



A Legislative Summary Document Regarding Department of Insurance

Contents
Key Findings from Previous Audits and Reviews
Most Recent Performance Measure Certification
Information System Vulnerability Assessments
Travel Expenditures

Prepared for the 78th Legislature
by the State Auditor's Office

January 2003

SAO No. 03-372

This is not an audit report and, with the exception of any audit report summaries, the material in this document has not been subjected to all of the tests and confirmations performed in an audit.

Department of Insurance

SAO Contact: Nick Villalpando
(512) 936-9500

Key Findings from Previous Audits and Reviews

January 1, 2001–December 31, 2002

An Audit Report on 19 Agencies' Compliance With Historically Underutilized Business Requirements

(Report No. 01-035, August 2001)

The Department of Insurance (Department) complied with nearly all of the historically underutilized business requirements. Self-reported information received from the Department indicates that the Department did not comply with one provision of the Historically Underutilized Business (HUB) regulations identified in the Texas Administrative Code (TAC) in fiscal year 2000. Specifically, the Department did not develop a mentor protégé program as required by TAC, Section 111.28.^a However, we determined that the Department made a “good-faith effort” to comply with HUB requirements in TAC and the Texas Government Code. The State Auditor’s Office, in consultation with the General Services Commission,^b determined that an entity did not make a “good-faith effort” if it had noncompliance in at least three of the four basic HUB areas: planning, outreach, reporting, and subcontracting.

^a Most of the agencies had not developed and implemented a mentor protégé program during fiscal year 2000. Of the HUB requirements, the mentor protégé program requirement had the latest effective date (June 2000). The agencies indicated there was not enough time to design and implement the program in the last quarter of the fiscal year.

^b The General Services Commission was abolished effective September 1, 2001, and the newly created Texas Building and Procurement Commission subsequently assumed most of its responsibilities.

Status of Corrective Action: In December 2002, the Department reported that it had implemented corrective action on the one area of noncompliance. This information has not been audited.

Most Recent Performance Measure Certification

Fiscal Year 1998–Fiscal Year 2003

The results of *An Audit Report on Performance Measures at 36 State Entities–Phase 12* (Report No. 98-040, May 1998) for this entity are summarized below.

Period	Goal/Strategy	Measure	Certification Results
1997	A.1.1 Promote Competition	Number of inquiries answered	Certified
1997	A.1.1 Promote Competition	Number of rate guides distributed	Certified
1997	A.1.2 Investigation and Enforcement	Number of contested cases closed	Certified
1997	B Protection of Assets	Average number of days from company “at risk” identification	Certified with Qualification
1997	B.1.2 Insurer Fraud	Average number of days per insurer fraud enforcement case completed	Inaccurate
1997	B.1.2 Insurer Fraud	Number of referrals of alleged insurer fraud	Certified
Total Measures Certified Without Qualification ^a			4/6 (67%)
Data Reliability Percentage (Certified and Certified with Qualification)			5/6 (83%)

^a The percentage of unqualified certifications is presented because it is used in determining an entity’s eligibility for performance rewards as established in the General Appropriations Act [77th Legislature, Article IX, Sec. 6.31(d)(2)].

Department of Insurance

SAO Contact: Nick Villalpando
(512) 936-9500

Category	Definition
Certified	Reported performance is accurate within +/-5 percent, and controls appear adequate to ensure accurate collection and reporting of performance data.
Certified with Qualification	Reported performance is within +/-5 percent, but the controls over data collection and reporting are not adequate to ensure the continued accuracy of performance data.
Factors Prevented Certification	Actual performance cannot be determined because of inadequate controls and insufficient documentation.
Inaccurate	Reported performance is not within +/-5 percent of actual performance, or there is an error rate of at least 5 percent in the supporting documentation.
Not Applicable	A justifiable reason exists for not reporting performance.

Information System Vulnerability Assessments

The State Auditor's Office (SAO) and/or the Department of Information Resources performed one or more information system vulnerability assessments at the Department of Insurance between January 2000 and November 2002. Detailed results of this work are confidential under Texas Government Code, Section 2054.077(c). The SAO's Legislative Summary Document titled "Information System Vulnerability Assessments" provides general information about the results of information system vulnerability assessments.

Travel Expenditures

Travel Expenditures by Appropriation Year (unaudited)			
	2000	2001	2002
In-State Travel	\$ 1,196,985	\$ 1,199,740	\$ 1,080,317
Out-of-State Travel	334,812	564,818	484,350
Foreign Travel	0	178	0
Other Travel Costs	(3,988)	410	1,251
Total Travel Expenditures	\$ 1,527,809	\$ 1,765,147	\$ 1,565,919
Limit on Travel Expenditures (Cap)	1,827,915	1,827,915	652,773 ^a
Expenditures in Excess of Cap	\$ 0	\$ 0	\$ 0

^a Caps apply to total travel in appropriation years 2000 and 2001, but caps apply only to out-of-state travel and foreign travel in appropriation year 2002. Caps, calculated by the Comptroller of Public Accounts, have been adjusted for any increases requested by the Department and approved by the Legislative Budget Board in accordance with the General Appropriations Act. The cap for appropriation year 2002 was established by General Appropriations Act, 77th Legislature, VIII-39, Rider 8.

Source: Uniform Statewide Accounting System (USAS) as of November 30, 2002. Amounts are subject to change as agencies continue to record additional expenditures or adjustments.