



BOARD OF DIRECTORS'
MEETING AGENDA
OCTOBER 21, 2025



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 21, 2025, 9:30 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 29, 2025, meeting
4. New business
 - 4.1. Presentation, discussion, and action on the FY2025 Internal Audit Report and FY2026 Internal Audit Plan
 - 4.2. Presentation of the Internal Audit Charter and Internal Audit Disclosure Statement
 - 4.3. Status of project to update leave policies and procedures to ensure time and attendance records comply with GOVT Section 661.908
5. Executive Session: Recess pursuant to Section 551.074, Government Code, to discuss the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee
6. Reconvene in Open Session for possible action on matters considered in Executive Session, such as, but not limited to:
 - 6.1 Discipline or dismissal of a public officer or employee;
 - 6.2 Labor Code Section 412.033. HIRING DIRECTOR. The board shall hire a qualified person to serve as director of the office. The director serves at the pleasure of the board.
 - 6.3 The interviews of the candidates for the vacant Executive Director position;
 - 6.4 The candidate who will be hired as the Executive Director;
 - 6.5 A future meeting date to identify the candidate who will be hired as the Executive Director;
 - 6.6 The employment start date for the Executive Director; and/or
 - 6.7 An increase to the Executive Director's salary pursuant to the General Appropriations Act
7. Old business
8. Public comment*
9. Discussion and possible action on future meeting dates
10. Adjournment

Individuals who may require auxiliary aids or services for this meeting should contact Emily Crase at (512) 936-2942 or Emily.Crase@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. Crase 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
Gerald Ladner, Sr., Chair	02/01/2027	Austin
Elizabeth “Lisa” Maciejewski-West, Vice Chair	02/01/2029	Horseshoe Bay
Jason Hartgraves	02/01/2027	Frisco
Jason Boatright	02/01/2031	Dallas
Jeffrey “Jeff” Houston	02/01/2031	Dripping Springs

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.



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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.



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3. Approval of the minutes from the July 29, 2025, meeting.

Information

Attached are the minutes from the July 29, 2025, meeting.

Action Required

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



**Minutes of the Public Meeting
on
July 29, 2025**

The following Board of Directors' meeting was in-person with the option for members of the public to view the meeting through Zoom.

Board Members present in-person were Gerald Ladner (Chair), Jeffrey "Jeff" Houston (Internal Audit Liaison), Jason Boatright, and Jason Hartgraves. Board Member Elizabeth "Lisa" Maciejewski-West (Vice Chair), appeared virtually.

- Item 1. Board Chair Ladner called the public meeting to order at 10:00 a.m. on July 29, 2025. Board Chair Ladner recognized Members present. A quorum was established. Vice Chair Maciejewski-West joined the meeting virtually shortly after attendance was taken, at 10:08 a.m.
- Item 2. Board Chair Ladner provided an introduction and welcome to the new Board Members, Jason Hartgraves and Jason Boatright.
- Item 3. The Board acknowledged the end of Board Member Ricardo Galindo's term and thanked him for his service. The Board also acknowledged the resignation of former Board Member William Brown, as previously addressed. The Board acknowledged any absences from the April 15, 2025, meeting; all were present. No action.
- Item 4. Board Chair Ladner asked for any comments or changes to the Minutes of the April 15, 2025, meeting. Hearing no changes, Board Member Houston moved to approve. Board Member Boatright seconded the motion, which carried without objection (4-0 vote).
- Item 5. Agency Operations Report:

Todd Holt (Interim Executive Director) introduced the Agency Operations Report (AOR) by providing the Board with an Executive Summary. During which, Mr. Holt highlighted legislation relevant to the agency that resulted from the 89th Legislative Session, which concluded on June 2, 2025. Of note, Mr. Holt highlighted new legislation created by the Texas Regulatory Efficiency Office (TREO) on the Delivery of Governmental Efficiency. Mr. Holt also highlighted the creation of the Texas Artificial Intelligence Council and the Public Sector AI Systems Advisory Board, both related to artificial intelligence. Mr. Holt also addressed House Bill (HB) 5317, which would establish a self-insured retention for the State, which received a committee hearing but did not progress further during this session. Mr. Holt advised the Board that James LeGrand (Agency Liaison) would provide

further legislative updates in the Agency Relations portion of the AOR. Additionally, Mr. Holt addressed the establishment of a new protocol for claims relating to catastrophic/major incidents or claims involving a fatality. Mr. Holt advised that Mitchell Griffin (Director of Claims Operations) would provide additional information during the Claims Operations section of the AOR. Mr. Holt, on request of the Board Chair, recognized the service of the Claims and Medical Management department members. Mr. Holt also addressed the status of a comprehensive ongoing agency rule review currently underway, and a revision to the structure of the Agency Operating Report. With the permission of the Board, Mr. Holt then called on Lydia Scranton (Chief of Internal Operations) to begin the next portion of the AOR.

Ms. Scranton presented the Financial Management portion, in the absence of Tony Bennett (Director of Financial Management). Ms. Scranton presented the consolidated agency operations budget as of the third quarter of the Fiscal Year 2025. Board Chair Ladner asked Ms. Scranton if there are any areas in the budget that represent investments the agency should consider making. Ms. Scranton advised that the agency is currently reviewing opportunities for training and staff development under the operating costs section of the budget, as well as exploring travel opportunities. Mr. Ladner encouraged the agency to extend travel and development opportunities related to the agency to the two new Board Members, which Ms. Scranton acknowledged. Board Member Houston requested clarification of the professional services budget lines. Ms. Scranton clarified that changes related to these classifications are related to administrative collaboration with the Office of the Attorney General (OAG) and that these costs are connected to contracted services. Ms. Scranton advised Tawn Ihnen (Director of Information Technology) would provide additional details about some contracted services in the Information Technology portion of the AOR. Ms. Scranton presented the budget projection for the fourth quarter of the 2025 fiscal year. Hearing no further questions, Ms. Scranton concluded the Financial Management portion of the AOR.

Ms. Scranton next introduced Andrew Velasquez (Director of Human Resources) to present for Human Resources (formerly named Talent Management). Mr. Velasquez provided details on vacancies, new hires, recruitment efforts and the annual retention rate. Board Chair Ladner asked what efforts were being made to support employee retention, and Mr. Velasquez responded that an internal Climate Survey will be taking place and additional efforts are being investigated. Vice Chair Maciejewski-West expressed concern at the slight increase in turnover and recommended a goal of keeping turnover rates under 15%. Board Chair Ladner added that impending retirements (or a “silver wave”) can contribute, and Vice Chair Maciejewski-West requested additional info on the demographics of exiting employees. Mr. Holt responded by clarifying that retirement rates do appear to contribute to those numbers, and that SORM is a training organization that does seek out young talent to train and support into higher positions. Ms. Scranton also contributed that SORM was created in 1997, meaning many long-term employees who came onboard at the agency’s inception are now reaching retirement age and there is the potential for the highest rate of retirements (potentially up to 10 retiring employees) in the upcoming year. No further questions were posed, and the Human Resources portion was concluded.

Ms. Scranton then called on James LeGrand (Agency Liaison) to provide an update on legislative activities. Mr. LeGrand discussed legislation relevant to the Workers’ Compensation field, including HB2488 which relates to conducting contested case hearings, and HB331 which effects the scope of claims received relating to certain medical conditions and first responders.

At 10:26 a.m. the open meeting experienced technical difficulties and the live broadcast and recording ceased. The open meeting was paused at 10:27 a.m. The open meeting resumed at 10:29 a.m.

Mr. LeGrand proceeded to detail the legislative impact of the Department of Government Efficiency (DOGE) committee. This includes HB12, which creates mini efficiency reviews roughly four years prior to an agency's scheduled sunset review. Mr. LeGrand elaborated that SORM could undergo an efficiency review as early as 2027. Additionally, he discussed the impact of HB5195 in creating more uniform state websites, HB5196 in creating statewide guidelines for telework for state employees, and Senate Bill (SB) 14 in creating the Texas Regulatory Efficiency Agency for agency rule reviews. Mr. LeGrand then discussed legislation relevant to SORM and relating to artificial intelligence (AI). He referenced HB149 which creates regulation related to the use of AI systems in the state, HB2818 which creates an AI specific division within the Department of Information Resources (DIR), HB3512 which adds a new AI component to required cybersecurity training undertaken by state employees, SB815 which prohibits the use of AI in utilization reviews or as the sole basis for denial of healthcare services, and SB1964 which creates an AI code of ethics and a public sector AI systems advisory board. Board Chair Ladner recommended consideration of the change management approach to AI in the workplace, as well as planning ahead for the potential budgetary impact of future AI implementation. Vice Chair Maciejewski-West suggested a review of which legacy systems in SORM could potentially be looked at for possible reorganization or inclusion of AI and emphasized the importance of closely monitoring any AI practices as they relate to healthcare, to protect the interest of claimants, per SB815. Board Member Houston asked about the response and potential pushback regarding HB5317. Mr. LeGrand expressed that there was no notable pushback, and his impression was that the session ran out of time before the bill could progress. In review of the session, Mr. LeGrand also observed that only 14% of filed legislation passed during the session in question. Upon no further questions, Mr. LeGrand concluded his section.

Ms. Scranton next called upon Jason Arrington (Senior Policy Manager) to review the administrative rulemaking policy and practices. Mr. Arrington provided a brief review of the rulemaking process and purpose for state agencies in Texas, and the status of these administrative rules within SORM. SORM's administrative rules are in Title 28 of the Texas Administrative Code, chapters 251 and 252. Mr. Arrington clarified that while there is potential for later additional rulemaking within other chapters, the only rules currently under review are present in chapters 251 and 252. He then informed the Board that the rule review process is currently undergoing an informal notice and comment period. This entailed an early draft of the proposed changes being distributed to shareholders, client agencies and regulators. Mr. Arrington clarified that this process is informal and taking place largely as a courtesy to ensure stakeholders have ample time to process, respond and prepare for future changes. Mr. Arrington then discussed the next steps, which involve reviewing all proposed changes and responses internally before SORM will submit an official rulemaking proposal to the Secretary of State (SOS), which initiates the formal notice and comment period. SORM will also release an annotated guide to the changes and edits and ensure this is provided to Board Members. Mr. Arrington also encouraged the Board Members to reach out to SORM at any time with any questions or concerns related to this process. With no further questions, Mr. Arrington concluded his section.

Ms. Scranton next brought up Tawn Ihnen (Director of Information Technology). Ms. Ihnen provided updates on ongoing agency support, cybersecurity metrics, and vulnerability trends. Ms. Ihnen advised that SORM does look forward to guidance from DIR in relation to AI but is also continuing internal research at this time. Board Chair Ladner inquired how SORM plans to utilize knowledge obtained about AI by other agencies and sources, when evaluating its potential within the agency. Ms. Scranton responded that SORM's structure is particularly unique, but that it is

reviewing any potential it may have to improve the running of systems or it's potential for benefit in the financial sector. She also clarified that SORM will be following DIR guidance and recommendations first and foremost. Board Chair Ladner referenced AI related modules available through Origami, and Ms. Ihnen clarified that SORM does currently have these functions disabled but will research options as they progress and follow DIR recommendations. After hearing no additional questions, Ms. Ihnen concluded this section.

With the Board's permission, Ms. Scranton called upon Johnny Free (Interim Director of Project Management). Mr. Holt interjected that the project management sector of SORM was created largely to implement the major transfer from a legacy system to the current Origami based program. Due to the successful implementation of several steps of this project, SORM now plans to integrate the Project Management department into the Information Technology Department. For this reason, this will be the final presentation to the Board from the Project Management department. Mr. Free proceeded to provide the Board with a review of completed projects from the previous quarter and the status of implementation of their primary project. Hearing no further questions, Mr. Free concluded the Project Management section.

Ms. Scranton next called upon Dayna Dixon (Director of Compliance Management). Ms. Dixon provided the Board with a review of the services provided by Compliance Management, highlighting their duties in ensuring required reporting deadlines are met, records management, regulatory compliance, policy management and contract administration. No further questions were proposed.

Ms. Scranton proceeded to invite Mitchell Griffin (Director of Claims Operations) to present his segment. It was requested that Ms. Dixon remain to provide additional compliance related information if needed. Mr. Griffin made note that, in response to concerns about recent flooding in Texas, the agency has received 5 claims related to that event and is still closely monitoring the situation. Mr. Griffin noted an increase in claims received since the last quarter. Mr. Griffin informed the Board that 1853 claims were received, with 1525 claims accepted and 1916 claims that were able to be inactivated. At the end of the third quarter of Fiscal Year 2025 (FY25Q3), SORM had a total of 2050 open claims. Mr. Griffin proceeded to review an analysis of all income benefits expenses for FY25Q3. Mr. Ladner inquired about the coverage of certain first responder state employees as it relates to emergency declaration situations. Mr. Holt clarified that in these circumstances SORM works very closely with Texas Department of Emergency Management (TDEM) and the Texas Municipal League (TML). Vice Chair Maciejewski-West requested a summary of the criteria used to inactivate a claim, and for clarification on the difference between a claim being "inactivated" versus "closed". Mr. Griffin specified that a claim is medically inactivated after no treatment is sought for a specific period, or if a doctor releases a claimant. Inactivated claims can be reopened should relevant care become necessary later. Mr. Hartgraves requested information related to the denied claims, and reasons for these denials. Mr. Griffin specified these denials are sometimes duplicate claims but are often denied due to statutory reasons. The Board requested the addition of the denial numbers and information on causes of denials to future agency operations reports. Board Chair Ladner also requested that the post Board Meeting survey distributed to Board Members be updated to reflect the new AOR structure. With no further questions, Mr. Griffin concluded his report. Ms. Dixon then proceeded to provide the Board with additional information related to regulatory compliance as it relates to temporary and impairment income benefits audits. Upon no further questions, both Ms. Dixon and Mr. Griffin concluded their respective sections of the AOR.

Ms. Scranton proceeded to call up Janine Lyckman (Director of Medical Management) and Ron Johnson (Director of Legal Management). Ms. Lyckman began by providing a brief overview of the role of the medical management team within SORM. Ms. Lyckman then provided current information on cost savings, network and non-network claims, preauthorization reviews, prescription savings and medical dispute resolutions. Chairman Ladner asked if medical inflation has been observed. Ms. Lyckman responded that some increases in costs have been noted, particularly related to hospitalizations and some related to rehabilitation care. Vice Chair Maciejewski-West noted that the figures indicated a sharp increase in hospitalization care as a portion of medical costs. Ms. Lyckman observed that this is potentially caused by a combination of the increase in hospital related costs and some notable catastrophic injuries that occurred during that quarter. Hearing no further questions, Ms. Lyckman concluded her portion.

Mr. Johnson proceeded to present information related to the Legal Management department. Mr. Johnson informed the board that 32 Benefit Review Conferences took place, with 3 resolved via agreement, and 12 Contested Case Hearings were held with 1 resolved via agreement. He further detailed special investigations, of which 18 were currently open, 5 were pending closure and 1 was referred to the Department of Workers' Compensation (DWC). Additionally, he presented on the status of recovery services. Vice Chair Maciejewski-West asked if there was a breakdown showing incidences of fraud committed by doctors versus that committed by claimants. Mr. Johnson specified it is not included but is tracked, and Vice Chair Maciejewski-West requested the addition of this information. Vice Chair Maciejewski-West also inquired if the definition of fraud is the same on the state level as it is on the federal level, specifically if waste and fraud are categorized in the same segments. Mr. Johnson specified SORM maintains state law and that the numbers shown only reflect fraud with intent determined. No further questions were asked, and Ms. Lyckman and Mr. Johnson concluded the reports for their respective departments.

Ms. Scranton proceeded to bring up Mark Chadwick (Director of Enterprise Risk). Mr. Chadwick provided a broad overview of the role of Enterprise Risk within SORM and presented information on the progress of consultation visits (CVs) and risk management program reviews (RMPRs), and the status of the statewide insurance program. Mr. Ladner asked about increased turnover in other agencies as it impacts risk management within agencies. Mr. Chadwick speculated that upward movement in and between agencies, and high numbers of retirements appear to be having an impact. Chairman Ladner requested details on maintaining currency on cyber risk forms and parametric offerings. Mr. Chadwick responded that SORM only has one parametric line with an agency, making it a very singular and specialized experience. While SORM works in tandem with the carrier to ensure the cyber liability lines are comprehensive. Chairman Ladner recommended reaching out to the broker in relation to parametric insurance to request detailed comparisons on current offerings. Mr. Holt provided that SORM has requested a comparison from the broker and will proceed to closely monitor the line. Board Member Houston inquired if there were any bills from the recent legislative session that might increase or impact these insurance programs. Mr. Chadwick clarified that there is no impact expected. Upon no further questions, Mr. Chadwick concluded his segment.

Ms. Scranton next called up Shelby Hyman (Director of Agency Relations). Ms. Hyman provided a summary of the role of Agency Relations at SORM. She then proceeded to highlight the internal and external training programs, and the YouTube analytics. Ms. Hyman also discussed current continuity of operations (COOP) efforts, including the recent addition of a new Statewide Continuity Coordinator and the upcoming SORM Symposium. No additional questions were proposed, and Ms. Hyman concluded her presentation.

Ms. Scranton then proceeded with providing the Board with the current SORM performance metrics and clarified this is a new component of the AOR. Ms. Scranton then highlighted the key and non-key performance measures listed. Chairman Ladner inquired if SORM currently has a feedback mechanism for participating agencies on SORM performance. Ms. Scranton clarified that SORM does have a standard customer service process, and Ms. Deea Western (General Counsel and Chief of Legal Services), added that SORM does have surveys they distribute in accordance with government codes and that SORM submits a customer service report every two years as part of its Strategic Plan. With no further questions, Ms. Scranton concluded the presentation of the AOR.

Item 6. New Business:

6.1 On behalf of Financial Management, Lydia Scranton (Chief of Internal Operations) presented information on the initial assessment for Fiscal Year 2026. First, Board approval was requested for the recommended budget of \$45,670,000 for the workers' compensation budget. Board Chair Ladner opened the floor for a motion, to which Board Member Houston moved, and Vice Chair Maciejewski-West seconded. The motion passed without objection (5-0 vote).

Next, approval was requested for the recommended budget of \$13,160,325 for the administrative budget. Board Chair Ladner opened the floor for a motion. Board Member Houston moved, and Board Member Boatright seconded. The motion passed without objection (5-0 vote).

With no further question, Mr. Ladner called for Executive Session at 11:46 a.m.

Item 7. Executive Session.

Item 8. Open Session. The Open Meeting reconvened at 1:00 p.m. and participants were apprised of what was discussed during closed session. The Board proceeded with taking action on items discussed.

- 8.1 The Board moved to take action on the proposal to increase the Executive Director salary to \$166, 887, in accordance with the General Appropriations Act. Board Chair Ladner opened the floor for a motion. Board Member Houston moved, and Board Member Hartgraves seconded. The motion passed without objection (5-0)
- 8.2 The Board discussed the appointment of another Co-Chair for the Executive Director Search Committee.
- 8.3 The Board indicated the Search Committee would consist of SORM Board of Director Members and moved to nominate Board Member Jason Hartgraves as a Co-Chair. Board Chair Ladner opened the floor for a motion. Board Member Boatright moved, and Board Member Houston seconded. The motion passed without objection (5-0)
- 8.4 The Board moved on the creation of a Committee Charter that outlines the Executive Director Search Committee's duties and responsibilities. Board Chair Ladner opened the floor for a motion. Vice Chair Maciejewski-West moved, and Board Member Houston seconded. The motion passed without objection (5-0)

Item 9. No Old Business.

Item 10. No Public Comment.

Item 11. Future Meeting Dates. Discussion on suggested dates for the next Board Meeting. Board Chair Ladner selected October 21, 2025, as the next tentative meeting date. A backup date of October 28, 2025, was selected.

Board Member Hartgraves inquired about the possibility of scheduling out additional meetings in advance. Ms. Western advised that SORM can provide several dates in advance at the next meeting for future consideration.

Item 12. Board Chair Ladner called the meeting adjourned at 1:05 p.m.



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4. New business

4.1 Presentation, discussion, and action on the Fiscal Year 2025 Internal Audit Report and Fiscal Year 2026 Internal Audit Plan.

Information

- A) Representatives of the agency's internal audit contractor will present the final Internal Audit Report for Fiscal Year 2025; and
- B) Representatives of the agency's internal audit contractor will present the Internal Audit Plan for Fiscal Year 2026.

Action Required

The Chair may entertain motions for consideration and acceptance of the Fiscal Year 2025 Internal Audit Report.

The Chair may entertain motions for consideration and approval of the Fiscal Year 2026 Internal Audit Plan.



State Office of Risk Management

Internal Audit Services

FY 2025 Annual Internal Audit Report

Prepared by:



McConnell Jones
Diverse Thinking | Unique Perspectives

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McConnell Jones

October 19, 2025

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 2025 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 2025 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 2025 is due November 1, 2025.

Please contact Darlene Brown at 713.968.1600 or Todd Holt at 512. 936.1508 if you should have any questions about this Annual Internal Audit Report.

Sincerely,

Darlene Brown, CIA, CFE
Partner

6805 Capital of Texas Hwy
Suite 266
Austin, TX 78731
Phone : 713.968.1600

WWW.MCCONNELLJONES.COM

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 2025 INTERNAL AUDIT PLAN STATUS

The fiscal year 2025 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 2025 Annual Internal Audit Plan was completed as approved. The chart below reflects the approved audit plan status as of August 31, 2025.

Fiscal Year 2025 Internal Audit Plan Status

#	Description	Report Number	Report Date	Report Title	Audit Status
1	Medical Management & Data Protection	25-001	May 20, 2025	Medical Management	Completed
2	Follow-Up on Open Audit Findings	25-002	August 29, 2025	Report on Prior Audit Findings Follow-up	Completed
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 2025 Plan:

There were no deviations from the FY2025 Annual Internal Audit Plan.

III. CONSULTING SERVICES AND NON-AUDIT SERVICES COMPLETED

Internal audit did not perform consulting or advisory services in FY 2025.

IV. MEDICAL MANAGEMENT AUDIT REPORT SUMMARY

The business objective for SORM's Medical Management (MM) function is to ensure medical bills submitted for workers' compensation claims are processed in an efficient, timely, and accurate manner in accordance with current statutes and contractual agreements. As such, the audit objective was to determine if appropriate internal controls are in place to meet the business objectives and that processes are efficient. As such, this audit focused on the following processes:

- Risk Assessment, and
- Quality Assurance and Performance Monitoring.

Audit Conclusions

MM reviews all medical bills following the cost containment vendor's assessment within the vendor's system. While this helps ensure the accuracy of individual medical bills, a more effective use of resources would be to focus on higher-risk medical bills and perform random audits on lower risk medical bills.

Additionally, due to the lack of documentation supporting the MM Director's activities, the agency is at risk of losing knowledge along with the ability to continue operations without disruption. Additionally, a lack of alternates trained to perform / understand the Director's activities also increases the risk of a difficult transition in the event of staff turnover.

Internal Control Rating

Some Improvement needed.

Number of Findings by Residual Risk Rating

Category	High	Medium	Low	Total
Findings	1	3	1	5
Improvement Opportunities	0			

Recommendations

1. Revise MM policies and procedures to outline the MM Director's role in monitoring high-risk medical bills and applying Official Disability Guidelines (ODG).
2. Reduce reliance on the MM Director for performing medical bill reviews to provide more time for strategic responsibilities.
3. Establish clear responsibilities and objectives for the MM Director/Team's role in monitoring the cost containment vendor and escalating issues to appropriate leadership.
4. Enhance cost containment error correction monitoring with identification and categorization of correction reasons and implement steps for analyzing, reporting, and remediating root causes of error corrections.
5. Work with the cost containment vendor to ensure mutual understanding and alignment on quality metrics and request that the vendor provide supporting data for quarterly self-audits.

Discussion

Medical Management's goal is to ensure each employee for the State of Texas:

- Is treated with dignity and respect when injured on the job.
- Has access to fair and accessible dispute resolution process.
- Has access to prompt, high-quality medical care within the framework of established by the Texas Worker's Compensation Act.

In order to meet this goal, SORM's Medical Management team:

- Monitors, investigates, analyzes, and reports on the services provided by contracted medical cost containment vendors to ensure cost savings, efficiency, effectiveness; and contractual compliance.
- Identifies medical benefit underpayments and overpayments; takes appropriate steps to prevent and/or recoup underpayments and overpayments; maintains effective accounting control over expenditures.
- Examines, investigates, analyzes, and reports on all aspects of the medical benefits provided to injured workers to ensure the medical benefits provided are appropriate, timely, cost-effective, and in compliance with state statutes and regulations.
- Identifies performance and compliance issues; develops recommendations designed to enhance external and internal compliance, efficiency, and effectiveness; and provides advice on implementation.

The Medical Management Director is responsible for managing and directing the activities of the five (5) auditors and one (1) nurse that work within this function. **Exhibit 1** provides an overview of the organization structure.

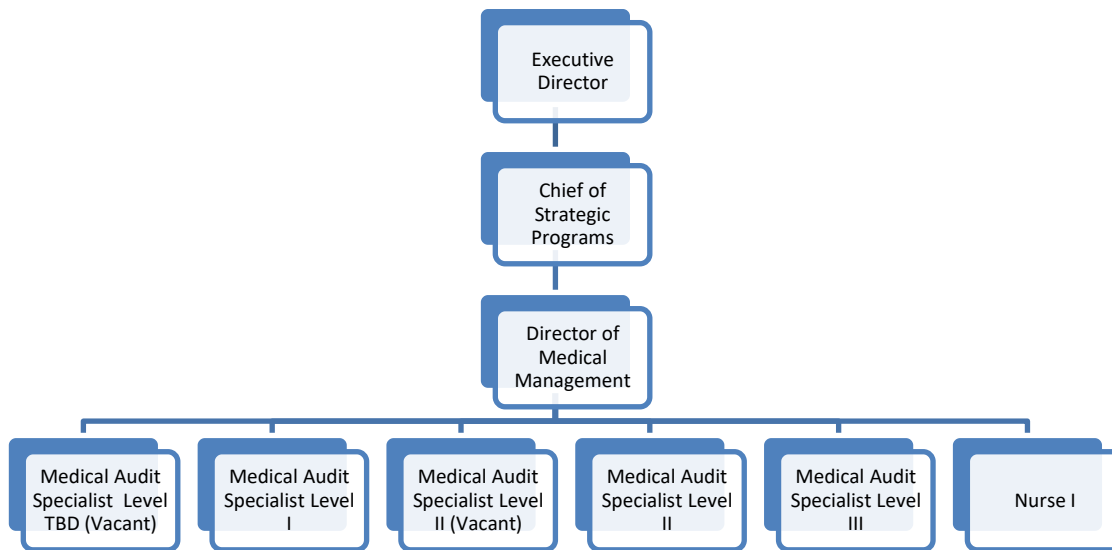


Exhibit 1: SORM Medical Management Organization Structure.

SORM received over 17,000 medical bills totaling \$26.3 million in billings during the first three (3) months of 2025. The billings are classified into 18 service categories, nine (9) of which are greater than one percent of the total billings. **Exhibit 2** compares volume of claims received and the amount billed by service category that represent 1% or greater of medical bills received between January – March 2025. Office visit claims represent the highest volume received (49.2%) yet constitute only 13.5% of the dollars billed. Conversely, APC Outpatient represents only 10.6% of the claims volume yet 46.9% of the dollars billed.

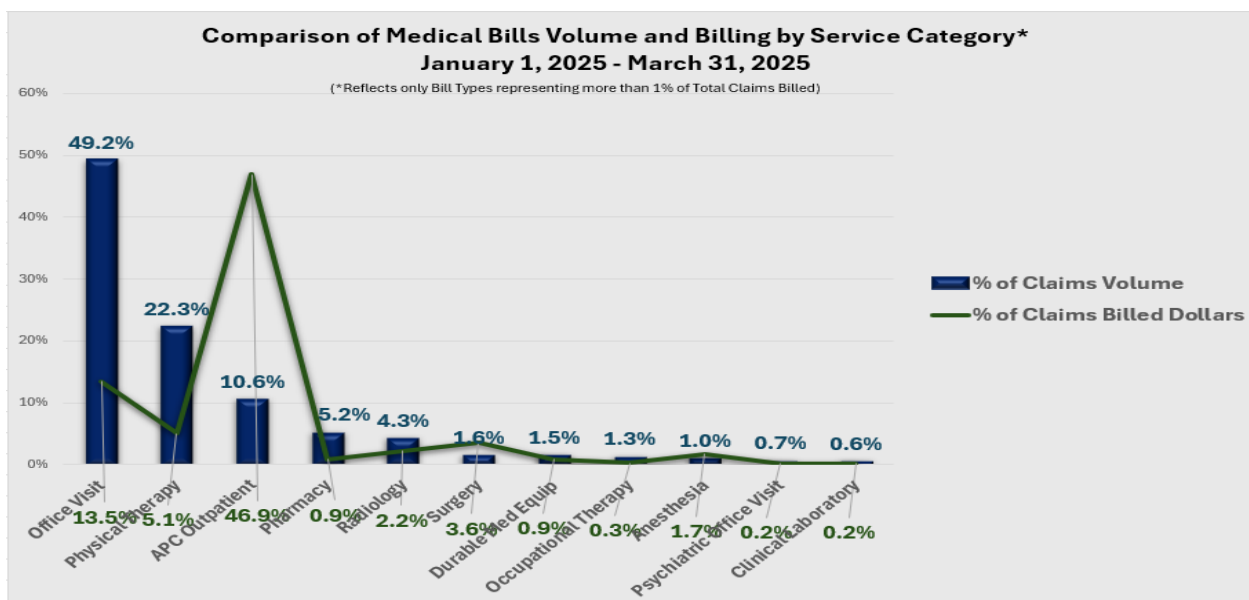


Exhibit 2: Comparison of medical bill volume received, and amount billed dollars between January 1, 2025 and March 31, 2025.

SORM works with a vendor to process workers' compensation medical claims received to ensure eligibility, validity, reasonableness, and cost containment. We analyzed data of the claims received between January and March 2025. During this period, SORM received 17,271 medical bills (claims) for a total amount of \$26.3 million. Of these claims, 6,610, or 38%, were fully denied. Denial reason categories are not established to effectively analyze causes. Additionally, claims approved were reduced from \$26.3 million to \$22.3 million, a \$4 million (38%) savings to the state. **Exhibit 3** provides a snapshot of claims and cost containment activity January through March by service category. Note, the exhibit is shown in descending order by initial claims dollars billed.

Bill Type	Claims Dollars Billed	% of Total Dollars Billed	# of Claims Received	% of Total Claims Received	Billed Cost Reductions	Reductions as a % of Original Charges in the Category	# Claims Fully Denied	% Claims Denied in the Category	% of Fully Denied Claims to Total Claims Denied
APC Outpatient	\$ 12,330,282	46.88%	1,827	10.58%	\$ 997,571	8.09%	819	44.83%	12.39%
Inpatient	\$ 4,487,996	17.06%	48	0.28%	\$ 500,117	11.14%	39	81.25%	0.59%
Office Visit	\$ 3,549,091	13.49%	8,496	49.19%	\$ 1,317,301	37.12%	3118	36.70%	47.17%
APC ASC	\$ 1,520,136	5.78%	48	0.28%	\$ 82,583	5.43%	30	62.50%	0.45%
Physical Therapy	\$ 1,330,817	5.06%	3,856	22.33%	\$ 506,869	38.09%	1348	34.96%	20.39%
Surgery	\$ 942,887	3.59%	272	1.57%	\$ 167,700	17.79%	135	49.63%	2.04%
Radiology	\$ 577,784	2.20%	747	4.33%	\$ 88,676	15.35%	234	31.33%	3.54%
Anesthesia	\$ 458,414	1.74%	177	1.02%	\$ 34,400	7.50%	113	63.84%	1.71%
Ambulance	\$ 288,125	1.10%	74	0.43%	\$ 31,671	10.99%	43	58.11%	0.65%
Durable Medical Equipment	\$ 237,517	0.90%	262	1.52%	\$ 44,271	18.64%	170	64.89%	2.57%
Pharmacy	\$ 227,931	0.87%	906	5.25%	\$ 87,119	38.22%	275	30.35%	4.16%
Occupational Therapy	\$ 70,795	0.27%	231	1.34%	\$ 19,042	26.90%	128	55.41%	1.94%
Chiropractic	\$ 67,081	0.26%	85	0.49%	\$ 46,358	69.11%	24	28.24%	0.36%
Clinical Laboratory	\$ 58,097	0.22%	104	0.60%	\$ 5,332	9.18%	81	77.88%	1.23%
Psychiatric Office Visit	\$ 45,247	0.17%	113	0.65%	\$ 25,416	56.17%	44	38.94%	0.67%
Dental	\$ 40,483	0.15%	14	0.08%	\$ 15,722	38.84%	6	42.86%	0.09%
Home Health	\$ 34,290	0.13%	6	0.03%	\$ 19,230	56.08%	2	33.33%	0.03%
Diagnostic Treatment Center	\$ 31,982	0.12%	4	0.02%	\$ 19,475	60.89%	0	0.00%	0.00%
Outpatient	\$ 1,690	0.01%	1	0.01%	\$ 0	0.00%	1	100.00%	0%
Grand Total	\$ 26,300,646	100.00%	17,271	100.00%	\$ 4,008,853		6,610		100.00%
Net Claims Approved	\$ 22,291,793								
Percentage of Claims Dollars Reduced	15%								
Percentage of Total Claims Volume that Were Denied	38%								

Exhibit 3: January – March 2025 Claims Analysis.

Unfortunately, no data is available to distinguish the number of billings denied or adjustments to billings initiated by the cost containment vendor versus the MM team. This would be helpful to determine what billings warrant additional review by the MM team after the cost containment vendor's assessment.

A review of MM comments for adjustments identified approximately 9% of the medical bills reviewed were identified as duplicate bills for the months of February and March 2025 (data for January was not provided).

Claims received are assigned to MM staff for review. Assignments are made based upon the respective claim's complexity and the staff experience. **Exhibit 4** shows the allocation of medical bill reviews across the SORM MM auditor level in January 2025.

MM Auditor Level	MM Auditor Years with SORM MM	% of Medical Bills Reviewed	% of Dollars Reviewed
Director	22	19%	26%
LEVEL III	21	21%	28%
LEVEL II	3	26%	16%
LEVEL II	3	20%	21%
LEVEL I	<1	13%	9%
Totals	>49	100%	100%

Exhibit 4: Allocation of medical bill reviews by MM auditor level.

Lower-level auditors are assigned lower-cost medical bills associated with newer claims and basic services (e.g., office visits) to review, while the MM Director reviews the most complex and highest-cost bills. Complex medical bills are identified based on visual inspection of SORM’s risk management system (RMIS) and the cost containment vendor’s system.

V. FOLLOW-UP ON PRIOR AUDIT FINDINGS

Internal audit conducted a follow-up review on prior audit findings issued to determine management’s implementation progress towards remediating the respective issue or internal control weakness. This follow-up audit was included in the Annual Internal Audit Plan. The table below reflects the findings remediation status for the 12 open audit recommendations as of August 29, 2025.

Finding Status	Number	Percentage of Total Findings Assessed	Comments
Fully Addressed	17	59%	
Partially Addressed/In Progress	3	10%	
On Hold	5	17%	Items are considered “On Hold” if they have been given a lower priority or being researched for other concerns.

Finding Status	Number	Percentage of Total Findings Assessed	Comments
Management Chose to Accept the Risk and Not Address	4	14%	These findings relate to: • Various forms of media are lacking proper oversight and accountability. • Office of the Attorney General’s contractual deliverables.
Total	29	100%	

VI. 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. Issues noted by the peer reviewer were related to another practice line in the firm and not the risk advisory services practice. MJ developed an action plan to remediate the deficiencies noted. We provide a copy of our most recent peer review letter below.



ADKF

with you
all the way

Member of the AICPA & TPCRS
Registered with Public Company
Accounting Oversight Board

Report on the Firm's System of Quality Control

July 19, 2024

To the Partners
McConnell & Jones LLP
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of **McConnell & Jones LLP** applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended June 30, 2023. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a system review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing and complying with a system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with the requirements of applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported on in conformity with the requirements of applicable professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of and compliance with the firm's system of quality control based on our review.

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Opinion

In our opinion, except for the deficiencies previously described, the system of quality control for the accounting and auditing practice of **McConnell & Jones LLP** applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended June 30, 2023, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. **McConnell & Jones LLP** has received a peer review rating of *pass with deficiencies*.

ADKF, PC

ADKF, P.C.

- 3 -

Internal Use

McConnell Jones

11

VII. INTERNAL AUDIT PLAN FISCAL YEAR 2026

Based on this year’s risk assessment and discussion with leadership, we recommend that Internal Audit conduct an audit of the Claims Processing and Payments function. This is in addition to performing a risk assessment for the FY2027 audit plan, conduct prior audit finding follow-up activities, prepare the fiscal year 2027 Annual Internal Audit Plan and prepare the fiscal year 2026 Internal Audit Annual Report in accordance with the Texas Internal Auditing Act. The proposed audit activities are reflected below.

Fiscal Year 2026 Annual Audit Plan Activities

Audit Activity #	Description	Risk Rating
1	Claims Processes and Payments ✓ Intake processes ✓ Alignment with policies and statutory requirements ✓ Claim File Documentation Payment Timeliness and Analysis of Late Payment Factors	High
3	Follow-Up on Prior Audit Findings	Compliance
4	Risk Assessment and Annual Internal Audit Plan	Compliance
5	Annual Internal Audit Report (FY 2024)	Compliance
6	Audit Communications, Committee Meetings, Project Management	N/A

VIII. EXTERNAL AUDIT SERVICES PROCURED IN FISCAL YEAR 2024

External audit services procured in fiscal year 2025 consisted of the internal audit function.

IX. 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.

X. 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.



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

FY 2026 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.



McCONNELL & JONES LLP
CERTIFIED PUBLIC ACCOUNTANTS

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McConnell Jones

October 18, 2025

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 2026 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 713.968.1617 or Todd Holt at 512. 936.1508 if you should have any questions about this audit plan.

Sincerely,

Darlene Brown, CIA, CFE
Partner

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

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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 document 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 and key processes.

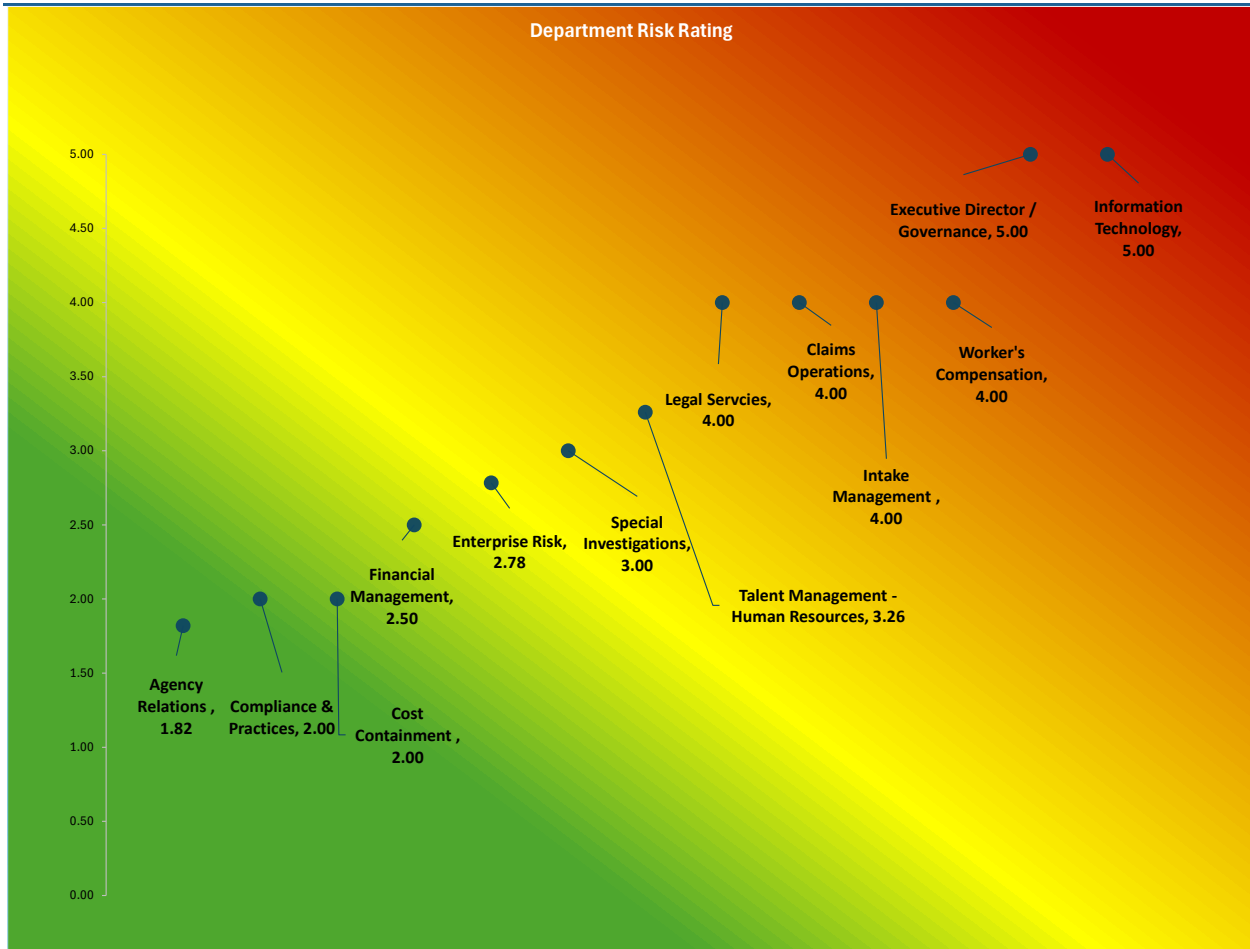


Figure 1 State Office of Risk Management Organizational Risk Summary 2024

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 2026 Annual Internal Audit Plan

Based on this year's risk assessment and discussion with leadership, we recommend that Internal Audit conduct an audit of the Claims Processing and Payments function. This is in addition to performing a risk assessment for the FY2027 audit plan, conduct prior audit finding follow-up activities, prepare the fiscal year 2027 Annual Internal Audit Plan and prepare the fiscal year 2026 Internal Audit Annual Report in accordance with the Texas Internal Auditing Act. The proposed audit activities are reflected below.

Audit Activity #	Description	Risk Rating
1	Claims Processes and Payments ✓ Intake processes ✓ Alignment with policies and statutory requirements ✓ Claim File Documentation	High

Audit Activity #	Description	Risk Rating
	✓ Payment Timeliness and Analysis of Late Payment Factors	
3	Follow-Up on Prior Audit Findings	Compliance
4	Risk Assessment and Annual Internal Audit Plan	Compliance
5	Annual Internal Audit Report (FY 2024)	Compliance
6	Audit Communications, Committee Meetings, Project Management	N/A

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, Internal Audit 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.



State Office of Risk Management

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4. New business (continued)

4.2 Presentation of the Internal Audit Charter and Internal Audit Disclosure Statement.

Information

Representatives of the agency's audit contractor will update the Board on the Internal Audit Charter and Internal Audit Disclosure Statement.

Action Required

No official action required.

STATE OFFICE OF RISK MANAGEMENT

INTERNAL AUDIT

ANNUAL INDEPENDENCE DISCLOSURE STATEMENT

This annual internal audit independence disclosure statement is a document that outlines the independence of State Office of Risk Management's (SORM) internal audit function. The purpose of this statement is to provide transparency and assurance that the internal audit activities are conducted objectively and without any undue influence that could compromise the integrity of the audit process. The State Office of Risk Management (SORM / Agency) has contracted with an external Certified Public Accounting firm, McConnell Jones, to administer its internal audit function. MJ's partner serves as the Agency's Chief Audit Executive.

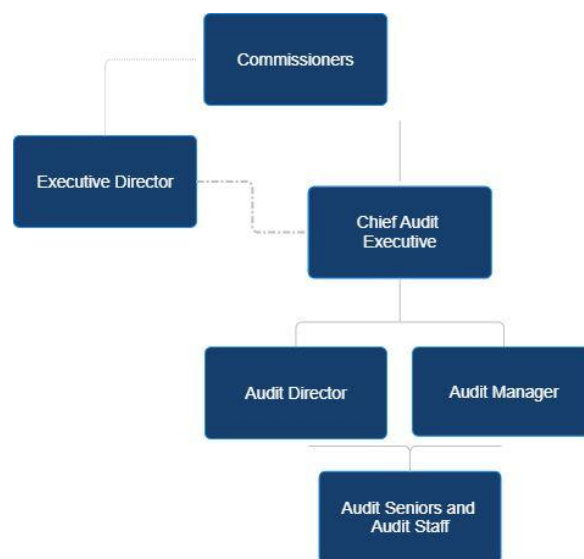
Introduction:

The Institute of Internal Auditors (IIA) Global Standards require the internal audit activity to be independent, and internal auditors must be objective in performing their work.

Independence is a crucial aspect of internal auditing as it ensures that the audit function can provide unbiased and reliable assessments of the organization's operations, controls, and financial reporting. Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

The internal auditor must be independent in mind and in appearance. To achieve the degree of independence necessary to effectively carry out responsibilities of the internal audit activity, the internal auditor has direct and unrestricted access to senior management and the Board of Directors. The internal audit function operates under the direction of the Board of Directors.

SORM's internal audit function is organized as shown below.



Impairments to Independence

The IIA Global Standards requires the Chief Audit Executive to assess if independence or objectivity is impaired in fact or appearance and if so, the details of the impairment must be disclosed to appropriate parties. In the case of SORM, any impairments will be reported to the Board of Directors and Executive Director.

Personnel Independence:

McConnell Jones, as the third-party provider of SORM's internal audit function is committed to maintaining independence and ensures that threats to independence are managed at the auditor level and at the audit engagement level. The Chief Audit Executive and all auditors discuss the respective audit and sign an independence form that is included in each set audit work-papers. If there are any threats to the auditor's independence, the independence form is listed in the form.

There were no identified or reported threats to the auditor's independence in 2025.

Objectivity

Institute of Internal Auditors Global Standards require Internal Auditors to have an impartial, unbiased attitude, and avoid any conflict of interest. Practice Advisory 1120-1, Individual Objectivity states, "Individual objectivity means the internal auditors perform engagements in such a manner that they have an honest belief in their work product, and that no significant quality compromises are made. Internal auditors are not to be placed in situations that could impair their ability to make objective professional judgements".

The Chief Audit Executive ensures that auditors assigned to each audit conduct the audit with objectivity and impartiality.

Scope of Internal Audit Services:

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Board of Directors, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the Agency. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the Agency's strategic objectives are appropriately identified and managed.
- The actions of the Agency's officers, directors, employees, and contractors comply with the Agency's policies, procedures, and applicable laws, regulations, and governance standards.
- Financial, managerial, and operating information is accurate, reliable, and timely.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Agency.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

- Accountability systems are in place to make sure organizational and program missions, goals, plans, and objectives are achieved.

Communication with Management and the Board:

The Chief Audit Executive has regular standing meetings with SORM's management. Status updates are provided at the Board meetings.

If a concern or issue arises with respect to perceived or potential independence, the Chief Audit Executive will notify the Board of Directors Chair, and Executive Director.

Compliance with Professional Standards:

The Chief Audit Executive ensures that all internal audit activities adhere to applicable professional standards, including the Institute of Internal Auditors Global Standards and Generally Accepted Government Auditing Standards (GAGAS).

Previous Independence Violations:

McConnell Jones employees assigned to, and working on, State Office of Risk Management internal audit activities had no previous independence violations.

Conclusion and Sign-off:

I, Darlene Brown, Chief Audit Executive, have no threats to my independence or objectivity for any potential audits within SORM. Before starting each audit, I will document my independence in the audit work-papers. I will notify the Board of Directors and Executive Director immediately if there are any threats to my independence.



Darlene Brown, CIA, CFE, CSM, Acting Chief Audit Executive

Date: August 27, 2025

I have reviewed the internal auditor's independence statement and I agree that it appears to be no threats to their independence or objectivity.

State Office of Risk Management

Date: XX, 2025



State Office of Risk Management

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4. New business (continued)

4.3 Status of project to update leave policies and procedures to ensure time and attendance records comply with GOVT Section 661.908.

Information

Human Resources will update the Board on the status of a project to update leave policies and procedures.

Action Required

No official action required.



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5. **Executive Session: Recess pursuant to Section 551.074, Government Code, to discuss the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee.**

Information

The Board will meet in executive session pursuant to Section 551.074, Government Code to discuss personnel matters.

Action Required

No official action may be taken.



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6. Reconvene in Open Session for possible action on matters considered in Executive Session.

Information

The Board returns to public session and may deliberate and consider action on items discussed in Executive Session, such as, but not limited to:

- 6.1 Discipline or dismissal of a public officer or employee;
- 6.2 Labor Code Section 412.033. HIRING DIRECTOR. The board shall hire a qualified person to serve as director of the office. The director serves at the pleasure of the board.
- 6.3 The interviews of the candidates for the vacant Executive Director position;
- 6.4 The candidate who will be hired as the Executive Director;
- 6.5 A future meeting date to identify the candidate who will be hired as the Executive Director;
- 6.6 The employment start date for the Executive Director; and/or
- 6.7 An increase to the Executive Director's salary pursuant to the General Appropriations Act

Action Required

The Chair may entertain motions for consideration and possible action on relevant matters discussed in Executive session, if applicable.



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7. 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.



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8. 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.



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9. 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 FY26

Month	Day of Week	Date	Notes
November (if needed)	Tuesday	18	
	Wednesday	19	
	Thursday	20	
	Monday	24	Skeleton Crew 11/25 and 11/26 – Thanksgiving
Month	Day of Week	Date	Notes
December (if needed)	Tuesday	2	
	Wednesday	3	
	Thursday	4	
	Tuesday	9	
	Wednesday	10	
	Thursday	11	
Month	Day of Week	Date	Notes
January	Tuesday	13	
	Wednesday	14	
	Thursday	15	
	Wednesday	21	Office Closure 1/19 – MLK Day
	Thursday	22	
	Tuesday	27	
	Wednesday	28	
	Thursday	29	
Month	Day of Week	Date	Notes
April	Tuesday	14	
	Wednesday	15	

NOTE:

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.



Tentative Board of Directors Meeting Dates FY26

Month	Day of Week	Date	Notes
April	Thursday	16	
	Wednesday	22	Skeleton Crew 4/21 - San Jacinto Day
	Thursday	23	Determination of assessment adjustment for current FY - notifications to agencies required by 5/1

Month	Day of the Week	Date	Notes
July	Tuesday	14	
	Wednesday	15	
	Thursday	16	
	Tuesday	21	
	Wednesday	22	
	Thursday	23	
	Tuesday	28	
	Wednesday	29	Determination of assessment totals for next FY - notifications to agencies required by 9/1
	Thursday	30	

Month	Day of the Week	Date	Notes
October	Tuesday	13	
	Wednesday	14	
	Thursday	15	
	Tuesday	20	
	Wednesday	21	
	Thursday	22	Annual Internal Audit Report due to SAO by 11/1

NOTE:

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.



State Office of Risk Management

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10. Adjourn meeting

The Chair:

1. Calls the meeting adjourned and announces time