



An Audit Report on
**Confidential Data Management
at the Department of Insurance**

May 12, 2022

Members of the Legislative Audit Committee:

While the Department of Insurance (Department) has implemented certain processes and controls to secure its confidential data, it should strengthen those processes and controls to help prevent unauthorized disclosure of its confidential data.

To minimize security risks, auditors communicated details about the audit findings separately to the Department in writing. One finding was rated Priority because of issues that could critically affect the Department's ability to effectively administer its information security function. Immediate action should be taken to reduce the risk. One finding was rated High because the issues could substantially affect the Department's information security function; two other findings were rated Medium, indicating moderate risk. The Department's management agreed with the recommendations related to the audit findings.

In March 2022, after audit fieldwork was completed, the Department issued a notice that it had in January 2022 become aware of a data security issue with a Department web application that manages workers' compensation information. Because of that issue, certain confidential information related to workers' compensation claims may have been accessible to individuals outside of the Department between March 2019 and January 2022. The confidential information at risk included claimants' names, addresses, dates of birth, and phone numbers; part or all of their Social Security numbers; and information about injuries and workers' compensation claims. According to the Department's notice, the issue was caused by programming code that allowed internet access to a protected area of the application. The Department is offering 12 months of credit monitoring and identity protection services at no cost to those who may have been affected by the issue.

Pursuant to Standard 9.61 of the U.S. Government Accountability Office's *Government Auditing Standards*, certain information was omitted from this report because that information was deemed to present potential risks related to public safety, security, or the disclosure of private or confidential data.

Rating: Priority

Rating: High

Rating: Medium

**Summary of Objective, Scope
and Methodology**

The objective of this audit was to determine whether the Department of Insurance (Department) implemented information security standards and related controls to help ensure that confidential data in the Department's possession is secure.

The scope of this audit covered certain general controls related to the selected systems that contain some form of confidential data from September 2020 through October 2021. The scope also included a review of significant internal control components related to securing confidential data.

The audit methodology included gaining an understanding of the Department's information security standards and related controls, collecting and reviewing policies and procedures, collecting documentation related to information security controls, performing tests and other procedures, and analyzing and evaluating the results of those tests.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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Under the provisions of Texas Government Code, Section 552.139, the omitted information is also exempt from the requirements of the Texas Public Information Act.

Sincerely,

Lisa R. Collier, CPA, CFE, CIDA

State Auditor

Attachment

cc: The Honorable Greg Abbott, Governor
Ms. Cassie Brown, Commissioner of Insurance



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