SORM

State Office of Risk Management

# State Office of Risk Management

## Report on Prior Audit Findings Follow-Up

Report # 25-002

August 29, 2025 with Sept. 4, 2024 Update



McConnell Jones

Diverse Thinking | Unique Perspectives

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# AUDIT OBJECTIVES AND FOCUS AREAS

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.

We conducted this audit in conformance with Generally Accepted Government Auditing Standards (GAGAS). 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 objectives. We believe that the evidence obtained during the audit satisfied GAGAS standards.

We have not omitted pertinent information from this report, which summarizes the audit objective and scope of our assessment based on our audit approach.

# Findings Remediation Implementation Status Definitions

Our audits frequently resulted in providing more than one recommendation to address the respective finding identified. Our follow-up procedures assessed if management had taken action to address the finding. We assigned the following categories to the findings' remediation status:

Fully Implemented: Management has taken corrective action to address the finding.

Partially Implemented: The action taken by management does not fully address the finding and still leaves internal control or process gaps that create risk to SORM.

In-Progress: Management is in the process of remediating the finding.  For example, a policy has been drafted or updated but has not yet been approved.

Not Started: Management has taken no remediation action.

Chosen Not to Address: Management did not accept the finding and determined to leave the control or process as is.

The next page provides a summary of all findings and remediation status.  This is followed by a summary for each respective audit.

# FINDINGS STATUS SUMMARY

| 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. |
| Management Chose to Accept the Risk and Not Address | 4 | 14% | |
| **Total** | **29** | **100%** | |

# DETAILED FINDINGS, RECOMMENDATIONS, AND IMPLEMENTATION STATUS

| Engagement | Fully Addressed | Partially Addressed/ In Progress | On Hold | Chosen Not to Address | Total Findings | Comments |
|---|---|---|---|---|---|---|
| 19-001 Talent Management Function | 4 | | 3 | | 7 | |
| 22-001 Origami 2 | 1 | | | | 1 | |
| 22-003 Risk Management Function | 1 | | | | 1 | |
| 23-001 Agency Relations | 2 | | 2 | 1* | 5 | *Finding chosen not to be address relates to various forms of media are lacking proper oversight and accountability. |
| 24-001 Financial Operations Advisory Engagement | 9 | 3 | | 3* | 15 | *Findings chosen not address relate to Office of the Attorney General Contracted Services |
| **Total Findings** | **17** | **3** | **5** | **4** | **29** | |

# DETAILED FINDINGS, RECOMMENDATIONS, AND IMPLEMENTATION STATUS

**Talent Management Audit - May 3, 2019**

| # | Residual Risk Rating | Finding | Recommendation | Status |
|---|---|---|---|---|
| 1 | Low | The human resource/talent management policies and procedures are separated into 207 individual documents, and several are not updated. | Ensure that all human resource policies and procedures are reviewed and updated by the end of Fiscal Year 2020. Implement a process to ensure that human resource policies and procedures are reviewed and updated at least once every two years. | Fully Addressed |
| 2 | Low | Only 67 percent of the 96 respondents to the Survey of Employee Engagement (SEE) felt that their supervisor was consistent when administering policies concerning employees. SORM's inconsistent application of employee polices needs to be addressed. | Provide directors and managers additional training on human resource policies and what they should be doing to ensure consistent application within their respective department. This training should be completed by the end of Fiscal Year 2020. | Fully Addressed |

# DETAILED FINDINGS, RECOMMENDATIONS, AND IMPLEMENTATION STATUS

**Talent Management Audit - May 3, 2019**

| # | Residual Risk Rating | Finding | Recommendation | Status |
|---|---|---|---|---|
| 3 | Low | SORM has not created and implemented a comprehensive Human Resources Manual. Instead, employees are directed to the agency's intranet site to review the individual policies. | Develop a Human Resources Manual by the end of Fiscal Year 2020. The current key human resource policies can be consolidated and used as a basis to develop a comprehensive Human Resources Manual. | Fully Addressed |
| 4 | Low | We noted that the new employee orientation checklist used by Talent Management does not include some key components although these topics are discussed in the orientation. | Update the New Employee Checklist used by Talent Management to include all key areas discussed. This serves as a tool to ensure the key topics are covered and that the employee acknowledges that they were discussed. Ensure that all checklists used by department managers are reviewed by Talent Management for compliance with labor laws, statutes and internal policies. | Fully Addressed |

# DETAILED FINDINGS, RECOMMENDATIONS, AND IMPLEMENTATION STATUS

**Talent Management Audit - May 3, 2019**

| # | Residual Risk Rating | Finding | Recommendation | Status |
|---|---|---|---|---|
| 5 | High | SORM's talent management function does not have a strategic recruiting plan that identifies the recruitment goals, methods and strategies to identifying sources for the specialized skills needed within the agency. Instead, recruiting efforts are limited to online job posting. | Develop a formal recruiting plan that identifies the recruiting goals, methods, strategies for positions that SORM generally hires. Include attendance at professional network events to attract specialized candidates. | In Progress |
| 6 | High | SORM's current job training program is not meeting employee's needs. The 2018 Survey of Employee Engagement (SEE) question/statement number 37 regarded training for their job. Only 60 percent of the 96 respondents felt that their training was made available for the to do their job better. | The Talent Management team should lead a project along with the Communications & Development team and department managers to determine employee training needs and desires. A formal, comprehensive training plan should be developed and monitored by the Talent Management team for all required job training. | On Hold due to competing priorities |

# DETAILED FINDINGS, RECOMMENDATIONS, AND IMPLEMENTATION STATUS

**Talent Management Audit - May 3, 2019**

| # | Residual Risk Rating | Finding | Recommendation | Status |
|---|---|---|---|---|
| 7 | High | SORM does not have an annual employee performance evaluation system in place. The agency has been in the process of developing a 360-degree performance evaluation system for more than three years and does not have a firm target date or project plan for completion. | Ensure that an agency-wide employee performance evaluation system that is based upon the agency's strategic goals and job responsibilities and includes evaluation criteria is implemented within Fiscal Year 2020. Ensure that the performance evaluation system is fully communicated to all employees. Additionally, ensure that policy HR 303 Performance Appraisals is updated to reflect the agency's employee evaluation program. | On Hold<br><br>Completion of this project may be significantly delayed because SORM has been made aware that performance management information within CAPPS is likely subject to release under the Public Information Act. |

# DETAILED FINDINGS, RECOMMENDATIONS, AND IMPLEMENTATION STATUS

**Origami Part 2 Audit – August 31, 2022**

| # | Residual Risk Rating | Finding | Recommendation | Status |
|---|---|---|---|---|
| 8 | Low | • SORM encountered resource constraints due to COVID, which negatively impacted their ability to devote sufficient time to the review of project specifications and requirements to identify potential issues.<br>• Origami did not understand the breadth or depth of SORM's requirements including state-imposed timelines for workers' compensation claims, and<br>• Some cross department dependencies and workflows were not thoroughly validated prior to implementation. This resulted in changes to the processes and workflows post implementation in the production environment. Consequently, unanticipated outcomes had to be addressed as a result of those changes. | Continue to work with Origami to provide functionality to meet the strict requirements and timelines imposed by Texas Workers' Compensation Act. -- Post implementation, ensure that all key stakeholders are properly alerted to changes in processes and workflows so that they can proactively make the appropriate adjustments. | Fully Addressed |

# DETAILED FINDINGS, RECOMMENDATIONS, AND IMPLEMENTATION STATUS

**Risk Management Function Audit – April 26, 2022**

| # | Residual Risk Rating | Finding | Recommendation | Status |
|---|---|---|---|---|
| 9 | Low | There is inconsistent use of the updated TERM Guidelines by risk managers. We also noted that SOPs and checklists do not include references to the TERM Guidelines.<br>Enterprise risk specialists that were involved in the TERM Guidelines project stated that they refer to the TERM Guidelines in their visits and reports. The two newer enterprise risk specialists had not incorporated TERM Guidelines references in their inspection process. | •Require all risk managers to apply the updated TERM Guidelines in a consistent manner, refer to the TERM Guidelines when completing inspections and reports, and complete all required checklists.<br>• Assign specific individual(s) the responsibility for ensuring that all documentation and tools are up to date, and that staff are adequately trained on the updates.<br>• Conduct regular refresher training sessions for risk managers that include TERM Guidelines and to address any trends that the team leads identify | Fully Addressed |

# DETAILED FINDINGS, RECOMMENDATIONS, AND IMPLEMENTATION STATUS

**Agency Relations Audit – June 5, 2023**

| # | Residual Risk Rating | Finding | Recommendation | Status |
|---|---|---|---|---|
| 10 | Low | Training is disconnected with the overall objectives of the Agency as approved by the leadership. | Align activities with SORM executives' and Agency objectives by:<br>• Developing an overall training strategy.<br>• Develop a detailed training plan.<br>• Present the training strategy and detailed training plan to executive leadership for modifications and approval. | Fully Addressed |
| 11 | High | The TDI training courses provided are not currently taught and the material needs to be refreshed. | Reconsider the training approach relating to Texas Department of Insurance (TDI) certified courses to ensure that it is in alignment with the overall executive approved training strategy. | Fully Addressed |
| 12 | High | External training does not have a formalized process for curriculum offerings and development. | Develop and document a formal process for a periodic review of current external course offerings and development of a curriculum for new topics to meet the needs of the client agencies. This should also align with the overall executive approved training strategy. | In Progress |

# DETAILED FINDINGS, RECOMMENDATIONS, AND IMPLEMENTATION STATUS

**Agency Relations Audit – June 5, 2023**

| # | Residual Risk Rating | Finding | Recommendation | Status |
|---|---|---|---|---|
| 13 | High | Communication is not in total alignment with the overall objectives of the Agency as approved by the leadership. | Align with SORM executive and Agency objectives by:<br>• Developing an overall communication strategy with objectives and supporting communication strategic plans, where applicable.<br>• Presenting the communication strategy and detailed communication plan to executive leadership for modifications and approval. | In Progress |
| 14 | Medium | The various forms of media are lacking proper oversight and accountability. | Address span of control issue by adding a manager within Agency Relations. | Chosen not to Address |

# DETAILED FINDINGS, RECOMMENDATIONS, AND IMPLEMENTATION STATUS

**Financial Operations Advisory– March 6, 2024**

| # | Residual Risk Rating | Finding | Recommendation | Status |
|---|---|---|---|---|
| 15 | Low | Advisory engagement -<br>Obtain from OAG or develop required reports or queries including the following:<br>Weekly Open PO Listing<br>Accounts Payable ledger with aging<br>Accounts Receivable ledger with aging<br>Budget Variances<br>Expenditure Trend Analysis<br>•SORM is missing necessary access to CAPPs and/ or reporting to validate the accuracy of financials and reports submitted by OAG on its behalf.<br>•SORM is unable to monitor outstanding and aging of payables. Additionally, they are unable to validate that payables are processed in a timely manner. | Obtain from OAG or develop required reports or queries including the following:<br>Weekly Open PO Listing<br>Accounts Payable ledger with aging<br>Accounts Receivable ledger with aging<br>Budget Variances<br>Expenditure Trend Analysis | Fully Addressed |

# DETAILED FINDINGS, RECOMMENDATIONS, AND IMPLEMENTATION STATUS

**Financial Operations Advisory– March 6, 2024**

| # | Residual Risk Rating | Finding | Recommendation | Status |
|---|---|---|---|---|
| 16 | Medium | Advisory Engagement<br>OAG not providing all deliverables named in current contract. | Include service level agreements in future contracts to address timeliness of deliverables, that can be measured by SORM with current resources.<br>•Assign management of the OAG contract to either Legal, Compliance, or the CFO until contract management position is filled to provide oversight and enforce provisions including measurement of service level agreements and timeliness of deliverables. | Chosen not to Address |
| 17 | Low | An outstanding PO report is not available to monitor the status of expenditure requests. | •SORM should work with OAG to obtain PO status reports or create queries to monitor PO statues. | Fully Addressed |
| 18 | Low | •The budget process is not documented to specify how to complete template to prevent the ABEST system from erroring out. | •Document the budget processes including spreadsheets and reports utilized to monitor, reconcile, and review documents for quality control. | Fully Addressed |

# DETAILED FINDINGS, RECOMMENDATIONS, AND IMPLEMENTATION STATUS

**Financial Operations Advisory– March 6, 2024**

| # | Residual Risk Rating | Finding | Recommendation | Status |
|---|---|---|---|---|
| 19 | Medium | •Checks are deposited by OAG on an average of 9 days of being received for the period September through November 2023, with a range of 2 through 30 days.<br>•Actual checks are used to code by SORM accountants then handed over to OAG to process in CAPPS.<br>•Current check processes provide multiple opportunities for checks to be lost or stolen.<br>Checks are processed through three departments.<br>Copies of signed OAG's logs reflecting checks received are not provided to SORM for their records. | •Work with OAG to tighten controls over check processing.<br>•Revamp process to utilize check copies for coding purposes and deposit checks with 24 to 48 hours of receipt.<br>•If unable to rectify current control gaps, consider moving the responsibility of depositing checks internally.<br>•Request copies of the OAG log showing checks received from SORM. | Chosen not to Address |
| 20 | Low | •Notifications on SORM deliveries into OAG warehouse are not consistently received when goods are delivered. Needed goods are unavailable for use and may cause reordering to fill need. For example, Finance staff stated that laptops were stored in the warehouse and SORM was not aware until SORM staff happened to visit the warehouse. | •Request access to view status of POs to identify when goods have been received but no notification is provided by OAG. | Fully Addressed |

# DETAILED FINDINGS, RECOMMENDATIONS, AND IMPLEMENTATION STATUS

**Financial Operations Advisory– March 6, 2024**

| # | Residual Risk Rating | Finding | Recommendation | Status |
|---|---|---|---|---|
| 21 | Low | •Account reconciliations are not prepared internally nor obtained from OAG to verify accuracy and timeliness.<br>•Reconciliation of CAPPS to USAS is not completed. | •Work with OAG to obtain copies of the reconciliations performed monthly to validate timely completion and resolution for any reconciling items. | Fully Addressed |
| 22 | Low | •No monthly report is obtained from OAG to summarize the total amount of receipts posted in CAPPS to verify that RMIS and CAPPS and USAS agree. | •Obtain a CAPPS report to reconcile total check receipts to RMIS. When comparing what is in ACCESS vs RMIS, SORM should compare that data to CAPPS and USAS. The comparisons will validate all data is flowing appropriately from one system to the next. | Fully Addressed |
| 23 | Low | •Current Finance staff lack knowledge of how to prepare annual and financial reports or the process for capturing data for the reporting processes. | •Provide training to Finance Staff on annual and Biennial reporting. Once understood, document procedures to prepare all reports. In addition, within the documented procedures, note the purpose of the report and the frequency it is to be completed. | Fully Addressed |

# DETAILED FINDINGS, RECOMMENDATIONS, AND IMPLEMENTATION STATUS

**Financial Operations Advisory– March 6, 2024**

| # | Residual Risk Rating | Finding | Recommendation | Status |
|---|---|---|---|---|
| 24 | Low | •OAG does not provide SORM budget line-item expenditures forecast or trend analysis. SORM cannot effectively monitor the PO status of vendor contracts. For example, the cost containment vendor (Caseworks) no analysis is being performed to validate that Caseworks did not exceed the PO dollars. SORM accountants are manually tracking the PO for this vendor | •Work with OAG to obtain reports that show the trends of SORM's expenditures.<br>•Obtain training to pull information from systems to generate reports and become less reliant on OAG to provide. | Fully Addressed |
| 25 | Low | •Only one accountant understands and performs the Worker's Compensation forecasting utilizing multiple spreadsheets and calculations. The results are used internally to look at quarterly trends over the last 32 years.<br>•Instructions on how to complete and provide information needed by the third-party actuary do not exist. | Document the purpose and process for providing the data to the third-party, along with the internal processes for using the data. | In Process |

# DETAILED FINDINGS, RECOMMENDATIONS, AND IMPLEMENTATION STATUS

**Financial Operations Advisory– March 6, 2024**

| # | Residual Risk Rating | Finding | Recommendation | Status |
|---|---|---|---|---|
| 26 | Medium | •Employees have not received the training needed to perform their roles and responsibilities expected based on their job description. | Develop and regularly update a training plan for employees. Research the FMX or SAO websites for potential training that would benefit team members. | In Process |
| 27 | Low | Current employee roles and responsibilities do not align with job descriptions. | •Update job descriptions to match current responsibilities or establish greater management oversight of job responsibilities. | Fully Addressed |
| 28 | Medium | •Lack of monitoring and/ or review of reports provided by OAG. | Assign monitoring and review the reports provided by OAG to appropriate staff. | Chosen not to address |
| 29 | High | •When employees are out of the office or no longer with the agency, it is difficult to assign tasks to other employees due to the lack of cross-training. | •Cross-train other staff to perform the duties of others | In Process |