Legislative Requirement:

Efficiency Audits of the Division of Workers' Compensation and the Office of Injured Employee Counsel within the Department of Insurance

Lisa R. Collier, CPA, CFE, CIDA
State Auditor

October 23, 2026

Members of the Legislative Audit Committee:

The State Auditor's Office contracted with Weaver to conduct efficiency audits of the Division of Workers' Compensation and the Office of Injured Employee Counsel[1], as required by Texas Government Code, Section 327.002. Texas Government Code, Section 327.003, allows the State Auditor's Office to contract with an external auditor to conduct these audits. These audits are being reported together to align with the most recent Sunset Commission report.

Division of Workers' Compensation (Division)

Weaver identified two main areas with inefficiencies at the Division. These are:

- **Medical fee dispute and hearings docketing processes.** COMPASS, the legacy system the Division shares with the Office of Injured Employee Counsel and the Department of Insurance, does not provide real-time performance reporting, external party access, or a consolidated view of staff availability. To compensate, Division staff maintain spreadsheets, calendars, and separate tables outside the system and manually reconcile them back into COMPASS. The Division should continue evaluating modernization needs and define requirements to reduce manual processes.
- **Fraud case management processes.** The Division's Fraud Unit investigators manually track time-sensitive cases and rely on manually corrected reports to monitor caseload due to the lack of certain functionality in the Division's record management system for investigations. The Division should continue to evaluate case management system alternatives for its Fraud Unit and define required functionality to minimize required customizations.

Office of Injured Employee Counsel (Office)

Weaver identified inefficiencies caused primarily by limitations in COMPASS that resulted in manual workarounds in the Office's case management and performance reporting processes. Those workarounds require significant staff and administrative effort. The Office should define case management and performance reporting requirements and evaluate opportunities to automate manual monitoring and reporting activities.

For both the Division and the Office, auditors did not identify any duplication, overlap, or conflict with other state agencies or misalignment between their rules in the Texas Administrative Code and statutory authority and missions.

[1] The Division of Workers' Compensation and the Office of Injured Employee Counsel are administratively attached to the Department of Insurance.

The Division and the Office provided implementation plans, which are presented in the attached report. Overall, both the Division and the Office agreed to implement Weaver's recommendations.

Sincerely,

Lisa R. Collier, CPA, CFE, CIDA
State Auditor

cc: The Honorable Greg Abbott, Governor
Ms. Amanda Crawford, Commissioner of Insurance
Mr. Jeff Nelson, Commission of Workers' Compensation
Mr. Robert Rucker, Public Counsel, Office of Injured Employee Counsel

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TEXAS GOVERNMENT EFFICIENCY AUDIT

An Efficiency Audit of the Texas Department of Insurance, Division of Workers' Compensation and Office of Injured Employee Counsel

weaver
Assurance • Tax • Advisory

Prepared under contract with the Texas State Auditor's Office

DWC & OIEC Chapter 327 Efficiency Audit | October 2026

Executive Summary

- **DWC Background | p. 6**
- **OIEC Background | p. 16**
- **Audit Objective | p. 21**

To address the requirements in Texas Government Code, Chapter 327, under the authority of the Texas State Auditor's Office, Weaver reviewed the Texas Department of Insurance, Division of Workers' Compensation (DWC) and the Office of Injured Employee Counsel's (OIEC) use of selected state resources in the following areas: financial resources, personal and real property assets, technology, staffing, operations, and reporting. This audit was conducted in accordance with Texas Government Code, Chapter 327.

For DWC, we identified two Opportunities for Efficiency involving the COMPASS legacy system and the Fraud Unit's Column case management system.

For OIEC, we identified one Opportunity for Efficiency involving manual case management, quality assurance, and performance reporting processes in the Dispute Resolution Information System (DRIS), a component of DWC's COMPASS system.

The audit did not identify duplication, overlap, or conflict between DWC's and OIEC's activities and those of other state agencies.

Summary of Results:

The results are classified and presented as Opportunities for Efficiency:

- Opportunities for Efficiency: Items that present efficiency opportunities that reside within DWC's or OIEC's operating environment and that the applicable agency has the standing and authority to act upon.

Results at a Glance

Division of Workers Compensation

Opportunities for Efficiency
2
• COMPASS system lacks online submission, consolidated scheduling, and automated reporting, requiring manual tracking and reconciliation across medical fee dispute and hearings docketing. • Column system lacks deadline tracking and produces reports requiring manual correction; normal upgrades affect customizations, causing add unanticipated support cost.

Figure 1. Results over the DWC efficiency audit at a glance, presented as two Opportunities for Efficiency and two Management Insights.

Opportunities for Efficiency:

The Division of Workers' Compensation has opportunities to improve efficiency by:

- Streamlining medical fee dispute and hearings docketing in COMPASS through automated reporting, online submission and status tracking, and consolidated scheduling, and defining those requirements for the planned indemnity dispute and medical fee dispute builds.
- Continuing to evaluate case management system alternatives for the Fraud Unit, define required functionality to minimize required customizations, improve system reliability and limit ongoing support cost.

Summary of Management's Implementation Plan:

Auditors made recommendations to address the inefficiencies identified during this audit (see Pages 9 and 13). Management agreed with the recommendations and provided information on the planned implementation of the corrective action (see Management's Implementation Plan starting on Pages 10 and 13).

Results at a Glance

Office of Injured Employee Counsel

Opportunities for Efficiency
1
• COMPASS/DRIS lacks workflow management, deadline tracking, and automated reporting, requiring manual monitoring, coordination, and quality assurance

Figure 2. Results over the OIEC efficiency audit at a glance, presented as one Opportunity for Efficiency.

Opportunity for Efficiency:

The Office of Injured Employee Counsel has an opportunity to improve efficiency by:

- Reducing manual monitoring, coordination, reporting, and quality assurance activities by ensuring replacement system requirements address case management, workflow, reporting, and data quality needs.

Summary of Management's Implementation Plan:

Auditors made recommendations to address the inefficiency identified during this audit (see Page 18). Management agreed with the recommendation and provided information on the planned implementation of the corrective action (see Management's Implementation Plan starting on Page 19).

Section I: Texas Department of Insurance, Division of Workers' Compensation

Background

Texas Department of Insurance, Division of Workers' Compensation

The Division of Workers' Compensation (DWC or the Division), a division administratively attached to the Texas Department of Insurance (TDI), is responsible under Texas Labor Code Title 5 for administering and regulating the Texas workers' compensation system. DWC adopts rules and makes recommendations to implement and enforce the Workers' Compensation Act, and shares certain administrative processes with the Office of Injured Employee Counsel (OIEC), an independent state agency that represents injured employees, provides ombudsman services to assist unrepresented injured employees in dispute proceedings, and educates injured employees on their rights and responsibilities. DWC's Hearings Division resolves workers' compensation disputes through benefit review conferences (BRCs), contested case hearings (CCHs), and appeals; its Compliance and Investigations division, including the Fraud Unit, investigates suspected workers' compensation fraud under Texas Labor Code Chapter 418; and its Workplace Safety program provides safety and health resources to Texas employers, employees, and insurance companies through the Texas OSHA Consultation Program (OSHCON), the Federal Data Collection Program, and the Safety Training and Inspections Program.

DWC's operations are funded primarily through workers' compensation insurance surcharges assessed on insurance carriers and certified self-insurers under Texas Labor Code Chapter 403 and 407A, and legislative appropriations. DWC shares administrative, information technology, and inventory management functions with TDI, including the COMPASS case management system and the State Property Accounting (SPA) inventory system.

Texas Department of Insurance, Division of Workers' Compensation at a Glance

Statewide dispute resolution, fraud investigation, and workplace safety regulation

TDI-DWC **Oversight Agency** Led by a Commissioner appointed by the Governor. Division of TDI, who provides administrative and technology support	**~400** **Employees** Central office in Austin and 20 regional field offices statewide	**87,360** **Claims Filed (Calendar Year 2025)** Workers' compensation claims filed statewide
Governing Authority | Texas Labor Code Title 5, the Workers' Compensation Act		
Program Footprint Dispute resolution, fraud investigation, workplace safety consultation, Claims and Customer Services, and Subsequent Injury Fund	**Funding Sources** Insurance surcharges and legislative appropriations	**Workspace** Barbara Jordan Building, Austin (central office)
Systems Analyzed | COMPASS legacy system (shared with TDI and OIEC) and the Column system (DWC Fraud Unit)		

Detailed Audit Results

The detailed results are organized first as Opportunities for Efficiency and then as Management Insights as applicable, and within each category they are presented in numerical order. The **Appendix** describes the resource and operational areas evaluated during the audit and the procedures we performed within each area.

Opportunities for Efficiency:

OPPORTUNITY 1

The Division Should Continue Evaluating Modernization Needs and Define Requirements to Reduce Manual Processes

The Division of Workers' Compensation has an opportunity to streamline its medical fee dispute and hearings docketing processes to reduce the manual recording, scheduling, tracking, and reporting work those processes now require. The two program areas resolve different types of disputes under separate statutory authorities:

Medical Fee Dispute Resolution (MFDR)	Hearings
• **Resolves disputes** over the amount of payment due for medically necessary care • **Filed by health** care providers, injured employees who paid out of pocket, pharmacy processing agents, or subclaimants, on DWC Form-060 • **Authority** Labor Code §413.031 and 28 TAC §133.307.	• **Resolves whether** an injury is work related, extent of injury, ability to work, and benefits owed • **Process** generally begins with a benefit review conference, then a contested case hearing unless parties elect arbitration; some disputes are set for hearing directly • **Authority** Labor Code Chapter 410, Subchapters B, C, and D, and 28 TAC Chapters 141 and 142.

Source: Texas DWC (tdi.texas.gov) medical fee dispute resolution and dispute resolution resources pages; Texas Labor Code §§413.031 and 413.0312; 28 TAC §§133.307, 133.308, and Chapter 142.

Both program areas rely on COMPASS, a shared legacy system built in the 1980s (see *Figure 3 below)* that does not provide real-time performance reporting, external party access, or a consolidated view of staff availability. To compensate, staff maintain spreadsheets, calendars, and separate tables outside the system and manually reconcile them back into COMPASS.

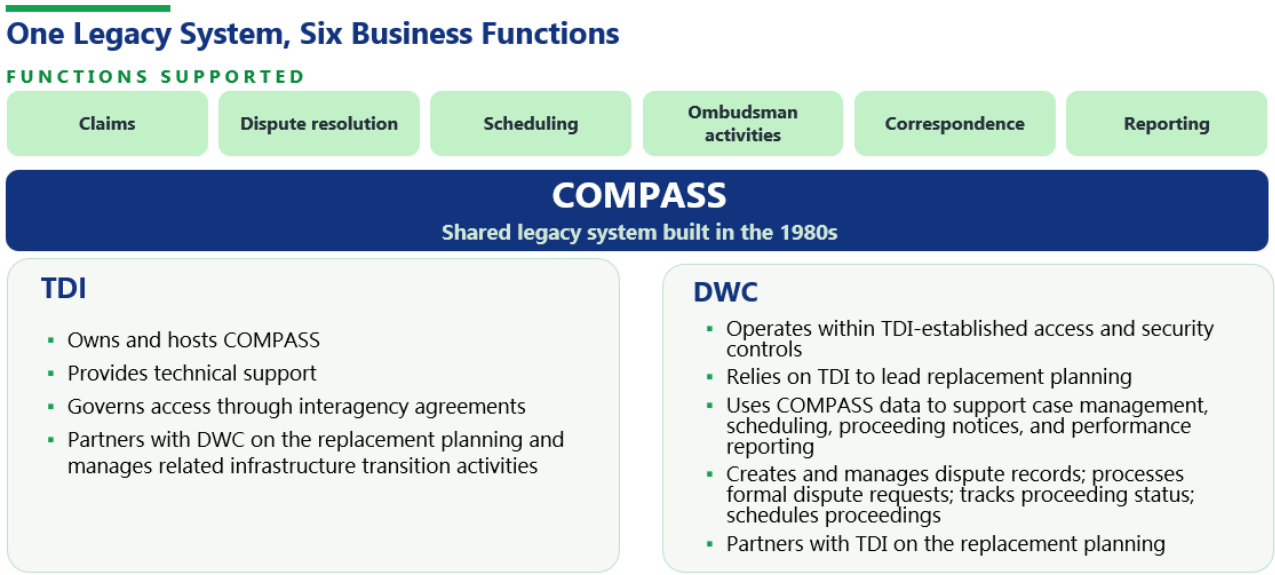

Figure 3. COMPASS Supports Six Critical Business Functions Across TDI and DWC.

Medical Fee Dispute Resolution (MFDR)

Reporting and Monitoring. COMPASS does not generate real time performance data. Fee dispute counts are available only through printed reports, so management cannot monitor dispute inventory or resolution times as the work progresses, and analysis depends on requesting and compiling reports after the fact.

Dispute Tracking. Nonsubscriber and federal disputes inadvertently submitted to DWC are tracked outside COMPASS through manual document handling. The Division lacks statutory authority to adjudicate those disputes, but recording them in the system of record would give management a complete inventory and accurate cycle time measurement.

External Access. COMPASS does not allow parties to submit disputes online, check status electronically, or receive a tracking number at submission, resulting in the need to respond to inquiries and follow-up manually.

Hearings (Docketing and Scheduling)

Supplemental Scheduling Tools. COMPASS remains the system of record for scheduling and notices but does not provide a comprehensive view of staff availability and rotations. To set benefit review conferences and contested case hearings, docket staff rely on four tools maintained outside COMPASS and manually reconciled back to the system:

1. Four-week rotation schedules for benefit review officers, administrative law judges, Austin Representative Boxes, and OIEC ombudsmen, that establish staff availability by field office or hearing site

2. Docket assignments identifying the assigned officer and a designated backup
3. Shared spreadsheets tracking completed and pending hearing settings and flagging double booking, attorney availability, and travel conflicts
4. A statewide SharePoint calendar identifying presiding officer leave

Table Structure and Duplicate Maintenance. COMPASS configuration limits how much staff information displays on a single screen. The tables for OIEC ombudsmen, DWC administrative law judges, and DWC benefit review officers can only list 10 work position IDs for a single field office. In order to display all staff, the Division creates duplicate field office records under separate codes for the same physical office. Establishing a new field office requires updating the applicable COMPASS table, establishing unique work position IDs, and replicating the change across every supporting tool. As a result, any staffing and organizational change must be separately recorded across multiple COMPASS tables, DRIS screens, and scheduling tools rather than maintained in a single system location.

Management Reports. Management reporting is disconnected from the system of record and dependent on Microsoft Access queries established and maintained separately. Reports covering hearing volumes and hearings scheduled outside of required timeframes, including the 40-60-Day Detail Report, are not produced through COMPASS. Staff prepare them using COMPASS data through Microsoft Access queries maintained outside the system.

Planned System Changes

The Division recently integrated COMPASS with TXCOMP, its electronic correspondence and document delivery platform, which improved notice generation and electronic distribution. The process continues to rely on multiple systems, overnight batch processing, data file transfers, scripts, and manual routing. While the fiscal year 2026 migration from AIX to Linux should improve infrastructure responsiveness and the development environment, the underlying database and application functionality did not change. Staff continue maintaining scheduling information outside COMPASS and preparing management reports manually.

The Division has separately documented its future requirements through a process review and is pursuing two related development projects, a new indemnity dispute resolution system and medical fee dispute functionality in TXCOMP. In the interim, it continues operating within COMPASS's constraints to preserve continuity of claims processing, dispute resolution, and ombudsman services. Producing reporting from the system, recording all dispute types in the system of record, and online submission and status tracking would reduce manual tracking and inquiry handling. Consolidating scheduling and availability information, and entering staffing changes once, would lower the risk of scheduling conflicts and reduce duplicate maintenance.

Recommendations

In the short-term, the Division should:

- Strengthen the reliability and consistency of scheduling and availability information by clarifying ownership, and updating responsibilities and processes for maintaining current information across applicable systems.
- Improve the consistency of organizational and assignment changes by establishing a process to ensure changes are accurately and timely reflected across systems used for scheduling and case management.
- Strengthen the sustainability of management reporting by documenting key reporting processes, including the sources, queries, and parameters used to produce management information.

In the long-term, the Division should continue documenting modernization requirements and, in defining those requirements:

- Improve the visibility and management of staffing information by providing a complete and reliable view of staff by location and role.
- Reduce duplicative data entry and improve scheduling accuracy by increasing integration of staffing and organizational information and improving visibility into scheduling conflicts.
- Enhance management reporting capabilities by enabling timely access to reliable information on hearing volumes, staffing, timeframe compliance, and dispute inventory and resolution.
- Improve accessibility and transparency for external parties by expanding electronic submission, tracking, and status capabilities for medical fee disputes.
- Establish a more comprehensive system of record for disputes that supports visibility into applicable dispute types, inventory, and resolution timeframes.
- Reduce reliance on supplemental tools and workarounds by identifying opportunities to consolidate scheduling, reporting, and case-management functions within the replacement system.

Management Implementation Plan

DWC agrees with both recommendations. The opportunities identified in the audit align with modernization efforts already underway to reduce manual work and improve the information available to staff, management, and system participants. DWC will build on that work by strengthening current processes while advancing the replacement of systems that limit efficiency. DWC will address the immediate process improvements identified while continuing to define and implement the capabilities needed for long-term modernization.

DWC agrees that strengthening the reliability and consistency of scheduling and maintaining current information across application systems would improve efficiency and transparency.

Medical Fee Dispute

Medical fee dispute resolution (MFDR) will continue working with TDI Information Technology Services (ITS) to improve medical fee dispute reporting, online submission, and status tracking. MFDR defined the business requirements, and ITS and MFDR have worked together to develop this new functionality. The project is in its final stage and scheduled to go live by end of 2026. These enhancements are intended to improve visibility into medical fee dispute activity and reduce manual follow-up for staff and parties.

Hearings

Advance the dispute resolution legacy system replacement

Hearings will clarify and document responsibility for maintaining scheduling and staff availability information across COMPASS and the support tools used by docketing staff. These procedures will identify who maintains each source of information, how updates are communicated, and how discrepancies are resolved so staff can rely on current information when scheduling proceedings.

Hearings will establish a coordinated process for recording organizational, staffing, and assignment changes across the systems and tools used for scheduling and case management. The process will include confirming that changes are reflected accurately and promptly in each affected location, reducing inconsistent records and avoidable scheduling conflicts.

Hearings will document key management reporting processes, including the underlying data sources, queries, parameters, and steps used to prepare and validate reports. This documentation will support consistent reporting and continuity when responsibilities change. These improvements will proceed alongside system modernization and support continued operations during the transition.

Advance the dispute resolution legacy system replacement

Hearings began planning for the dispute resolution legacy system replacement in 2022 by documenting the existing system, surveying stakeholders, and developing a vision for a future system. Since then, DWC has completed preparatory work to support the replacement effort. Hearings will continue working with ITS to translate operational needs and the audit recommendations into requirements for the planned dispute builds.

DWC's 2028–2029 Legislative Appropriations Request includes $33,991,416 for Phase I of the COMPASS replacement. The project design, cost estimates, and deployment strategy are based on a Technology Solution Services assessment by the Department of Information Resources, work that began in 2024. The requested investment would support the next stage of modernization for a dispute resolution process that handles approximately 13,000 proceedings annually involving about $80 million in benefits.

Requirements for development and enhancements are underway. Hearings is pursuing funding for a dispute resolution legacy system replacement. Phase I remains contingent on legislative approval of the requested funding; the replacement implementation schedule will be established through project planning as funding and scope are approved.

Responsible Party: Deputy Commissioner of Operations for MFDR and Chief Administrative Law Judge for Hearings

Implementation Date: MFDR enhancements are scheduled to go live by end of 2026. Hearings ongoing enhancements are contingent on legislative funding approval.

OPPORTUNITY 2 — The Division Should Continue Evaluating Case Management Alternatives and Define Required Functionality and Customization Support

The Division of Workers' Compensation Fraud Unit has an opportunity to reduce the manual tracking and reporting work its case management processes now require and to limit unanticipated system support costs. The Fraud Unit investigates suspected workers' compensation fraud and receives approximately 30 to 60 referrals each month from insurance carriers, claimants, employers, health care providers, and the public. It manages those cases in the Column Investigative Case Management Software On-Premise Solution ("Column"), its record management system for investigation and case management. Column does not track statutes of limitations, case milestones, deadlines, or workflow stages, and produces case reports that staff must correct before use. As a result, investigators track time sensitive case actions outside the system of record, and management relies on manually corrected reports rather than readily available system data to monitor the Fraud Unit's caseload.

FRAUD UNIT AUTHORITY

- Texas Labor Code, Chapter 418, authorizes the Division to investigate suspected workers' compensation fraud and to refer cases to district and county attorneys for prosecution.
- The Fraud Unit also coordinates with the TDI Fraud and Enforcement Division and with federal and local partners, and applies criminal statutes of limitations when prioritizing case work.

Source: The Division, Texas Labor Code, Chapter 418

Manual Tracking. Column does not calculate or display case deadlines, therefore staff rely on separate records and calendar reminders to track key case milestones, such as the 60-day internal deadline for following up with investigators. This duplicate effort increases workload, the risk of error, and the chance of a missed deadline or case dismissal.

Report Reliability. Reports generated from Column contain duplicate records, missing data, and blank fields that staff correct manually before the information can be used. Column also provides no dashboards or analytics, consequently the Fraud Unit cannot readily identify relationships among cases, detect patterns, or prioritize its caseload by risk or loss amount.

Cost of Customization. The Division's original Column contract covered a commercial off-the-shelf solution. The customizations the Fraud Unit requires are not covered during security upgrades.

The Division procured approximately $5,965 in additional support services in fiscal year 2026 to preserve those customizations, nearly as much as the $6,263 it spent maintaining the Column licenses themselves.

The Fraud Unit has documented Column’s limitations and its future system requirements in a business case and is working with TDI Information Technology Services to evaluate alternatives. Continuing the evaluation to define required functionality and accept minimum customization will reduce manual tracking, improve the reliability of case reporting, and limit ongoing support cost.

Recommendations

The Fraud Unit should continue working with TDI's Information Technology Services to:

- Evaluate alternative case management solutions. Identify solutions that track deadlines, milestones, workflow stages, and case status, reducing the need to track time sensitive case actions outside the system of record.
- Evaluate reporting and analytical capability. Identify solutions that produce complete and accurate case reports without manual correction and that support caseload analysis, including identifying relationships among cases and prioritizing by risk or loss amount.
- Define required functionality and customization support in future procurements. Ensure future case management system procurements and contracts clearly identify the agency's required functionality, including necessary customizations, implementation services, maintenance, and ongoing support, and establish clear expectations for the costs and responsibilities associated with maintaining customizations and applying future system upgrades, to minimize unanticipated costs and vendor support requirements.

Management Implementation Plan

DWC agrees that continuing to evaluate case management system alternatives for the Fraud Unit and defining required functionality would minimize required customizations, improve system reliability, and limit ongoing support cost. While there is no evidence of disruption in fraud cases, the Fraud Unit needs a system that supports timely case actions and reliable management reporting while reducing the separate records and manual corrections now required.

Fraud Unit

Build on the replacement work already underway

In September 2025, the Fraud Unit determined that replacing Column was necessary to meet its operational and business needs. The unit completed a business case in February 2026 and continues to work with ITS and DWC Business Process to identify, document, and refine the business, operational, and technical requirements for a replacement. This work will guide the evaluation and procurement of a system suited to the unit's current and future needs.

Evaluate functionality and reporting against operational needs

The Fraud Unit will evaluate alternatives for their ability to track deadlines, including applicable statutes of limitations, case milestones, workflow stages, and case status within the system of record. The evaluation will address how each solution can reduce reliance on separate calendars and records for time-sensitive case actions.

The Fraud Unit will evaluate whether alternatives produce complete and accurate case reports without routine manual correction and provide useful analytical capabilities. Requirements will address identifying relationships among cases and supporting caseload prioritization by risk or loss amount, giving investigators and management better information for directing their work.

Define customization and support obligations before procurement

The Fraud Unit will favor solutions that meet required functionality through standard capabilities and configuration, minimizing custom development where practicable. Future procurement and contract requirements will clearly describe required functionality, any necessary customizations, implementation services, maintenance, and ongoing support. They will also define the costs and responsibilities for preserving required functionality and customizations during security and other system upgrades.

The evaluation will consider ongoing maintenance and support costs along with implementation costs. Clear requirements and support obligations will help DWC compare alternatives on a consistent basis and limit unanticipated costs over the life of the replacement system.

Responsible Party: Deputy Commissioner of Compliance and Investigations

Completion Date: Requirements development is underway. The Fraud Unit will use the completed requirements to evaluate alternatives and develop the procurement and implementation approach with ITS. The replacement schedule will be established as the solution, funding, and procurement approach are approved.

Section II: Office of Injured Employee Counsel

Background

Office of Injured Employee Counsel

The Office of Injured Employee Counsel (OIEC) is an independent state agency established to represent injured employees as a class in the Texas workers' compensation system and to assist unrepresented injured employees involved in workers' compensation disputes. The Texas workers' compensation system is administered and regulated by the Division of Workers' Compensation (DWC), a division within the Texas Department of Insurance (TDI). OIEC serves as the injured employee advocate within that system by providing education, assistance, and ombudsman services to injured employees who are not represented by legal counsel. Through its Ombudsman Program, Customer Support Services, and Legal Services functions, OIEC assists injured employees in understanding their rights and responsibilities, navigating the claims process, and participating in dispute resolution proceedings, including benefit review conferences, contested case hearings, and appeals.

OIEC is administratively attached to TDI and receives certain administrative support and facilities from TDI. OIEC also shares certain operational resources with DWC, including access to DRIS, a component of DWC's COMPASS case management system used to document and manage dispute resolution activities, case information, and services provided to injured employees. While OIEC and DWC coordinate in administering various aspects of the workers' compensation system, each agency maintains distinct statutory responsibilities.

Office of Injured Employee Counsel at a Glance

Statewide advocacy, education, and dispute resolution assistance for injured employees in Texas' workers' compensation system

Public Counsel Governor-appointed division head, unlike OIEC's independent oversight structure	**~162** **Employees** Central office in Austin and 20 regional field offices statewide	**~50%** **Dispute Proceedings Assisted by an Ombudsman (Fiscal Year 2025)** No-cost support provided to unrepresented injured employees
Funding Profile | Legislative appropriations; administratively attached to TDI for certain support services and facilities		
Program Footprint Customer Support Services, Ombudsman Program, and Legal Services	**Core Services** Claimant education, advocacy, ombudsman assistance, and support during workers' compensation dispute proceedings	**Workspace** Barbara Jordan Building, Austin (central office)
Systems Analyzed | COMPASS legacy system (shared with TDI and DWC)		

Detailed Audit Results

The detailed results are organized first as Opportunities for Efficiency and then as Management Insights as applicable, and within each category they are presented in numerical order. The **Appendix** describes the resource and operational areas evaluated during the audit and the procedures Weaver performed within each area.

Opportunities for Efficiency:

OPPORTUNITY 1	OIEC Should Define Case Management and Performance Reporting Requirements to Reduce Manual Effort

OIEC documents and manages dispute resolution activity in DRIS, a component of DWC's COMPASS case management system, and relies on COMPASS claims, dispute, and proceeding data to calculate and report 19 of its 25 performance measures However, COMPASS does not provide the workflow management, deadline tracking, reporting, or analytical capabilities OIEC needs to perform those activities. OIEC has developed manual monitoring, coordination, validation, and quality assurance processes to compensate for those limitations. While these processes support continuity of services and reduce operational risk, they require significant staff effort and increase the administrative work needed to manage cases and prepare performance information outside the system.

Case Management

Monitoring Deadline-Sensitive Disputes. OIEC's statutory mission includes assisting unrepresented injured employees involved in dispute proceedings. Timely identification and management of cases approaching maximum medical improvement and impairment rating deadlines are critical to preserving claimant dispute rights.

OIEC receives COMPASS data from TDI and uses several tools to monitor 90-day finality disputes:

- Customer Service Specialist 80-day reviews
- Daily Dispute Tracking Sheets
- Ombudsman Tracking Reports
- Quality Assurance reports

These tools help identify cases approaching statutory deadlines, monitor timeliness, and identify circumstances that may place claimant dispute rights at risk. However, the tools require recurring monitoring, follow-up, escalation, and quality assurance outside COMPASS.

Case Monitoring and Coordination. Review of case monitoring activities and selected finality cases identified the following effects:

- Extended periods of case inactivity were not identified until subsequent monitoring and review activities occurred.
- Manual routing and ownership processes resulted in delays and additional coordination before responsibility for a case was clearly established.
- Deadline-sensitive disputes required subsequent review and staff intervention to determine whether actions occurred within statutory timeframes.

Performance Reporting

Reporting Processes. OIEC relies on claims, dispute, and proceeding data maintained in COMPASS to calculate and report 19 of its 25 performance measures for management oversight, operational decision-making, legislative reporting, and other statutory requirements. COMPASS does not provide automated reporting tools or self-service analytical capabilities.

TDI and DWC personnel perform report generation, filtering, batch processing, file conversion, and data distribution activities to provide OIEC with the information needed to support operations and develop performance measures. OIEC then performs additional validation, analysis, and quality assurance procedures before using that information for reporting.

Reporting Workarounds. OIEC's reporting processes include:

- Multiple intermediary processes to obtain operational and performance data
- Customized reports and data extracts for needs not supported directly by COMPASS
- Recurring validation and quality assurance activities to identify and resolve reporting anomalies

OIEC's case management and performance reporting processes have enabled the agency to meet its operational and reporting responsibilities within the current COMPASS environment. Automating deadline calculations, inactivity monitoring, case status tracking, workflow routing, report validation, exception identification, and data-quality reviews would reduce recurring monitoring, coordination, validation, and quality assurance activities.

Recommendations

In the short term, OIEC should:

- **Evaluate opportunities to automate manual monitoring and reporting activities.** Determine whether supplemental tools, interim reporting solutions, or workflow enhancements could automate deadline tracking, inactivity monitoring, case status tracking, report validation, exception identification, and data-quality reviews.

In the long term, OIEC should work with TDI to define case management and performance reporting requirements that include:

- **Deadline and inactivity monitoring.** Automated identification of inactive cases, approaching statutory deadlines, unresolved actions, and other workflow exceptions requiring management attention.
- **Workflow routing and case ownership.** Automated routing, escalation processes, and case ownership controls to reduce delays and manual coordination.
- **Case and workload visibility.** Work queues and management reporting tools that provide visibility into deadline-sensitive disputes, case status, workload, and operational performance.
- **Performance reporting.** Automated reporting and self-service analytical capabilities that reduce intermediary report generation, filtering, batch processing, file conversion, and data distribution activities.
- **Data validation and exception management.** Automated controls that identify reporting anomalies and support timely review, resolution, and management visibility.

Management Implementation Plan

OIEC agrees with Weaver's/State Auditor's Office's identified "Opportunity No. 1" from its Efficiency Audit that recommends that "...OIEC should Define Case Management and Performance Reporting Requirements to Reduce Manual Effort." OIEC is already seeking such solutions and will continue to use its best efforts to maximize any identified solutions or efficiencies. More specifically:

1. For the long term, OIEC is seeking to develop or acquire an electronic case management system that would allow it to better operate its Ombudsman program to educate and assist injured Texans. OIEC does not currently have a case management system, but relies on the COMPASS system operated by the Division of Worker's Compensation (DWC), as well as by using SharePoint, Outlook, Adobe Acrobat, Excel, and other available applications. OIEC continues to rely on its administrative attachment with the Texas Department of Insurance (TDI) for information technology services and administrative support. TDI is going to ask the 90th Texas Legislature for funding to develop a replacement system to COMPASS. TDI anticipates that it could take several years (3-5) to completely plan and build that replacement. TDI has advised OIEC to wait until TDI is further along in this legacy replacement project before seeking acquisition of a compatible case management system.

TDI has recommended that OIEC seek funding for a case management system in the following 91st Texas Legislature (2029). OIEC's ability to identify, acquire and begin operations of a case management system is largely tied to TDI's/DWC's ability to create a replacement to COMPASS and, as such, it is currently anticipated that OIEC would seek funding for such a system in 2029, and complete the upgrade during 2030. OIEC's Public Counsel, with assistance from the Deputy Public Counsel, OIEC data and other support staff, and TDI ITS, will be responsible for implementation.

2. For the short term, OIEC will evaluate opportunities to automate manual monitoring and reporting activities, determine whether supplemental tools, interim reporting solutions, or workflow enhancements could automate deadline tracking, inactivity monitoring, case status tracking, report validation, exception identification, and data-quality reviews. Some recent projects to improve automated processes include:

    a. OIEC, based on collaboration between TDI ITS and OIEC staff, has developed a Data Management System (DMS) that provides a central search tool and filing capability to allow staff to more efficiently file and access injured employee data.

    b. OIEC, with the assistance of TDI ITS, is finalizing an Online Intake form that would allow injured employees to truly fill, sign, and submit OIEC's required intake packet electronically. The online intake form is supported by the Jotform application. OIEC anticipates that this enhancement will be operating on or before the end of this fiscal year.

OIEC will continue to seek other solutions at least into the next biennial cycle or as otherwise directed by executive or legislative authorities.

Responsible Party: OIEC's Public Counsel, with assistance from the Deputy Public Counsel, OIEC data and other support staff, and TDI ITS, will be responsible for implementation.

APPENDIX

Objective, Scope, and Methodology

Objective

The objective of this efficiency audit was to determine whether the Texas Department of Insurance, Division of Workers' Compensation (DWC) and Office of Injured Employee Counsel (OIEC) are administering selected state resources in an efficient manner according to best practices and applicable requirements.

Scope

The scope of this audit covered DWC's and OIEC's administration of their respective programs for fiscal years 2023 through 2025, and their use of state resources for strategic planning, financial resources, operations, personal and real property, technology, staffing, and performance measures and reporting during that period. Partial fiscal year 2026 information was used to identify trends and to describe conditions in place at the time of the audit. Internal control was not significant to the audit objective.

Methodology

We conducted this performance audit from February 2026 through September 2026 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Addressing the Audit Objective

To gather information necessary to perform the audit procedures, we:

- Interviewed and conducted walkthroughs with DWC and OIEC leadership, program managers, and process owners to gain an understanding of DWC's and OIEC's functions, activities, and processes.
- Identified the relevant criteria:
    - Texas Labor Code Chapter 418 (Fraud)
    - Texas Labor Code Section 413.0312 (Medical Fee Dispute Hearings)
    - Texas Government Code Section 403.271 and 34 Texas Administrative Code Section 5.200 (State Property Accounting)

  - Texas Labor Code Chapter 404 (Office of Injured Employee Counsel)
  - Texas Labor Code Chapter 410 (Workers' Compensation Dispute Resolution)
- Reviewed DWC's statutory responsibilities, organizational structure, strategic plans, appropriations, and recent legislation to assess alignment among mandates, program activities, goals, and resources and determine the implementation status of new or modified mandates.
- Analyzed expenditures, budget-to-actual results, staffing trends, and program risks to identify areas for additional review.

Procedures Performed by Resource Area

To address the resource areas prescribed by Texas Government Code, Chapter 327, we performed the work described below within each area.

Strategic Planning

We evaluated whether DWC's and OIEC's missions, goals, strategies, action items, and reported performance measures aligned with their statutory responsibilities. For DWC, we mapped programs and functions to enabling statutes and identified any activities without a clear statutory basis. We also assessed whether goals in the Strategic Plan and Legislative Appropriations Request were specific, measurable, achievable, relevant, and time-bound, and reviewed recent legislation for new mandates and implementation status.

Financial Resources

For DWC, we reviewed workers' compensation insurance surcharges, legislative appropriations, the SOAH hearings contract, OSHCON funding, annual financial reporting, expenditures by goal, strategy, and department, Fiscal Years 2023 through 2025 budget-to-actual variances, and significant budget changes. We assessed program materiality to focus subsequent procedures.

For OIEC, we reviewed appropriations, budget information, and Legislative Appropriations Request materials, including resources supporting agency operations, statutory responsibilities, and Ombudsman Program administration and oversight. We also evaluated the relationship among available funding, program activities, and identified resource needs.

Operations

For DWC, we evaluated:

- Hearings Division benefit review conferences, contested case hearings, and SOAH referrals
- Medical Fee Dispute Resolution intake, review, and decisions
- Claims and Customer Services intake, processing, inquiries, and correspondence
- Subsequent Injury Fund reimbursement reviews, payments, and fund administration

- Compliance and Investigations, including Fraud Unit case investigation and case management
- OSHCON consultation and inspection intake and scheduling

We also evaluated procurement and contract management, workforce management, facilities and space management, and budgeting and financial management for risks affecting the efficient use of Division resources.

For OIEC, we evaluated Ombudsman Program claimant assistance, dispute resolution support, management of statutory timelines, DRIS case management, and development of performance measures and management information.

For both agencies, we reviewed prior State Auditor's Office reports, internal audit reports, and Sunset Advisory Commission reviews to identify prior findings and assess the status of related recommendations.

Personal and Real Property

We inspected DWC's workspace, reviewed the composition of its State Property Accounting Active Property Listing for capitalized and controlled property, and analyzed leased space and costs for 2023 through 2025.

Technology

We evaluated the COMPASS legacy system shared by TDI, DWC, and OIEC, TDI's software portfolio management practices, and the DWC Fraud Unit's Column case management system.

For DWC, we inventoried systems and applications supporting financial operations, program operations, and performance measurement and reporting.

We also reviewed system interfaces and statewide systems and assessed legacy-system support, integration, efficiency and modernization risks, planned modernization, and supporting information technology controls.

For OIEC, we evaluated how COMPASS DRIS supports claimant assistance, dispute resolution management, and performance reporting.

We also considered information flows, system limitations affecting operations, support for statutory responsibilities and performance reporting, and modernization initiatives.

Staffing

For DWC, we compared Hearings Division administrative law judge staffing and Workplace Safety consultation staffing with position descriptions and staffing information. We also analyzed full-time-equivalent staffing levels and trends by division for Fiscal Years 2023 through 2025 to evaluate alignment with workload and statutory responsibilities.

For OIEC, we reviewed organizational structure, assigned responsibilities, staffing, vacancies, resource constraints, and personnel allocated to the Ombudsman Program. We also considered the staff effort required for claimant assistance, dispute resolution support, case management, monitoring, and performance reporting within the current DRIS environment.

Performance Measures and Reporting

We evaluated whether DWC's and OIEC's performance measures reported in their Strategic Plans and Legislative Appropriations Requests aligned with statutory mandates and program activities.

We also assessed whether financial, program, and statistical reports were fairly presented and contained useful information. For DWC, this included inventory reporting supporting annual Comptroller certification of the State Property Accounting system.

For DWC, we compared key and non-key performance measures with statutory mandates and program activities, reviewed Fiscal Years 2023 through 2025 results, and selected declining or volatile measures for additional procedures, including enforcement and fraud case resolution timeliness and medical fee dispute resolution times.

Data Reliability

The reliability of the data used to support each result was assessed. The data was determined to be sufficiently reliable for the objective. The following data sources were relied upon, and each was reconciled or reviewed as appropriate:

- **Financial Resources and Staffing.** DWC full-time-equivalent staffing information for Fiscal Years 2023 through 2026 was used to evaluate potential contributing factors to inefficiency and validated through review of staffing documentation. OIEC financial information from CAPPS-USAS for Fiscal Years 2023 through 2025 and staffing and workload information for Fiscal Years 2023 through 2026 was used to evaluate resources supporting agency operations and the alignment of personnel resources with agency responsibilities.
- **Performance Measures and Reporting.** DWC and OIEC performance measure results and supporting records for Fiscal Years 2023 through 2026 were used to evaluate the effectiveness of meeting programmatic and strategic objectives and to corroborate identified inefficiencies in results. OIEC management reports, statistical reports, and supporting workpapers for the same period, along with related system-generated information for Fiscal Years 2023 through 2026, were used to evaluate performance reporting processes.

- **Hearings and SOAH.** SOAH caseload and DWC referral information for March 1, 2025 through February 28, 2026 supported the workload and referral analysis. DWC hearing volume, resolution-time, contract, payment, and recoupment records for Fiscal Years 2023 through 2026, including the Fiscal Years 2026-2027 SOAH contract, supported the workload, performance, and cost analyses.
- **Software Licensing and Costs.** TDI Information Technology Services' Fiscal Year 2026 software license and cost inventory, including Tableau, Microsoft Power BI, SQL Server, Oracle, Salesforce, and Column licensing records, was used to evaluate software and support costs for TDI, DWC, and OIEC.
- **Workplace Safety.** OSHCON consultation and inspection request records and related Fiscal Year 2025 state performance measure information were reconciled to the number of consultations and inspections reported as completed. Because OIS includes only requests entered by program personnel, the completeness of consultation requests received could not be independently confirmed against a separate intake record.