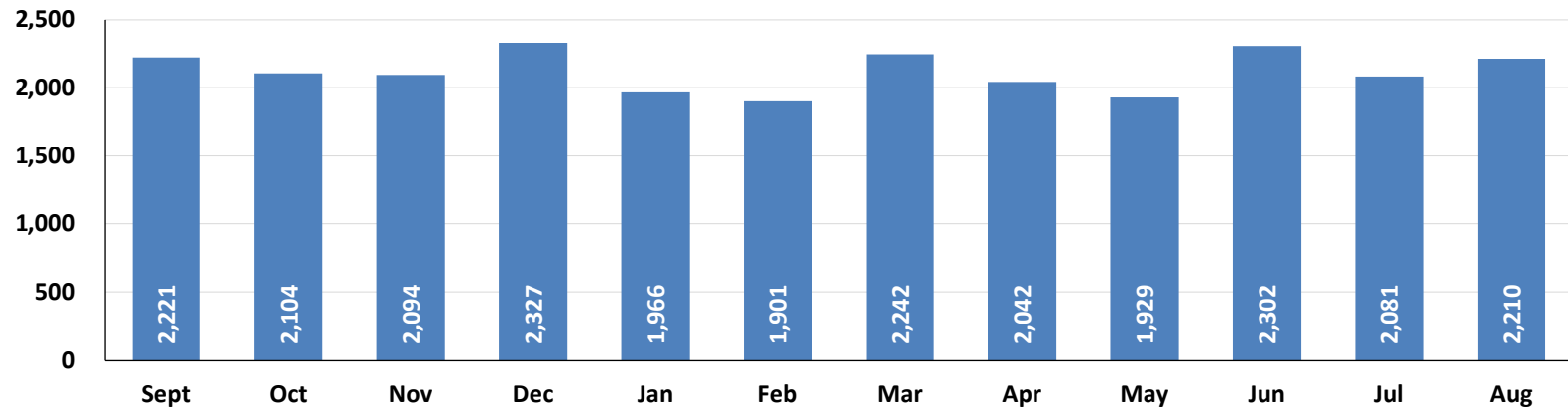
Objects of Expense	Initial Budget:	Adjustments Transfers (+ In, - Out)	Revised Budget:	Expenditures Year to Date @ 8/31/2021	Encumbrances @ 8/31/2021	Remaining Budget @ 8/31/2021	Unpaid Expenses Incurred	Percent of Budget Expended/Incurred	Percent of Fiscal Year Elapsed
Salaries & Wages	7,557,391	0	7,557,391	6,798,718	0	758,673	71	90.0%	100.0%
Other Personnel Costs	250,000	50,000	300,000	281,597	0	18,403	8,375	96.7%	100.0%
Professional Services	1,750,000	(250,000)	1,500,000	1,041,172	150,228	308,601	0	69.4%	100.0%
Consumable Supplies	38,434	0	38,434	25,038	8,140	5,256	0	65.1%	100.0%
Utilities	6,058	0	6,058	4,521	899	638	72	75.8%	100.0%
Travel	125,000	0	125,000	22,398	0	102,602	753	18.5%	100.0%
Rental of Space	720	0	720	690	0	30	0	95.8%	100.0%
Rental of Equipment	24,000	0	24,000	17,493	3,510	2,997	0	72.9%	100.0%
Operating Costs	1,977,341	(623,594)	1,353,747	1,304,006	36,206	13,536	223,507	112.8%	100.0%
Capital Expenditures	250,000	1,547,188	1,797,188	777,813	155,767	863,608	140,037	51.1%	100.0%
TOTAL	11,978,944	723,594	12,702,538	10,273,445	354,750	2,074,343	372,815	83.8%	100.0%

Objects of Expense	Initial Budget:	Adjustments Transfers (+ In, - Out)	Revised Budget:	Expenditures Year to Date @ 8/31/2021		Remaining Budget @ 8/31/2021		Percent of Budget Expended/Incurred	Percent of Fiscal Year Elapsed
Indemnity	19,148,834	0	19,148,834	16,645,536		2,503,298		86.9%	100.0%
Medical	21,418,916	0	21,418,916	18,178,780		3,240,136		84.9%	100.0%
Total Exps.	40,567,750	0	40,567,750	34,824,316		5,743,434		85.8%	100.0%
Subrogation and Restitution	(567,750)	0	(567,750)	(682,644)		114,894		120.2%	100.0%
NET TOTAL	40,000,000	0	40,000,000	34,141,672		5,858,328		85.4%	100.0%

Medical Bills Processed FY21
Total 74,237



Indemnity Bills Processed FY21
Total 25,419



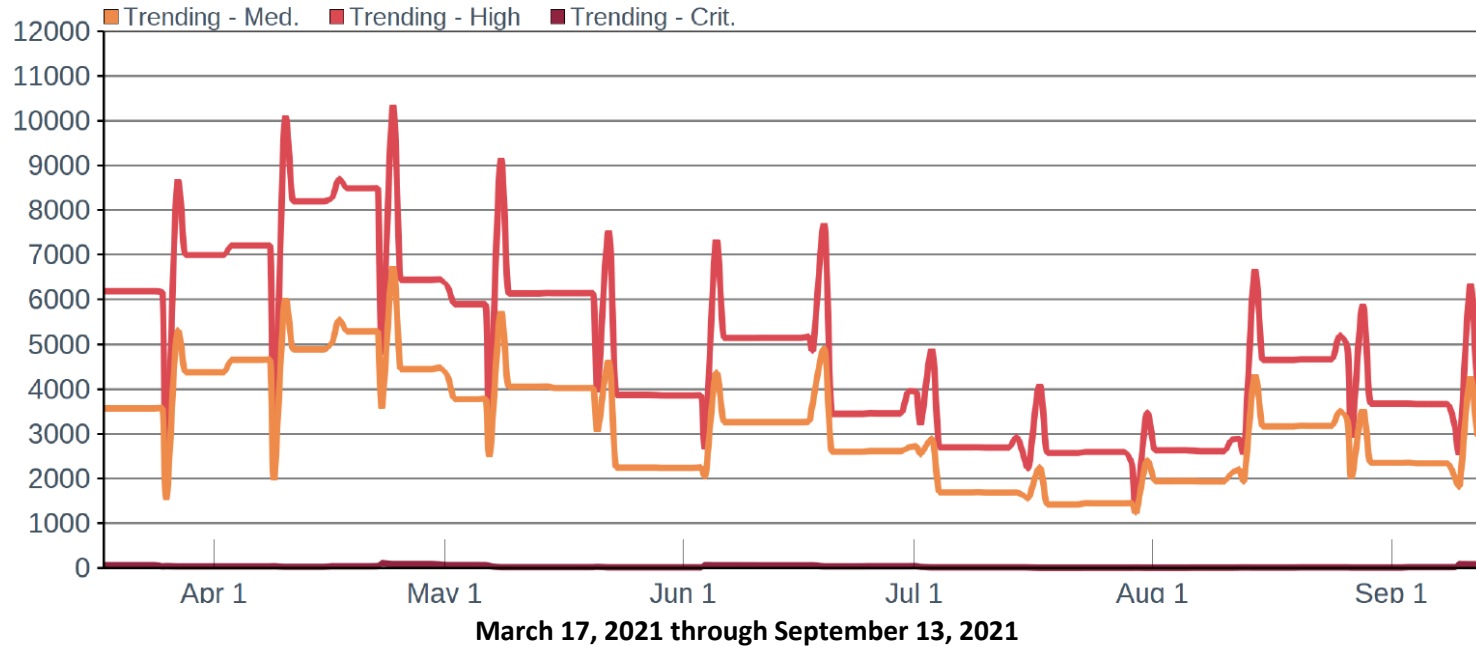
INFORMATION TECHNOLOGY

I. ONGOING AGENCY SUPPORT

Information Technology (IT) continues to support the agency operations through infrastructure support, processing, and reporting. Significant areas of activity in FY21Q4 include:

Area	Task
Equipment – Servers, desktops, laptops, and peripherals	<ul style="list-style-type: none">• Replaced malfunctioned parts for servers and workstations
Software changes (mainframe, web, client/server and PC applications)	<ul style="list-style-type: none">• Completed code and process improvements for SORM applications• Updated web/mainframe development projects in Team Foundation Server (TFS)
Projects for Business Owners	<ul style="list-style-type: none">• Identified and documented the processes, procedures, tasks, and effort necessary to extract, prepare, and deliver relevant SORM data to Origami• Extracted and converted CMS data from multiple repositories and transmitted to Origami as part of the Origami RMIS project implementation• Worked with OAG, Origami, and the vendor to extract, encrypt, and transmit SORM FileNet data to Origami• Installed and configured new high-capacity scanners, and tested them for compatibility with Origami's implementation• Updated the recorded statement process to work with the new Origami RMIS system• Tested and documented user access, modules, and processes within Origami• Analyzed current reports and workflows for migrating to the new Origami RMIS system• Coordinated a plan with project management and Origami for the new system to go live
Cybersecurity	<ul style="list-style-type: none">• Deployed cybersecurity training for all new hires as part of the onboarding process• Reviewed scheduled Vulnerability Scan Reports for SORM computers and servers<ul style="list-style-type: none">○ Installed updates on computers and servers to address vulnerabilities and comply with cybersecurity standards• Met with OAG's Cybersecurity team to assess current and future vulnerabilities and plan for addressing possible cyber threats<ul style="list-style-type: none">○ SORM vulnerabilities continue decreasing at a steady rate for all our devices, including desktops, laptops, tablets, and printers
Other Items	<ul style="list-style-type: none">• Provided desktop, email, and application support to SORM staff• Managed and supported server and PC infrastructure• Supported the external website server and/or database changes• Supported Microsoft Teams and SharePoint, including the Intranet

Vulnerabilities Trending Per Month (6 Months)



Current Vulnerabilities

	Low	Medium	High	Critical
< 7 Days	2	42	82	74
8 - 14 Days	0	2	1	8
15 - 21 Days	7	80	38	2
22 - 30 Days	4	8	7	0

Mitigated Vulnerabilities

	Low	Medium	High	Critical
< 7 Days	0	21	38	6
8 - 14 Days	1	5	4	0
15 - 21 Days	7	23	27	4
22 - 30 Days	0	1	3	0

II. ANTICIPATED ACTIVITY

In addition to routine support functions congruent with operations for the Office, we anticipate the following activities during FY22Q1 and beyond:

- A.** Provide final data, update computer processes, and coordinate with Origami implementation of Phase 1 of the new RMIS System
- B.** Conduct post-implementation tasks, including validation of modules, data, and automated processes
- C.** Provide support to SORM staff for the new Origami RMIS system
- D.** Update computer/software frameworks to improve our security posture post-Origami implementation
- E.** Build the new Employee Checklist with Talent Management as the champion
- F.** Coordinate with OAG Disaster Recovery Server options for SORM
- G.** Continue supporting external website and intranet server/database
- H.** Continue supporting the new Learning Management System (LMS) server/database



STRATEGIC PROGRAMS

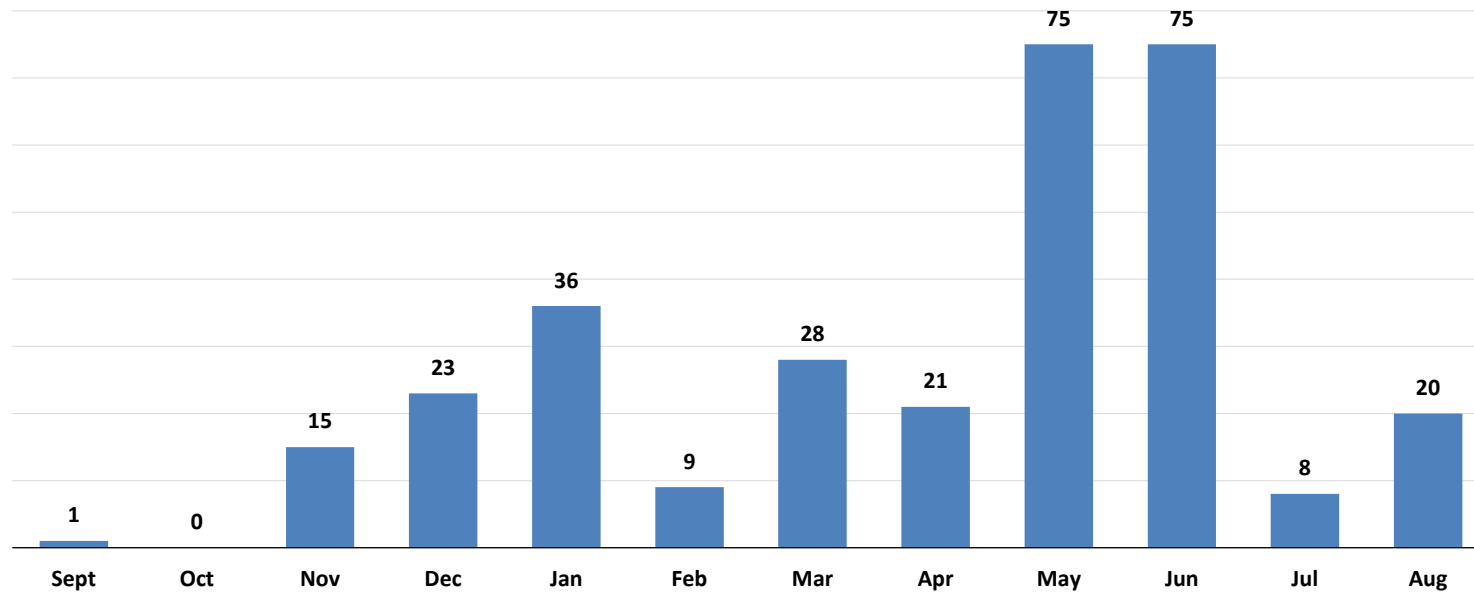
ENTERPRISE RISK

I. STATEWIDE RISK MANAGEMENT PROGRAM

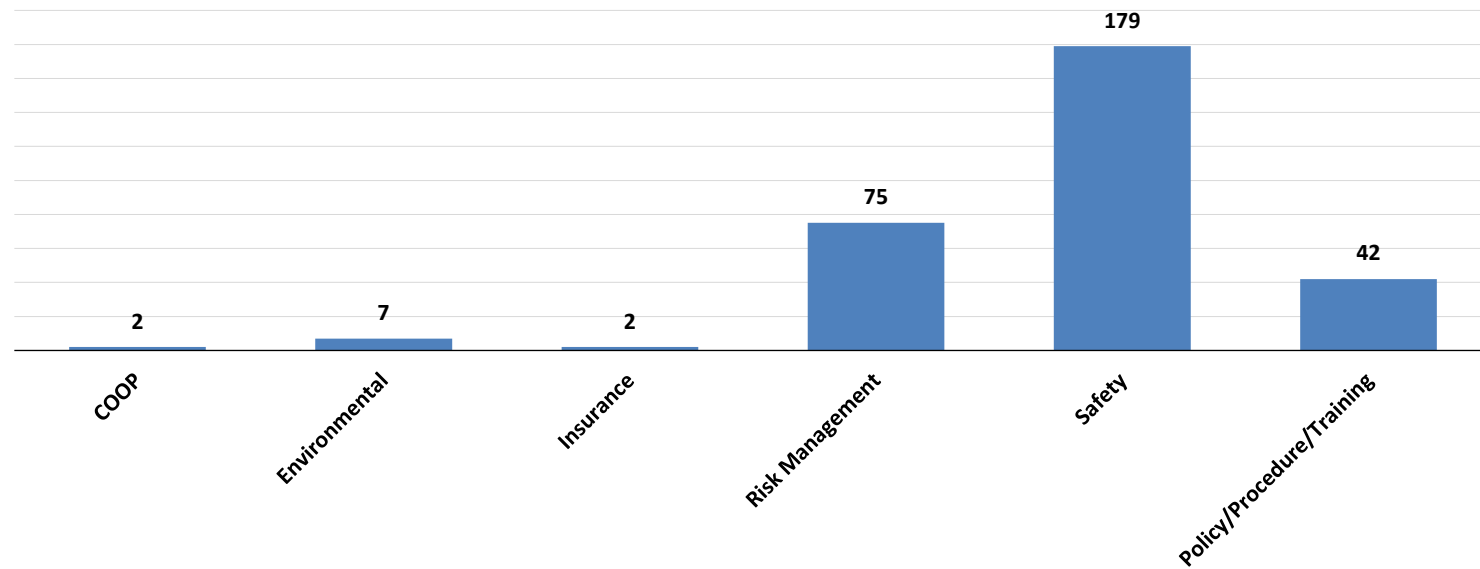
On-Site Consultations (OSCs) and Risk Management Program Reviews (RMPRs)

	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	
OSCs	41	10	8	12	21	13	29	38	17	25	14	4	101.3% of annual goal of 229 OSCs
RMPRs	0	0	0	3	1	0	4	3	2	1	5	10	100% of annual goal of 29 RMPRs

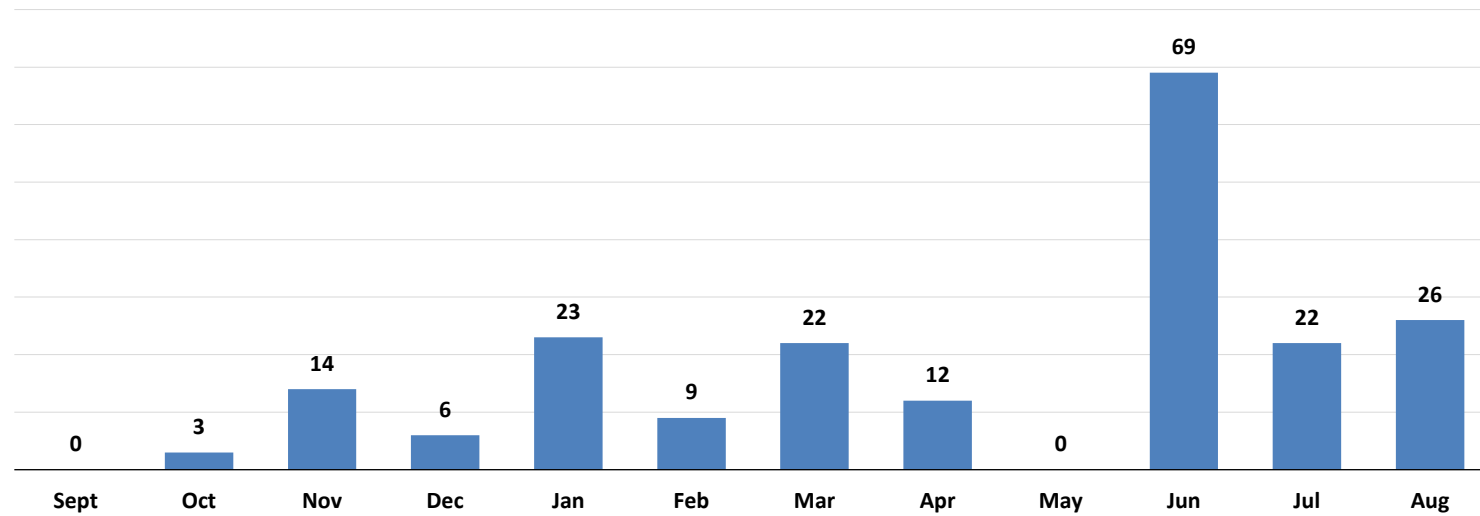
Recommendations Given FY21



Category of Recommendations FY21Q4

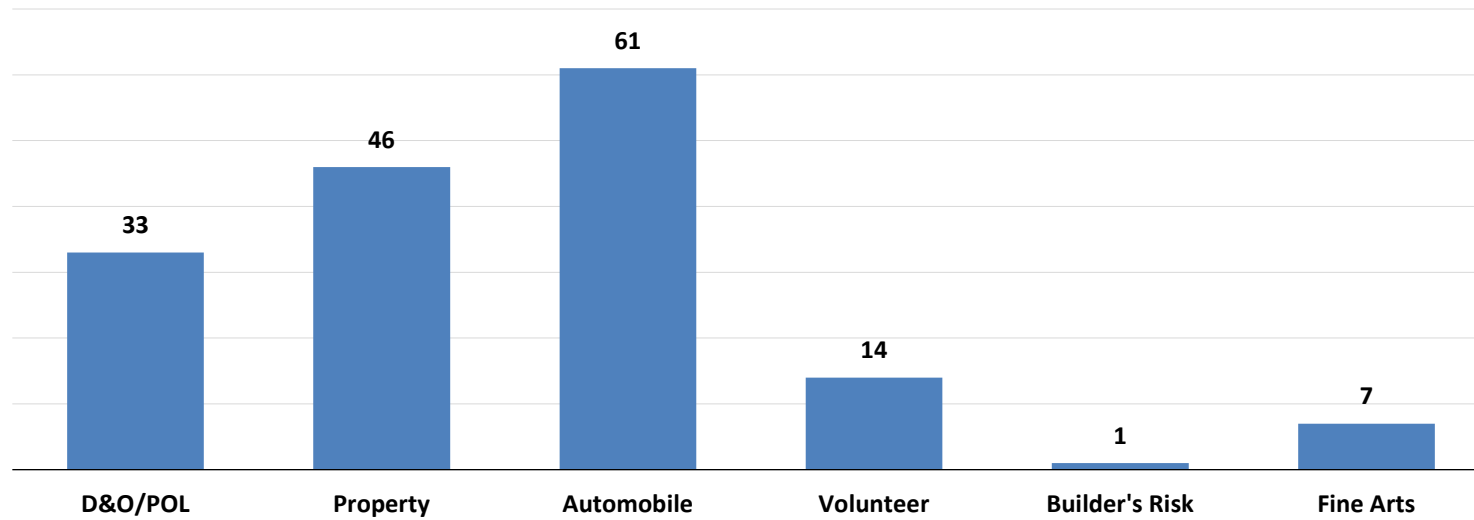


Closed Recommendations FY21



II. STATEWIDE INSURANCE PROGRAM

A. PARTICIPANTS IN STATEWIDE INSURANCE LINES FY21Q4



B. MONITORING

414 notary applications were processed during FY21Q4

C. INSURANCE PURCHASES

SORM 201s processed:	19
SORM 201s approved and premium paid:	19 for \$237,031

SORM 201s FY21Q4

Line of Insurance	Approved	Comments	Premium
Volunteer and General Liability	✓	Annual renewal of the Volunteer Insurance Policy for its Foster Grandparent Program. This is a federally funded grant program which requires this specific insurance coverage to be an eligible sponsor of the program. Because the premiums are funded by the federal grant, the agency is not participating with the SORM sponsored volunteer insurance program to keep the accounting of federal grant money separate from the state general revenue funds and ensure that the program related expenses are clearly established. See Title 45 section 2552.	\$5,000
Hull and PI	✓	This policy covers watercraft liability and physical damage.	\$4,931
Extra Territorial Workers Compensation California	✓	This policy covers agency staff who provide work on behalf of the State of Texas but operate and reside outside of the state.	\$6,067
General Liability	✓	General Liability insurance is designed to protect an organization against liability claims for bodily injury or property damage that they may be held responsible for. This policy is a requirement of the lease agreements and includes a "blanket waiver of subrogation".	\$1,305
Drone	✓	Insurance policy specifically for Unmanned Aircraft Systems (UAS) which are also known as drones. Coverage is intended to protect the aircraft itself as well as the aircraft owner against claims due to damage, accidental injury, and more.	\$2,947
Extra Territorial Workers Compensation Oklahoma	✓	This policy covers agency staff who provide work on behalf of the State of Texas but operate and reside outside of the state.	\$1,506
Crime	✓	A commercial crime policy is designed to mitigate potential exposure from criminal acts. A crime policy can provide coverage for several different types of crime hazards, including but not limited to: employee dishonesty; forgery or alteration; computer fraud; funds transfer fraud coverage; money and securities coverage; and/or social engineering.	\$2,106
General Liability	✓	General Liability insurance is designed to protect an organization against liability claims for bodily injury or property damage that they may be held responsible for. This policy is a requirement of the lease agreements and includes a "blanket waiver of subrogation".	\$2,885
Medical Malpractice	✓	Designed to protect medical practice groups and facilities that host student interns performing clinic procedure in the hospitals as part of their coursework.	\$7,957
Cyber Liability	✓	Cyber insurance generally covers a business's liability for a data breach involving sensitive information as well as costs such as business disruption, revenue loss, equipment damages, legal fees, public relations expenses, forensic analysis, and costs associated with legally mandated notifications.	\$6,427

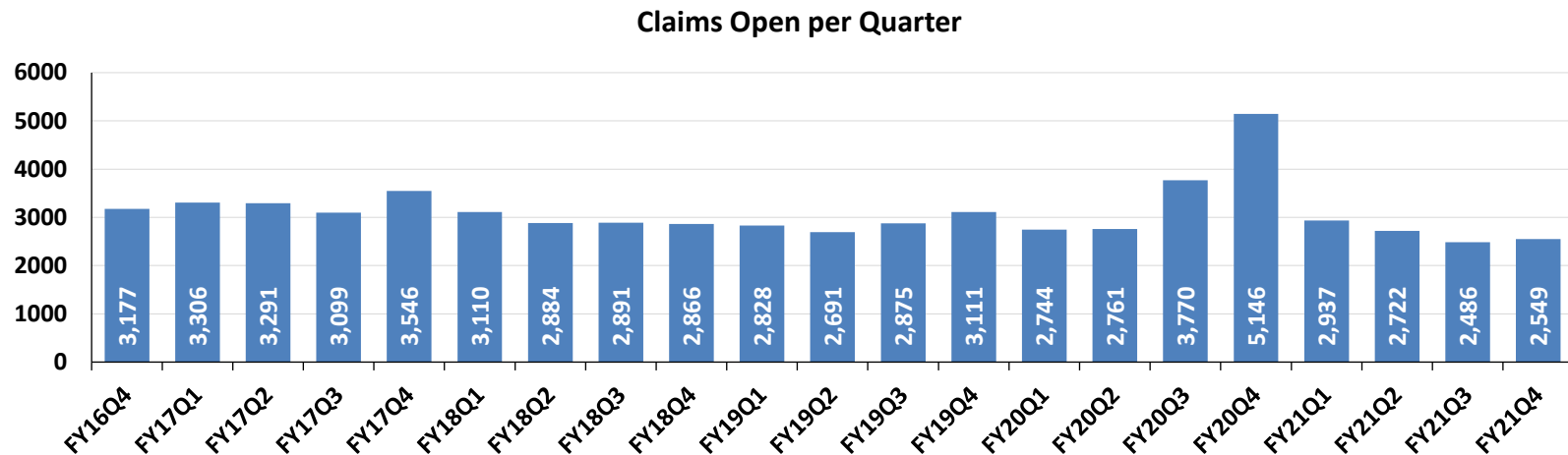
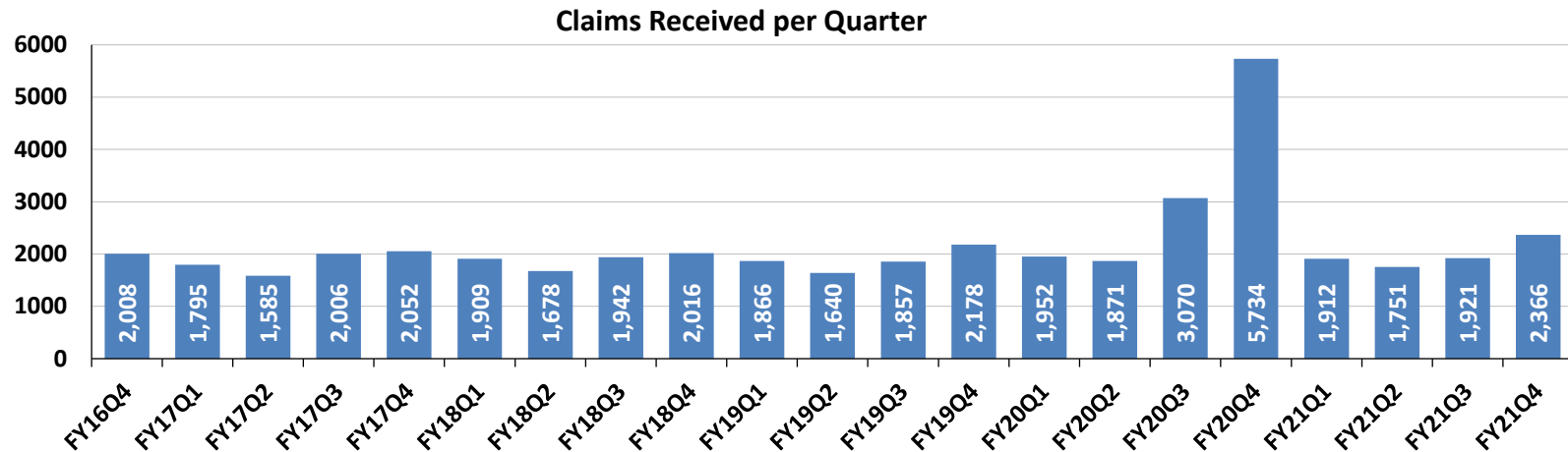
Line of Insurance	Approved	Comments	Premium
General Liability	✓	General Liability insurance is designed to protect an organization against liability claims for bodily injury or property damage that they may be held responsible for. This policy is a requirement of the lease agreements and includes a “blanket waiver of subrogation”. The coverage includes worldwide territory, athletic event liability for injury to participants, professional liability for nurses and athletic trainers, police professional liability, sudden and accidental above-ground pollution (including bodily injury in laboratories), liquor liability, watercraft, corporal punishment, personal and advertising injury, sexual molestation coverage and punitive damages for 3 million dollars in coverage. Since this policy includes professional liability and sexual molestation, which is generally on separate policies, it results in a higher premium than your average general liability policy.	\$111,039
Excess of General Liability	✓	Excess of General Liability insurance is designed to protect an organization against liability claims for bodily injury or property damage that they may be held responsible for. The coverage includes worldwide territory, General Liability, Automobile Liability and Employers Liability, athletic event liability for injury, Professional liability of employees in student infirmaries, security forces liability, sudden and accidental above-ground pollution (including bodily injury in laboratories), liquor liability, watercraft, corporal punishment, personal and advertising injury, and punitive damages for 1 million dollars in excess coverage.	\$21,650
Farm and Poultry	✓	Two Farm and Ranch Property Insurance policies that work jointly to protect the property at a lower deductible than SORM's sponsored property program.	\$5,872
Inland Marine	✓	This policy covers mobile equipment.	\$3,345
General Liability	✓	General Liability insurance is designed to protect an organization against liability claims for bodily injury or property damage that they may be held responsible for. This policy is a requirement of HB801 for prescribed burns.	\$7,228
Inland Marine	✓	This policy covers mobile equipment.	\$5,181
Crime	✓	Covers potential crime hazards due to employees handling money in the form of cash, checks, and credit cards. This commercial crime policy is designed to mitigate potential exposure from criminal acts (employee theft only).	\$500
Athletic Accident	✓	The NCAA Intercollegiate Sports Accident Insurance policy will cover all student athletes, student trainers, student managers, student coaches and guest recruits while participating as a member of the agency.	\$40,000
Inland Marine	✓	This policy covers mobile equipment.	\$1,085
TOTAL			\$237,031

CLAIMS OPERATIONS

I. CLAIMS OPERATIONS ACTIVE WORKLOAD FY21Q4

Claims Operations continues to conduct thorough investigations in the initial stages and focuses on maintaining active follow up.

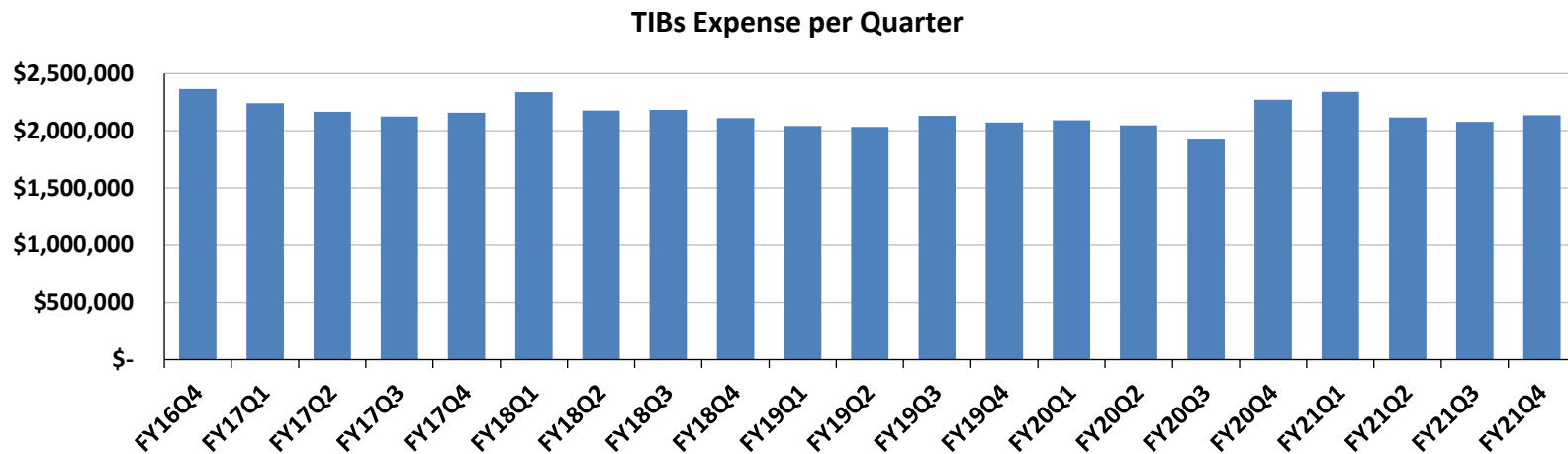
- A. SORM received 2,366 injury reports (claims) in FY21Q4, an increase from the number of injury reports received in FY21Q3 (1,921)
- B. 1,607 claims were accepted
- C. 1,733 claims were inactivated
- D. SORM had 2,549 open claims at the end of FY21Q4



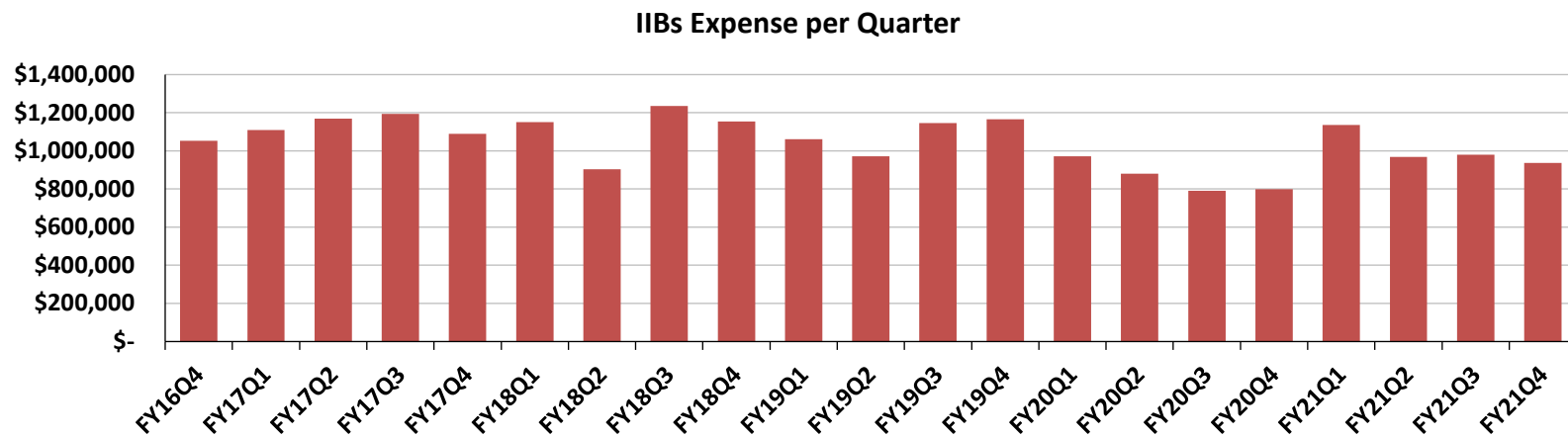
II. ANALYSIS OF INCOME BENEFITS EXPENSES FOR FY21Q4

- A. FY21Q4 reflects a slight increase in TIBs indemnity costs from FY21Q3
- B. TIBs payments were \$2,137,200.52 and IIBs payments were \$936,108.81 in FY21Q4
- C. At the end of FY21Q4, there were 533 TIBs, 178 IIBs, 29 SIBs with payment, 11 LIBs, and 73 DIBs claims open

Temporary Income Benefits (TIBs) expenditures for FY21Q4 totaled \$2,137,201 on 533 claims

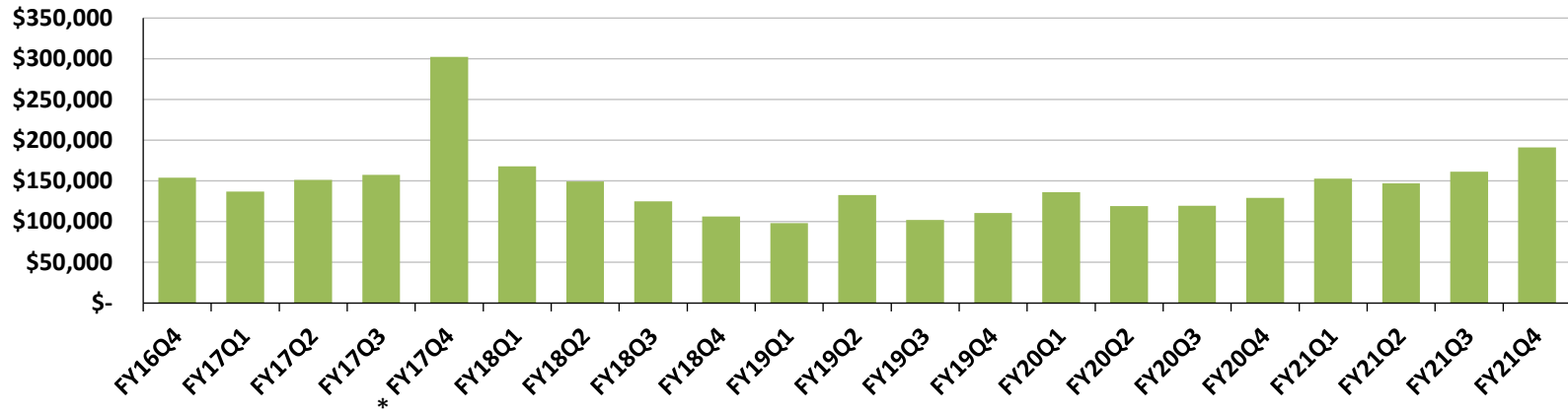


Impairment Income Benefits (IIBs) expenditures for FY21Q4 totaled \$936,109 on 178 claims



Supplemental Income Benefits (SIBs) expenditures for FY21Q4 totaled \$191,073 on 29 claims

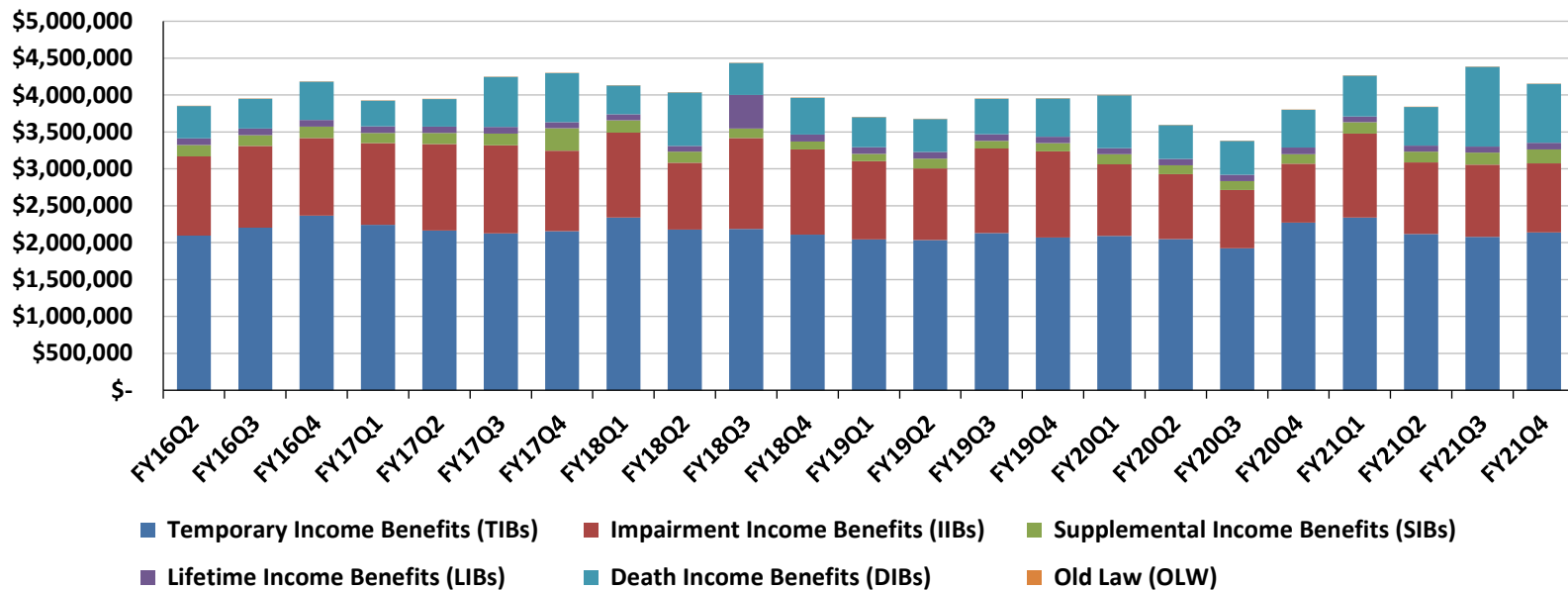
SIBs Expense per Quarter



*FY17Q4 – nine quarters paid due to CCH ruling

Combined indemnity expenditures for FY21Q4 totaled \$4,156,287 on 767 claims

Combined Indemnity Expense per Quarter





LITIGATION MANAGEMENT

I. BENEFIT DISPUTE RESOLUTION FY21Q4

Disputes regarding compensability or eligibility for benefits can occur throughout the life of a workers' compensation claim.

Top 5 BRC Issues FY21Q4	Amount
Extent of Injury	31
Maximum Medical Improvement/Impairment Rating	24
Extent of Injury/Maximum Medical Improvement/Impairment Rating	22
Existence of Injury	3
Medical Fee Decision Appeal	2

Top 5 CCH Issues FY21Q4	Amount
Extent of Injury/Maximum Medical Improvement/Impairment Rating	11
Extent of Injury	7
Maximum Medical Improvement/Impairment Rating	7
Existence of Injury/MMI/IR/Disability	2
Disability	1

II. SPECIAL INVESTIGATIONS

SORM investigates and reports workers' compensation fraud committed by system participants.

FY21Q4	Pending	Opened	Closed	Criminal/Administrative Referrals
Fraud Investigations	8	3	3	1 Referral 3 Report Only

III. RECOVERY SERVICES

When a claimant's injuries are caused by a third party, SORM can request reimbursement for benefits that have been paid by the state for the compensable injury. If a TDI-DWC interlocutory order or decision is reversed or modified in SORM's favor, SORM can request reimbursement from the Subsequent Injury Fund for the overpayment of benefits.

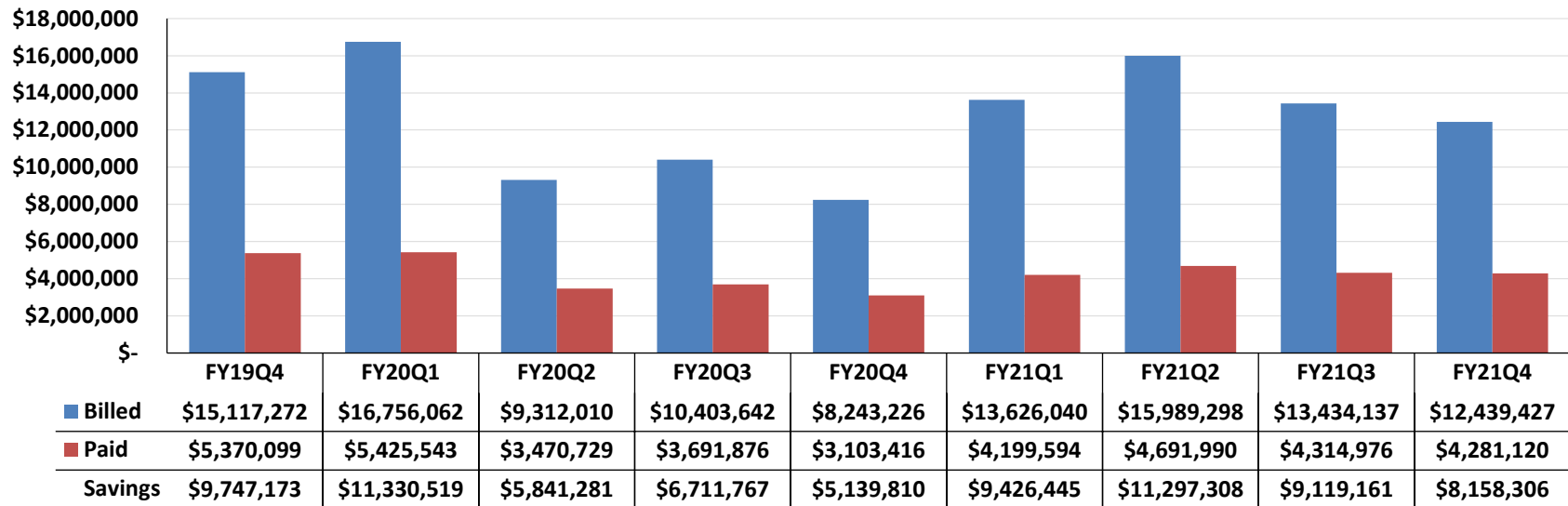
	FY21Q1	FY21Q2	FY21Q3	FY21Q4	YTD Total
Restitution	\$6,681	\$193	\$598	\$679	\$8,151
SIF	\$0	\$48,082	\$85,190	\$112,582	\$245,855
Subrogation	\$152,706	\$107,923	\$27,060	\$140,949	\$428,638
TOTAL	\$159,387	\$156,198	\$112,849	\$254,210	\$682,644

COST CONTAINMENT

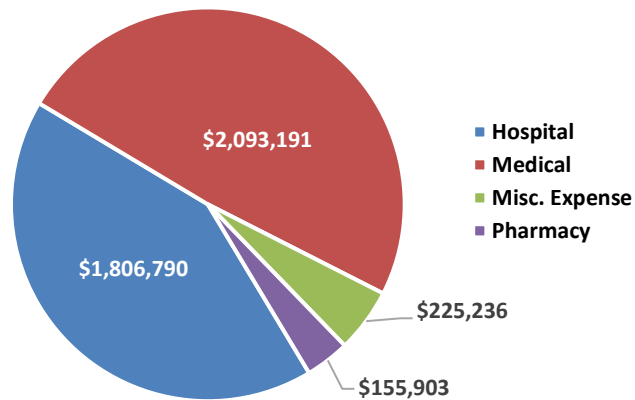
I. MEDICAL COSTS

Workers' compensation benefits include medically necessary treatment related to the compensable injury.

**Total Medical Cost Savings
FY19Q4 - FY21Q4**



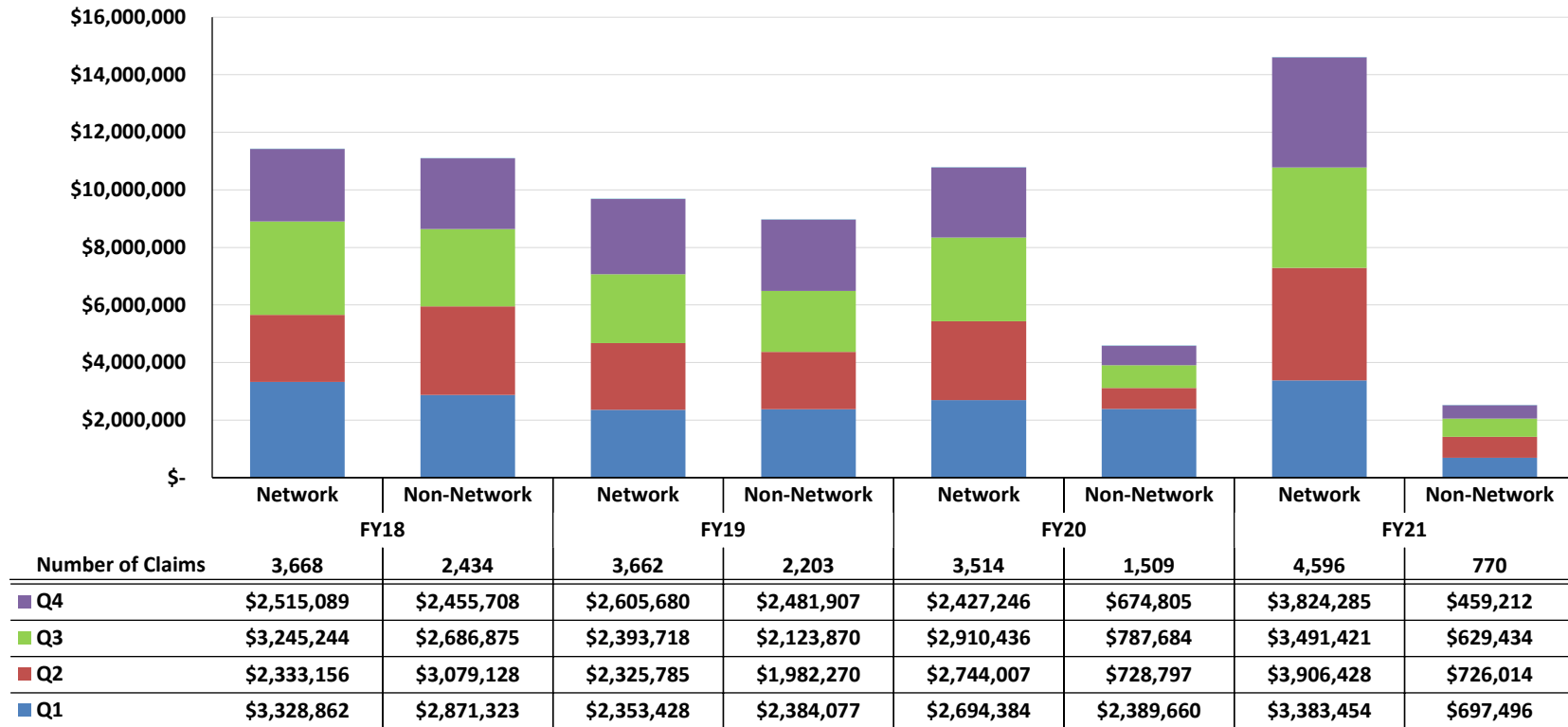
Medical Payments FY21Q4



A. NETWORK AND NON-NETWORK DATA

The following chart shows the number of network and non-network claims.

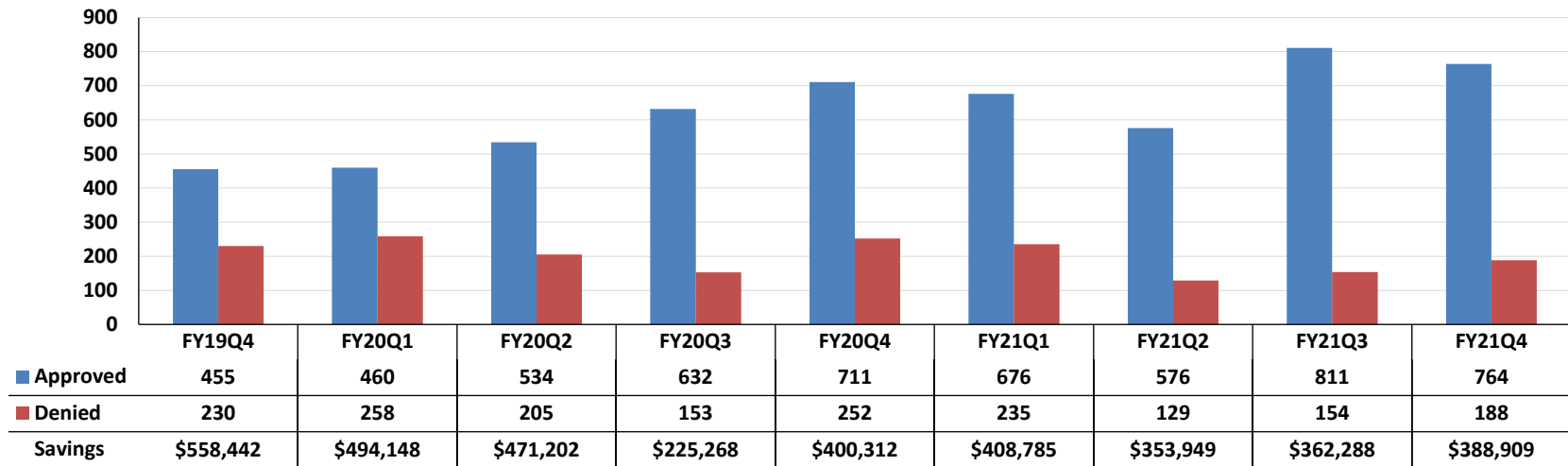
Network and Non-Network FY18 - FY21



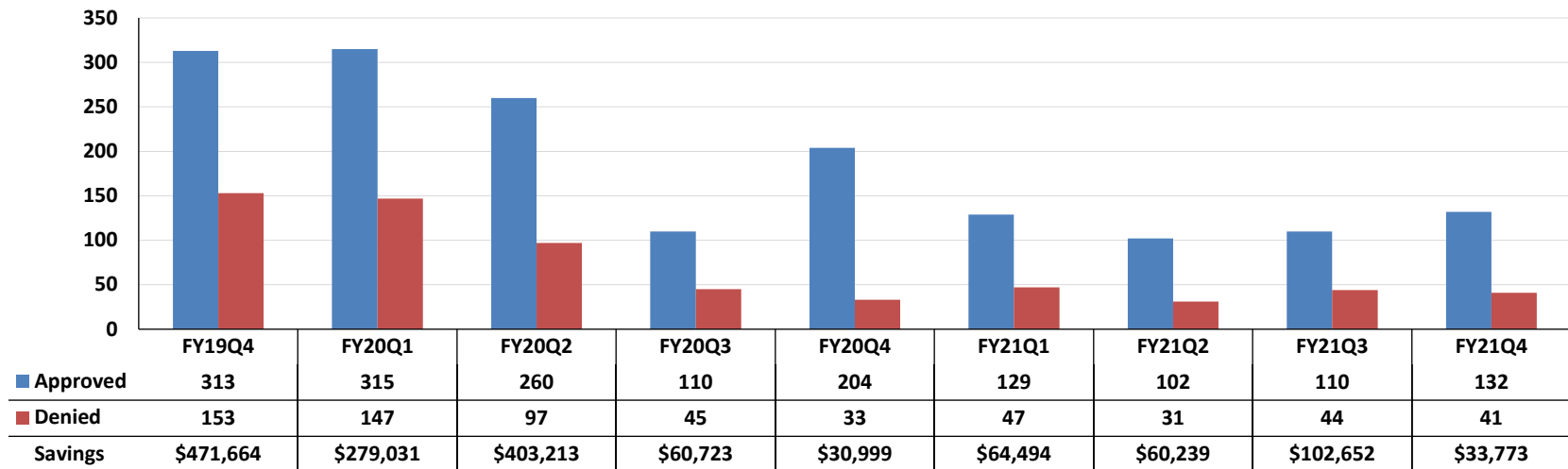
B. PREAUTHORIZATION

Certain types of health care services must be prospectively reviewed and preauthorized as medically necessary before the service is provided to an injured employee.

Network Utilization Review FY19Q4 - FY21Q4

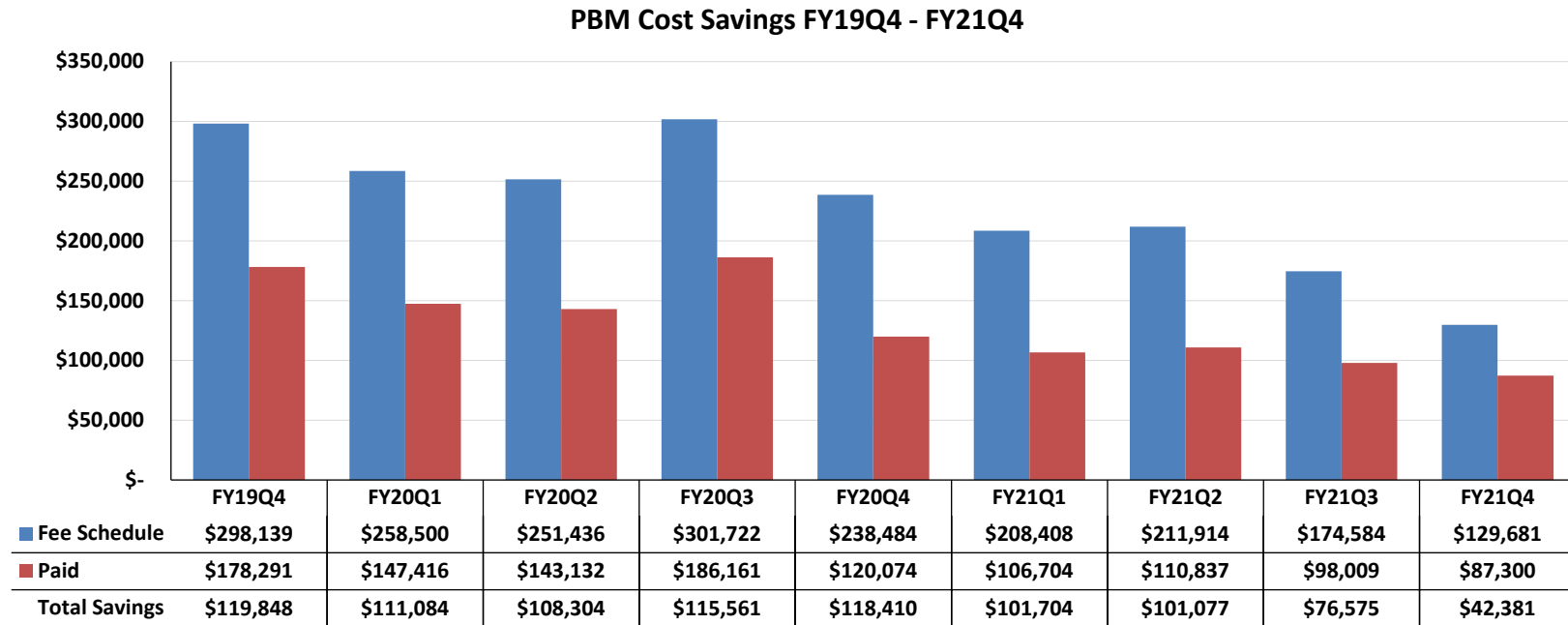


Non-Network Utilization Review FY19Q4 - FY21Q4



C. PHARMACY BENEFIT MANAGEMENT

Workers' compensation benefits include medically necessary prescription drugs and over-the-counter medication.



D. MEDICAL DISPUTE RESOLUTION FY21Q4

Medical dispute resolution is used to resolve disputes when an insurer reduces or denies payment of a medical bill or to determine the medical necessity of treatment for a compensable injury.

Medical Fee Disputes	4 Non-Network
	6 Network
Medical Necessity Disputes	0 Non-Network
	0 Network

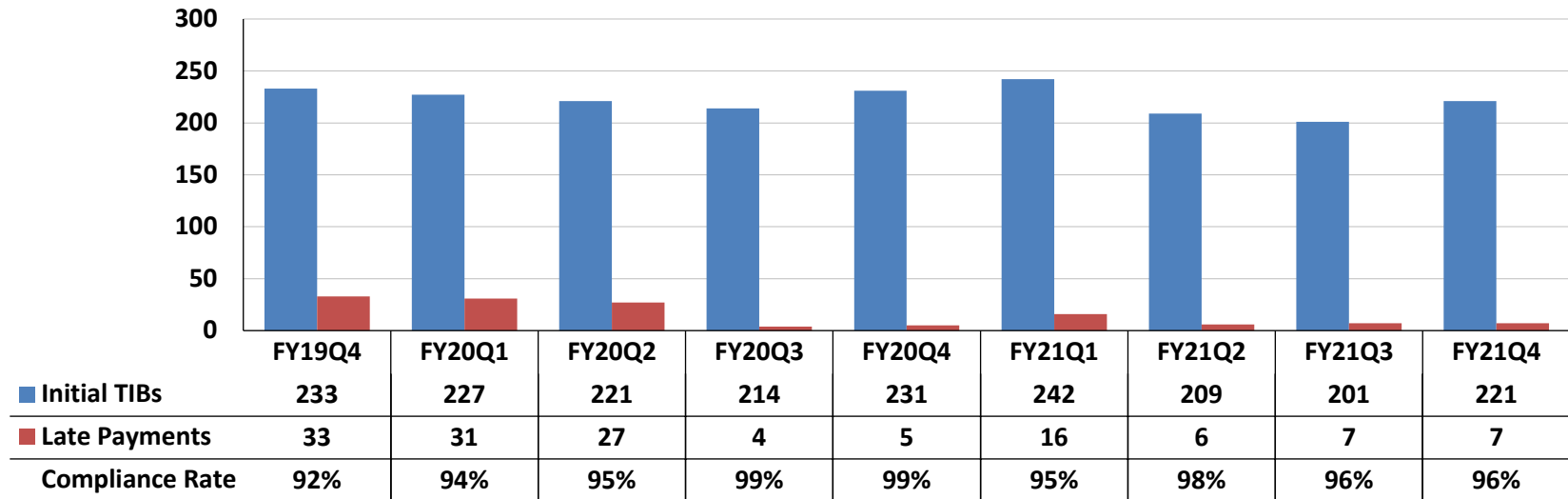
COMPLIANCE MANAGEMENT

I. INDEMNITY QUALITY ASSURANCE

A. TEMPORARY INCOME BENEFIT AUDITS

SORM must initiate temporary income benefits by the 7th day after the accrual date (8th day of disability) or the 15th day after notice of injury.

Initial TIBs Compliance Rate & Late Payments

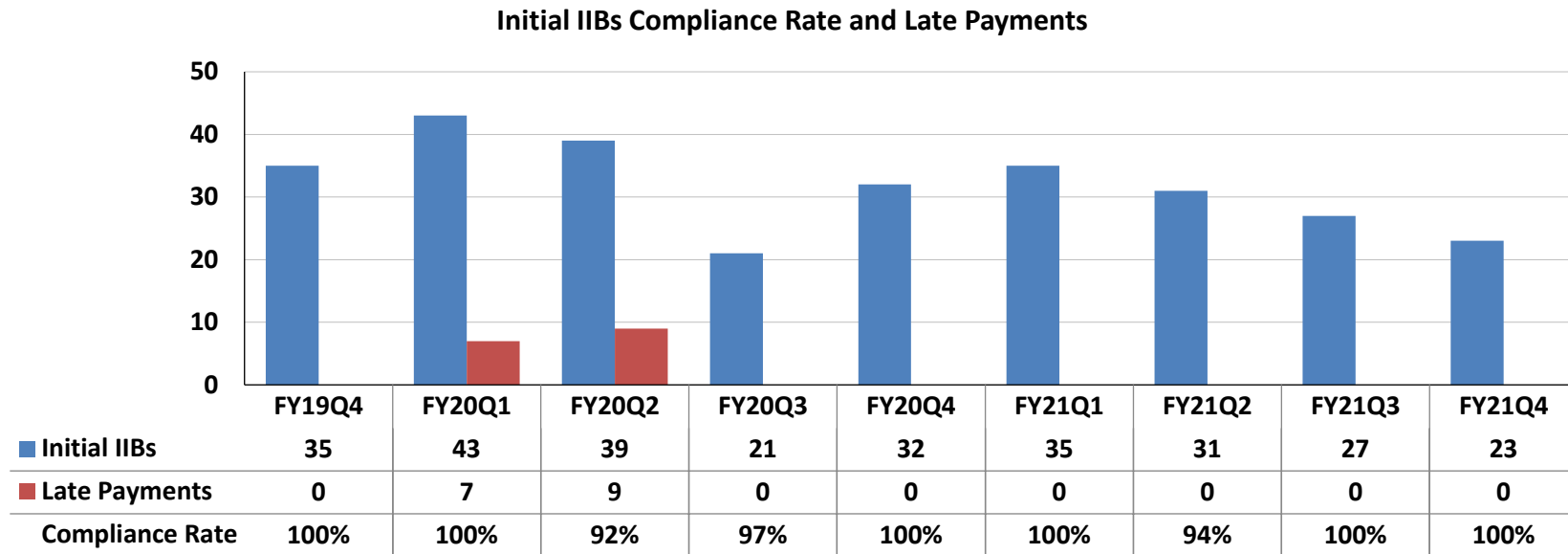


TIB Late Payments FY21Q4

Carrier	3
Employer	4
No Fault/Misc.	0
Physician	0

B. IMPAIRMENT INCOME BENEFIT AUDITS

SORM must initiate impairment income benefits by the 5th day after receiving a notice of medical evaluation indicating the injured employee has reached maximum medical improvement (MMI).



II. CONTRACT ADMINISTRATION

Area	Task
Procurement	<ul style="list-style-type: none"> Claims Index
Contract Management	<ul style="list-style-type: none"> Insurance Support Services NDAs and Contracts Legislative Changes
Vendor Performance Monitoring	<ul style="list-style-type: none"> Vendor Performance Evaluation Tool (VPET) Business Owner Input Desk Reviews Issue Log
Vendor Performance Reporting	<ul style="list-style-type: none"> Expiration, Annually, and Renewals

5. New business

5.1 Presentation, discussion, and action regarding the Fiscal Year 2021 Internal Audit Report

Information

Board Member Ladner, and/or representatives of the agency's audit contractor, will present the final report for Fiscal Year 2021.

Action Required

The Chair may entertain motions for consideration and acceptance.



State Office of Risk Management

Internal Audit Services

FY 2021 Annual Internal Audit Report

Prepared by:



McCONNELL & JONES LLP
CERTIFIED PUBLIC ACCOUNTANTS

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McCONNELL & JONES LLP
CERTIFIED PUBLIC ACCOUNTANTS

October 5, 2021

The Honorable Greg Abbott, Governor
Members of the Legislative Budget Board
Internal Audit Coordinator, State Auditor's Office

Dear Ladies and Gentlemen:

Attached is the 2021 Annual Internal Audit Report for the State Office of Risk Management (SORM). This Annual Internal Audit Report is submitted in accordance with the Texas Internal Auditing Act requirement for state agency internal auditors to prepare and distribute an annual report (Government Code, Chapter 2102).

McConnell & Jones LLP (MJ) was engaged on February 26, 2018 to provide internal audit services to the SORM in accordance with The Texas Internal Auditing Act. Pursuant to the Request for Proposals (RFP) issued December 14, 2017, MJ submits this Annual Internal Audit Report for fiscal year 2021 on behalf of the State Office of Risk Management.

The Texas Internal Auditing Act requires agencies to file an annual report on their internal audit activities and the internal audit reports prepared for governing boards. The purpose of the Annual Internal Audit Report is to provide information on the assurance services, consulting services, and other activities of the internal audit function. In addition, the Annual Internal Audit Report assists oversight agencies in their planning and coordination efforts. According to Texas Government Code, Sections 2102.009 and 2102.0091, the Annual Internal Audit Report for fiscal year 2021 is due November 1, 2021.

Please contact Darlene Brown at 713.968.1617 or Stephen Vollbrecht at 512. 936.1508 if you should have any questions about this Annual Internal Audit Report.

Sincerely,

Darlene Brown, CIA, CFE
Partner

9130 Jollyville Rd
Suite 320
Austin, TX 78759
Phone: 713.968.1600

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I. COMPLIANCE WITH TEXAS GOVERNMENT CODE, SECTION 2102.015: POSTING THE AUDIT PLAN AND ANNUAL REPORT ON THE INTERNET

Texas Government Code, Section 2102.015, requires state agencies and institutions of higher education to post agency internal audit plans and internal audit annual reports to the agency's internet website within 30 days of approval. Texas Government Code, Section 2102.015, also requires agencies to update the posting on the website to include a detailed summary of any weaknesses, deficiencies, wrongdoings, or other concerns raised by the audit plan or annual report and include a summary of the actions taken by the agency to address the issues raised.

In accordance with requirements of Texas Government Code, Section 2102.015, McConnell & Jones LLP (MJ) will ensure the required internal audit plan, internal audit annual report and any other required internal audit information is provided to the State Office of Risk Management (SORM) for posting to their website.

II. FISCAL YEAR 2021 INTERNAL AUDIT PLAN STATUS

The fiscal year 2021 Annual Internal Audit Plan was prepared by McConnell & Jones LLP based on a comprehensive risk assessment and approved by SORM's Board of Directors. The approved FY 2021 Annual Internal Audit Plan was completed as approved. The chart below reflects the approved audit plan status as of August 31, 2021

Fiscal Year 2021 Internal Audit Plan Status

#	Description	Report Number	Report Date	Report Title	Audit Status
1	RMIS Implementation Review and Evaluation	21-001	September 15, 2021	Information Technology Audit Origami Implementation	Completed
2	Follow-Up on Open Audit Findings	On-Going			
3	Update Annual Risk Assessment & Audit Plan	N/A	N/A	N/A	Completed
4	Annual Audit Report	N/A	N/A	N/A	Completed
5	Audit Communications, Project Management	N/A	N/A	N/A	On-going

Deviation from 2021 Plan:

MJ completed the approved FY 2021 Annual Internal Audit Plan as approved with no deviations.

III. INFORMATION TECHNOLOGY AUDIT REPORT SUMMARY

Internal audit completed a review of the agency's Origami Risk Management Information System (RMIS) implementation project and status. The RMIS is an enterprise resource planning (ERP) system which will address all agency business functions. This implementation is being conducted in six (6) phases. Phase 1 focuses on the Workers' Compensation system. The original go live date was scheduled for July 2021 however that date was moved to November 2021. Phase 1 is what was included in our review. Our audit is to be conducted in two (2) parts and we have completed Part 1.

Part 1: The focus was on the project management of the Phase 1 deployment. The focus included:

1. Controls in place and
2. Areas for improvement

Part 2: The focus is on the outcome of the deployment to identify lessons learned. This audit will be scheduled once the go-live date is set.

We concluded that SORM's management control structure in place over the project management of the Origami implementation and deployment are generally effective and provide reasonable assurance that the risks are being managed and the objectives should be met.

No control deficiencies were identified during the audit. We did identify opportunities for improvement which are intended to provide guidance in future phases. These opportunities were in the areas of:

- Project management / governance,
- Data conversion and data processing, and
- Data cleanup and training.

There is no requirement to implement or respond to these suggestions. We made the following recommendations for management to consider:

Project Management / Governance

- SORM should work with Executive Management and OAG to develop concrete plans, based on a risk assessment, for sustainment or retirement of the legacy CMS. This includes deciding whether parallel processing will occur.
- Work with Origami to:
 - provide an outline of training topics and schedule for SORM staff that meets the needs of the agency,
 - provide testing scripts/scenarios and timetable for user acceptance testing (UAT) in a reasonable time frame so subject matter experts (SME's) can review and update where

needed to assure UAT identifies potential issues within the key workers' compensation processes,

- implement data security that meets SORM's requirements, and
- develop a backup plan as a safety precaution in case something goes awry during the data conversion /system implementation.

Data Conversion and Data Processing

- SORM should continue to communicate status of the Origami implementation. Once the go-live date is set, additional email should be sent to agencies, indicating when SORM will be closed for the conversion (Thursday and Friday), any cutoff times they should be aware of for their claims to be submitted, and when operations will reopen (Monday).
- SORM IT should be made aware of the contracted Service Level Agreements (SLAs) and prepare to monitor the performance of the Origami implementation during testing and after Go-Live.
- Establish Go / No Go Criteria for moving forward with Go-Live date.
 - Determine in advance the criteria that would stop the deployment if met.
 - Identify a back-up weekend that would be utilized if No / Go decision is met.

Data Cleanup and Training

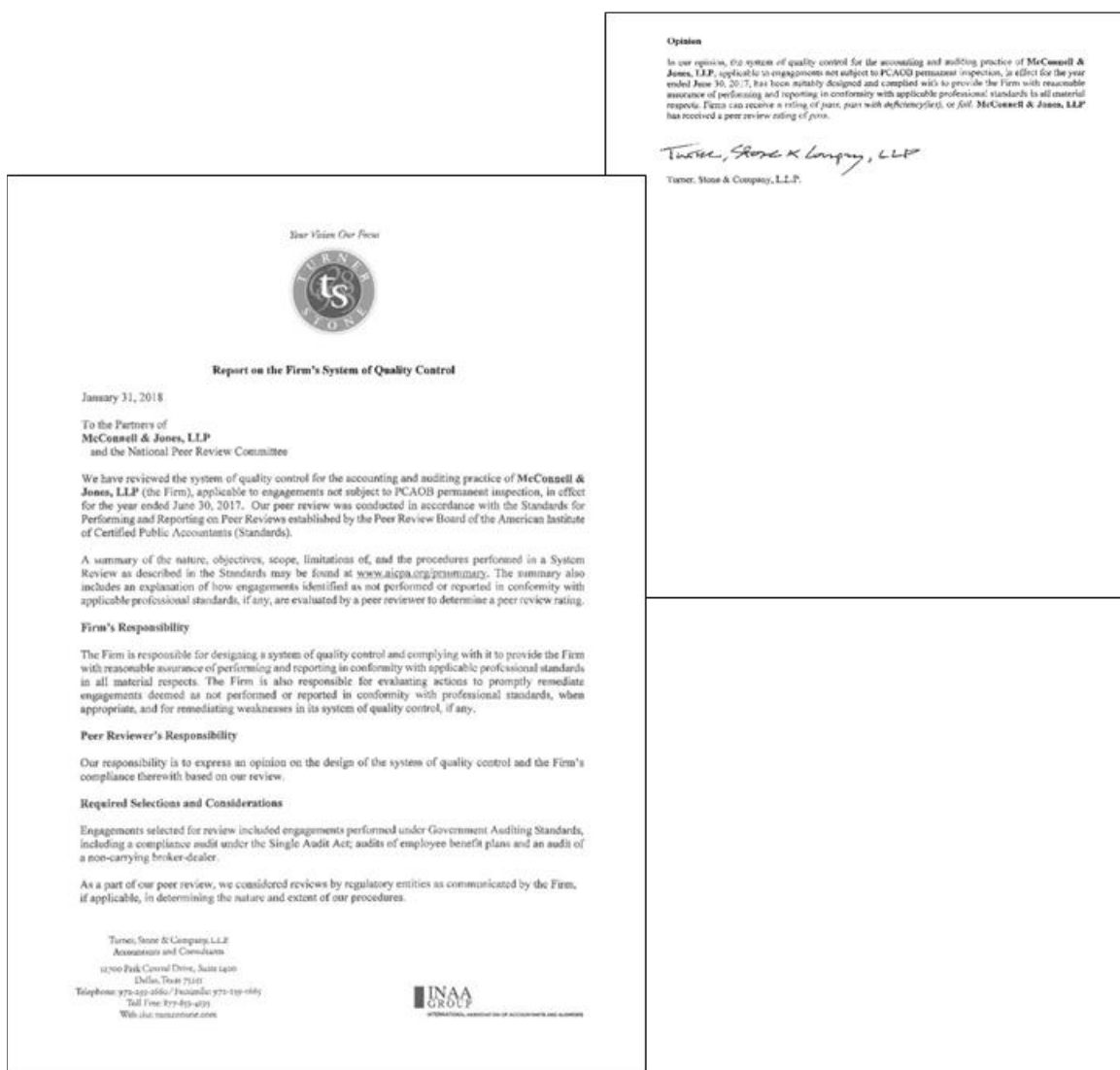
- Conduct preliminary discussions with stakeholders (internal, OAG, Comptroller, client agencies) to identify changes to procedures, creation of training materials and the creation of the issue/improvement escalation process. These discussions can be leveraged to ensure that the project implementation schedule is not impacted by delays. These discussions should include:
 - Origami trainers and SORM management working with SMEs to identify changes to procedures that will be needed. Having this discussion earlier will allow time to provide training and updating of procedures.
 - The number of hours of training needed by department and/or job responsibilities. (Origami should have a list of all of the training modules and who is recommended to attend.)
 - The potential impact training will have on worker performance. SORM management may need to consider hiring temporary staff, if needed, to maintain the processing of data and offset any delays with workers using the new system.
 - User training is required for all users.
 - A plan for additional training four to six months after deployment to go over the bells and whistles of the system as during the first months, people will focus on what they need to get done to meet the basic requirements.

IV. CONSULTING SERVICES AND NON-AUDIT SERVICES COMPLETED

Internal audit provided no consulting and advisory services during FY 2021.

V. EXTERNAL QUALITY ASSURANCE REVIEW (PEER REVIEW)

MJ has been a member of the AICPA since 1987 and is subject to the AICPA's peer review process every three years. Our commitment to quality is underscored by the fact that, in our four most recent peer reviews, we have consistently received an unqualified opinion in external peer review reports on the quality of our accounting and auditing practice by the AICPA. After a thorough review of our procedures and work practices, which include reviews of our nonprofit, governmental, and commercial engagements, the reviewers concluded that MJ complies with the stringent quality control standards established by the American Institute of Certified Public Accountants. We provide a copy of our most recent peer review letter below.



VI. INTERNAL AUDIT PLAN FISCAL YEAR 2022

MJ developed the fiscal year 2022 Annual Internal Audit Plan based on results of a risk assessment. The risk assessment included reviewing the agency's strategic plan, the Legislative Appropriations Request, and policies and procedures; and conducting discussions with management. Our assessment evaluated risk exposures relating to SORM's governance, operations, and information systems regarding the reliability and integrity of financial and operational information; effectiveness and efficiency of operations; safeguarding of assets; and compliance with laws, regulations, and contracts. MJ also considered the short-term and long-term impacts of the pandemic on operations and discussed the risk exposures with SORM's leadership team. We then prepared the Annual Internal Audit plan based upon current risks facing SORM's operations.

MJ will conduct one scheduled audit, continue providing advisory services for the Origami implementation project, perform a risk assessment, conduct prior audit finding follow-up activities, prepare the fiscal year 2023 Annual Internal Audit Plan and prepare the fiscal year 2022 Internal Audit Annual Report in accordance with the Texas Internal Auditing Act. These activities are estimated to require **255 hours**. The planned audits, timing and estimated hours are summarized in the table below.

Contract management is not included in the FY 2022 Annual Internal Audit Plan as this was one component of the Legal Services Compliance Management audit we performed in FY 2020.

Fiscal Year 2022 Annual Audit Plan Activities

Audit Activity #	Description	Risk Rating	Estimated Timing	Estimated Hours
1	Origami (RMIS) Implementation Review and Evaluation <u>Scope:</u> ✓ Project Management Activities and Tools ✓ System Design Input and Sign-off Process for Each Phase ✓ User Acceptance Testing, Resolution and Acceptance Process for Each Phase	High	On-going Until Go-Live	101
	Risk Management ✓ Adopted Risk Management Guidelines Roll-out ✓ Revised Risk Management Inspection and Assistance Processes ✓ Performance Measures	High	January 2022-February 2022	111
2	Follow-Up on Prior Audit Findings	Compliance	On-Going	21
3	Risk Assessment	Compliance	March 2022	10
	Initial draft - Annual Internal Audit Report (FY 2022)	Compliance	September 2022	3
4	Initial draft - Annual Internal Audit Plan (FY 2023)	Compliance	September 2022	3

Audit Activity #	Description	Risk Rating	Estimated Timing	Estimated Hours
5	Audit Communications, Committee Meetings, Project Management	N/A	On-Going	6
	Total			255

VII. EXTERNAL AUDIT SERVICES PROCURED IN FISCAL YEAR 2018

External audit services procured in fiscal year 2021 consisted of the internal audit function.

VIII. REPORTING SUSPECTED FRAUD AND ABUSE

The State Office of Risk Management has implemented measures to comply with Article IX, Section 7.10, the General Appropriations Act (81st Legislature) and Texas Government Code, Section 321.022. These measures include, but are not limited to, the following:

The State Office of Risk Management includes a link to the State Auditor's Office (SAO) website for fraud reporting at the footer of the SORM's website. In addition, information on reporting suspected fraud to the State Auditor is included in the agency's policies and procedures.

IX. SIGNIFICANT INTERIM CHANGES

Interim changes to the annual audit plan may occur from time to time due to changes in management direction, objectives, business risks, timing of initiatives, and staff availability. In accordance with IIA Performance Standard 2020, MJ will communicate any significant changes of the audit plan to SORM's Board of Directors for review and approval. Notification of significant changes to the Internal Audit Plan approved by the commissioners will be submitted to the State Auditor's Office (SAO).

This Annual Internal Audit Report was presented to the State Office of Risk Management Board of Directors.

5. New business (Continued)

5.2 Presentation, discussion, and action regarding the Fiscal Year 2022 Internal Audit Plan

Information

Board Member Ladner, and/or representatives of the agency's audit contractor, will present the plan for Fiscal Year 2022.

Action Required

The Chair may entertain motions for consideration and acceptance.



State Office of Risk Management

**State Office of Risk Management
Internal Audit Services**

FY 2022 Annual Internal Audit Plan

This report provides management with information about the condition of risks and internal controls at a specific point in time. Future changes in environmental factors and actions by personnel will impact these risks and internal controls in ways that this report cannot anticipate.

MJ

McCONNELL & JONES LLP
CERTIFIED PUBLIC ACCOUNTANTS

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McCONNELL & JONES LLP
CERTIFIED PUBLIC ACCOUNTANTS

October 5, 2021

The Honorable Greg Abbott, Governor
Members of the Legislative Budget Board
Members of the Sunset Advisory Commission
Internal Audit Coordinator, State Auditor's Office

Dear Ladies and Gentlemen:

Attached is the FY 2022 Annual Internal Audit Plan for the State Office of Risk Management (SORM) approved by SORM's Board of Directors. The Annual Internal Audit Plan will enable the SORM to comply with the Texas Internal Auditing Act, Texas Government Code Chapter 2102 as amended by House Bill 2485 during the 78th Legislature and House Bill 16 during the 83rd Legislature. McConnell & Jones LLP (MJ) will execute this annual audit plan in accordance with The Texas Internal Auditing Act, The Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing, the IIA's Code of Ethics, and Generally Accepted Government Auditing Standards (GAGAS).

Please contact Darlene Brown at 281.740.0017 or Stephen Vollbrecht at 512. 936.1508 if you should have any questions about this audit plan.

Sincerely,

Darlene Brown, CIA, CFE
Partner

9600 Jollyville Rd
Suite 320
Austin, TX 78759
Phone: 713.968.1600

WWW.MCCONNELLJONES.COM

1.0 Compliance with Texas Government Code, Section 2102.015: Posting the Audit Plan and Annual Report on the Internet

Texas Government Code, Section 2102.015, requires state agencies and institutions of higher education to post agency internal audit plans and internal audit annual reports to the agency's internet website within 30 days of approval. Texas Government Code, Section 2102.015, also requires agencies to update the posting on the website to include a detailed summary of any weaknesses, deficiencies, wrongdoings, or other concerns raised by the audit plan or annual report and include a summary of the actions taken by the agency to address the issues raised.

In accordance with requirements of Texas Government Code, Section 2102.015, MJ will provide this Annual Internal Audit Plan, the Annual Internal Audit Report and any other required internal audit information to the State Office of Risk Management's (SORM) Executive Director who will ensure the information is posted to the SORM's website.

2.0 Purpose

The purpose of this report is to communicate the annual risk-based audit plan as approved by the State Office of Risk Management Board of Directors, the methodology used to develop the Annual Internal Audit plan, the timing and resource requirements necessary to complete the audit plan, and the communication of audit results and any significant interim changes to the Annual Internal Audit Plan.

The Annual Internal Audit Plan was developed based on a prioritization of the audit universe, input from SORM's leadership team and guidance provided by the State Auditor's Office (SAO). Using our risk assessment framework, we identified the organizational sources for potential engagements and auditable activities; examined organizational risk factors; evaluated the proposed engagements; and prioritized the audits based on the risk rating.

3.0 Risk Assessment

Risk is defined as the possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood. An organization's risk exposure is determined through the identification of risks and evaluating the impact on operations and likelihood of occurrence.

Risk assessments identify an organization's exposure to business disruptions and barriers to achieving the organization's strategic goals. They serve as a tool to focus limited resources to perform evaluations of controls that are in place to limit the exposure.

In accordance with Texas Internal Auditing Act and The Institute of Internal Auditors (IIA) Standard 2010.A1, this internal audit plan is based on a documented risk assessment and input of the SORM leadership team. Our assessment evaluated risk exposures relating to the SORM's governance, operations, and information systems regarding the reliability and integrity of financial and operational information; effectiveness and efficiency of operations; safeguarding of assets; and compliance with laws, regulations, policies and procedures, and contracts.

MJ reviewed SORM's key documents such as the Legislative Appropriations Request (LAR), Strategic Plan, Budget, Annual Internal Audit Reports, Sunset Staff Report, State Auditor's Office reports and previous internal audit risk assessments.

The types of risk exposure relevant to the State Office of Risk Management are:

- *Financial Exposure:* Financial exposure exists whenever an audit area is susceptible to errors or defalcations that affect the general ledger and financial statements or the integrity and safekeeping of agency assets, regardless of the financial statement impact.
- *Compliance Exposure:* Compliance exposure exists whenever an event in an audit area could cause the agency to fail to comply with regulations mandated by state or federal authorities, irrespective of whether financial exposure exists.
- *Information Exposure:* An information exposure exists whenever there is information of a sensitive or confidential nature, which could be altered, destroyed, or misused.
- *Efficiency Exposure:* An efficiency exposure exists whenever agency resources are not being utilized in an effective or efficient manner.
- *Human Resource Exposure:* A human resource exposure exists whenever an area is managing human resources in a way, which is contrary to agency policy.
- *Environmental Exposure:* An environmental exposure exists whenever internal or external factors pose a threat to the stability and efficiency of an audit area. Examples of factors that affect environmental exposure are:
 - Recent changes in key personnel
 - Changing economic conditions
 - Time elapsed since last audit
 - Pressures on management to meet objectives
 - Past audit findings and quality of internal control
- *Public Service Exposure:* A public service exposure exists whenever an event in an audit area could jeopardize existing public services or new public services.
- *Reputational Exposure:* A reputational exposures exists whenever an event in the audit area could jeopardize the reputation of the agency and stakeholder trust.

We assigned weights to each of these risk categories for each SORM department or function.

Figure 1 provides a heat map of the combined average score for each SORM department.

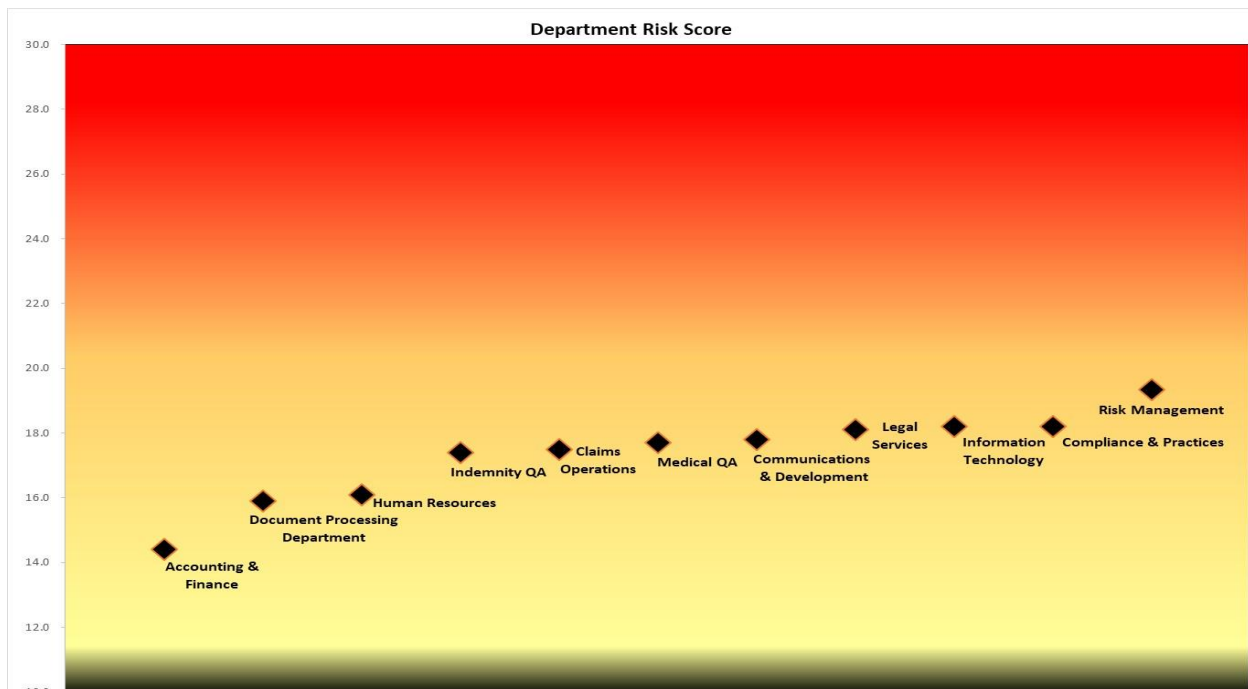


Figure 1 State Office of Risk Management Organizational Risk Summary 2022

MJ discussed the risk exposures with SORM's leadership team. We then prepared the Annual Internal Audit plan based upon current risks facing SORM's operations.

4.0 FY 2022 Annual Internal Audit Plan

MJ will conduct one scheduled audit, continue providing advisory services for the Origami implementation project, perform a risk assessment, conduct prior audit finding follow-up activities, prepare the fiscal year 2023 Annual Internal Audit Plan and prepare the fiscal year 2022 Internal Audit Annual Report in accordance with the Texas Internal Auditing Act. These activities are estimated to require **255 hours**. The planned audits, timing and estimated hours are summarized in the table below.

Fiscal Year 2022 Annual Internal Audit Plan

Audit Activity #	Description	Risk Rating	Estimated Timing	Estimated Hours
1	<p>Origami (RMIS) Implementation Review and Evaluation</p> <p><u>Scope:</u></p> <ul style="list-style-type: none"> ✓ Project Management Activities and Tools ✓ System Design Input and Sign-off Process for Each Phase ✓ User Acceptance Testing, Resolution and Acceptance Process for Each Phase 	High	On-going Until Go-Live	101

Audit Activity #	Description	Risk Rating	Estimated Timing	Estimated Hours
	Risk Management ✓ Adopted Risk Management Guidelines Roll-out ✓ Revised Risk Management Inspection and Assistance Processes ✓ Performance Measures	High	January 2022-February 2022	111
2	Follow-Up on Prior Audit Findings	Compliance	On-Going	21
3	Risk Assessment	Compliance	March 2022	10
	Initial draft - Annual Internal Audit Report (FY 2022)	Compliance	September 2022	3
4	Initial draft – Annual Internal Audit Plan (FY 2023)	Compliance	September 2022	3
5	Audit Communications, Committee Meetings, Project Management	N/A	On-Going	6
	Total			255

We will focus on risks, internal controls and business processes.

5.0 Significant Interim Changes

Interim changes to the annual audit plan may occur from time to time due to changes in management direction, objectives, business risks, timing of initiatives, and staff availability. In accordance with IIA Performance Standard 2020, MJ will communicate any significant changes of the audit plan to SORM executive management and present these changes to the SORM's Board of Directors for review and approval. Notification of significant changes to the internal audit plan approved by the Board of Directors will be submitted to the State Auditor's Office.

6. Old business

Information

Staff is available to address any questions or concerns from the previous meeting.

Action Required

No official action requested, at this time.

7. Public comment

Information

It is the policy of the Board that members of the public shall be given the opportunity to appear before the Board during public meetings of the Board and to speak on any issue under the jurisdiction of the Board.

Action Required

No official action requested, at this time.

8. Discussion and possible action on future meeting dates

Information

Tentative meeting dates are attached for discussion.

Action Required

Selection of future meeting dates.



Tentative Board of Directors Meeting Dates

Month	Day of Week	Date	Notes
January	Tuesday	11	
		18	Office closed for MLK Jr. Day on 01/17/22
		25	

NOTES:

The Secretary of State requires a minimum of 7 days notice before publication in the Texas Register. Draft rules, revised rules, and final rules must be published in the Register for 30 days.

All dates shown are with notes on upcoming due dates and holidays that will affect the Office.

9. Adjourn meeting

The Chair:

1. Calls the meeting adjourned and announces time