Legislative Requirement:

Efficiency Audits of the Department of Insurance and the Office of Public Insurance Counsel

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 Department of Insurance and the Office of Public Insurance Counsel, 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.

Department of Insurance (Department)

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

- **Fire and life safety inspections.** Limitations in the Department's inspection records management system, building inspection population management, and inspector staffing add manual effort and reduce the Department's State Fire Marshal's Office's capacity and efficiency in planning, prioritizing, completing, and reporting fire and life safety inspections and has resulted in a backlog of routine inspections. To address this, the Department should increase system automation, evaluate standardized sharing of building inventory and fire protection data with state agencies, and evaluate inspector staffing needs.
- **Software subscriptions.** Software subscriptions across the Department, the Division of Workers' Compensation, and the Office of Injured Employee Counsel include potential overlapping or redundant capabilities that may increase unnecessary licensing costs and administrative effort.

Office of Public Insurance Counsel (Office)

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

- **Management of the Certificate of Public Advantage (COPA) program.** The Office established the basic administrative framework necessary to administer the COPA Program,[1] but it does not have a defined approach for evaluating quarterly and annual hospital reporting or for supporting annual review and rate decisions.
- **Filing reviews and performance reporting.** Design limitations in FileMaker, which the Office uses to manage its reviews of insurance filings, increases manual efforts across workflows, including those for data entry, recurring report preparation, and change tracking.

[1] A COPA allows merged hospitals to operate under state supervision instead of antitrust enforcement. The Office assumed this role from the Health and Human Services Commission in August 2024.

For both the Department 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.

The Department and the Office provided implementation plans, which are presented in the attached report. Overall, both the Department 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. David Bolduc, Counsel, Office of Public Insurance Counsel

This document is not copyrighted. Readers may make additional copies of this report as needed. In addition, most State Auditor's Office reports may be downloaded from our website: https://sao.texas.gov.

In compliance with the Americans with Disabilities Act, this document may also be requested in alternative formats. To do so, contact our report request line at (512) 936-9500 (Voice), (512) 936-9400 (FAX), 1-800-RELAY-TX (TDD); or visit the Robert E. Johnson Building, 1501 North Congress Avenue, Suite 4.224, Austin, Texas 78701.

The State Auditor's Office is an equal opportunity employer and does not discriminate on the basis of race, color, religion, sex, national origin, age, or disability in employment or in the provision of services, programs, or activities.

To report waste, fraud, or abuse in state government, visit https://sao.fraud.texas.gov.

TEXAS GOVERNMENT EFFICIENCY AUDIT

An Efficiency Audit of the Texas Department of Insurance, Joint Underwriting and Advisory Organizations, and Office of Public Insurance Counsel

weaver
Assurance • Tax • Advisory

Prepared under contract with the Texas State Auditor's Office

TDI & OPIC Efficiency Audit | October 2026

Executive Summary

- **TDI Background | p. 6**
- **OPIC Background | p. 16**
- **Audit Objective | p. 22**

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 (TDI) and the Office of Public Insurance Counsel (OPIC) to evaluate selected state resources in the following areas: financial resources, personal and real property assets, technology, and staffing.

For TDI, we identified two Opportunities for Efficiency related to the State Fire Marshal's Office (SFMO) inspection operations and software system cost savings.

For OPIC, we identified two Opportunities for Efficiency related to oversight procedures for the Certificate of Public Advantage (COPA) Program and FileMaker system limitations.

As part of this audit, Weaver evaluated TDI's oversight of their Joint Underwriting and Advisory Organizations (JUAOs) to assess efficiency and to identify any duplication, overlap, or conflict. The evaluation did not identify inefficiencies in TDI's oversight of the JUAOs.

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

Summary of Results:

The results are presented as Opportunities for Efficiency.

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

Results at a Glance

Texas Department of Insurance

Opportunities for Efficiency
2
• SFMO inspector staffing, ESO functionality, and inspection universe management limit the efficiency of fire and life safety inspection planning and completion. • Software subscriptions across TDI, DWC, and OIEC include overlapping or redundant capabilities that may increase unnecessary licensing costs.

Figure 1. Results at a glance for the Texas Department of Insurance, presented as two Opportunities for Efficiency.

Opportunities for Efficiency:

The Texas Department of Insurance has an opportunity to improve efficiency by:

- Addressing State Fire Marshal's Office (SFMO) inspector staffing, inspection records management system (ESO) functionality limitations, and building inspections population management to improve SFMO's ability to plan, prioritize, and complete fire and life safety inspections.
- Consolidating software subscriptions across TDI, DWC, and OIEC to eliminate redundant functionality and reduce licensing costs.

Summary of Management's Implementation Plan:

Auditors made recommendations to address the inefficiencies identified during this audit (see Pages 10 and 13). Management agreed with the recommendation and provided information on the planned implementation of the corrective action (see Management's Implementation Plan starting on Pages 11 and 13).

Results at a Glance

Office of Public Insurance Counsel

Opportunities for Efficiency
2
• OPIC hasn't fully defined COPA review criteria, analytical methods, and documented oversight conclusions for evaluation of hospital reporting and to support annual review and rate decisions. • FileMaker design limitations increase manual effort in OPIC's filing review and performance reporting, including workflow data entry, recurring report preparation, and change tracking.

Figure 2. Results at a glance for the Office of Public Insurance Counsel, presented as two Opportunities for Efficiency.

Opportunities for Efficiency:

The Office of Public Insurance Counsel has an opportunity to improve efficiency by:

- Establishing COPA review criteria and methods to evaluate hospital reporting and support annual review and rate decisions.
- Addressing FileMaker design limitations to reduce manual effort in filing review and performance reporting, including workflow-specific data entry, automated reporting, and a protected audit trail.

Summary of Management's Implementation Plan:

Auditors made recommendations to address the inefficiencies identified during this audit (see Pages 18 and 21). Management agreed with the recommendation and provided information on the planned implementation of the corrective action (see Management's Implementation Plan starting on Pages 18 and 21).

Section I: Texas Department of Insurance and Joint Underwriting and Advisory Organizations

Background

Texas Department of Insurance

The Texas Department of Insurance (TDI or the Department) is the state agency responsible under the Texas Insurance Code, Title 2, for regulating the business of insurance in Texas, protecting and ensuring the fair treatment of consumers, and ensuring fair competition in the insurance industry. TDI is led by the Commissioner of Insurance. The Texas workers' compensation system is administered by the Division of Workers' Compensation (DWC), a division within TDI that operates under its own Commissioner of Workers' Compensation, as provided by the Texas Labor Code.

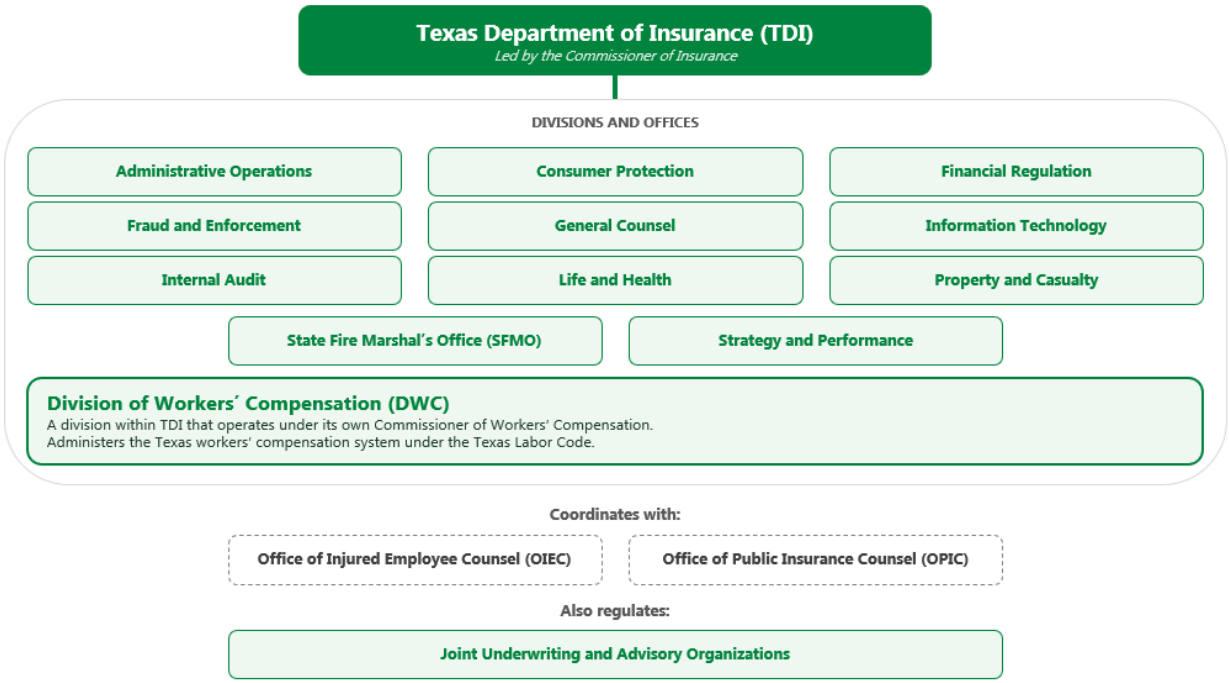

Figure 3. Texas Department of Insurance agency overview. Source: Texas Department of Insurance

The Department's regulatory and administrative functions are supported through a combination of General Revenue, dedicated funds, appropriated receipts, federal funds (including the OSHCON federal OSHA grant supporting DWC's Workplace Safety program), and interagency billings. TDI shares certain administrative, information technology, and case management functions, including the COMPASS legacy case management system, shared with DWC and OIEC, and shares the State Property Accounting (SPA) inventory system with DWC.

Beyond its direct regulatory and administrative functions, TDI has statutory oversight responsibilities for a number of Joint Underwriting and Advisory Organizations (JUAOs) that operate outside the Department but fall under its supervision. These include insurance guaranty associations, residual market and assigned-risk plans, and statutorily created advisory and specialty entities, such as the Texas Windstorm Insurance Association, the Texas FAIR Plan Association, the property and casualty and life and health insurance guaranty associations, and the surplus lines stamping office. TDI's oversight varies by entity and includes functions such as approving plans of operation, appointing or designating board members, reviewing rates, and administering receiverships. As part of this audit, Weaver evaluated TDI's oversight of these JUAOs to assess efficiency and to identify any duplication, overlap, or conflict.

Texas Department of Insurance at a Glance

Statewide insurance regulation, fraud enforcement, fire and life safety inspection, and consumer protection

~1,230	11	★
Full-Time Equivalent Employees	**Principal Divisions & Offices**	**Coordinated Entities**
Approximate appropriated FTEs for fiscal year 2026, including DWC	Insurance regulation, consumer protection, fraud enforcement, fire and life safety (SFMO), and administrative and support services	Division of Workers' Compensation (DWC), Office of Injured Employee Counsel (OIEC) and Office of Public Insurance Counsel (OPIC)

Division of Workers' Compensation (DWC) | A division within TDI that operates under its own Commissioner of Workers' Compensation; it administers the Texas workers' compensation system under the Texas Labor Code.

Joint Underwriting and Advisory Organizations | TDI oversees JUAOs, including guaranty associations, residual market and assigned-risk plans, and specialty entities (e.g., TWIA, Texas FAIR Plan), through plan-of-operation approval, board appointments, rate review, and receivership administration.

Program Footprint	Funding Sources	Shared Systems Analyzed
Insurance regulation, fraud enforcement, fire and life safety inspection, and workers' compensation administration	General Revenue, dedicated funds, appropriated receipts, federal funds, and interagency billings	COMPASS legacy system (shared with DWC and OIEC); SPA inventory system

Detailed Audit Results

The detailed results are organized in numerical order as Opportunities for Efficiency. The Appendix describes the resource and operational areas evaluated during the audit and the procedures Weaver performed within each area.

OPPORTUNITY 1

SFMO Should Address Inspector Staffing, System, and Building Inspection Population Limitations to Improve the Efficiency of Fire and Life Safety Inspections

Limitations in inspector staffing, the inspection records management system (ESO), and building inspection population management add manual effort and reduce SFMO's capacity to plan, prioritize, and complete fire and life safety inspections. SFMO completed approximately 5,020 inspections in fiscal year 2025 against the agency's annual fiscal year 2025 target of 7,000 and reports a backlog of 9,461 routine inspections concentrated in moderate- and low-risk occupancies (Figure 4). The 7,000-inspection target does not represent SFMO's total workload, which also includes the risk-based schedule, complaint and fee-based inspections (approximately 24% of inspections conducted from fiscal year 2023 through fiscal year 2026), and the existing backlog.

SFMO AUTHORITY

Texas Government Code §417.0081 requires SFMO to inspect state-owned and state-leased buildings at a frequency based on occupancy risk

SFMO serves as the Authority Having Jurisdiction where no local fire official or code applies, using the NFPA 101 Life Safety Code and NFPA 1 Fire Code.

Source: The Division, Texas Government Code §417.0081

Risk Category	Inspection Frequency Cycle	Occupancies	Total Expected Inspections per Cycle[1]	Inspected by SFMO[2]	Not Inspected in the Last 5 Years[3]
High Risk	Annual (1 year)	Healthcare facilities; Long-term Care facilities	1,465	1,462	3
Moderate Risk	Biennial (2 years)	Detention & correction facilities, Higher-risk residential facilities	3,339	1,785	1,554
Low Risk	Triennial (3 years)	Business, Storage, Industrial, Residential Housing, Education, and Assembly	16,473	8,569	7,904

Figure 4: Risk-Based Inspection Frequency Cycles and Count of Inspections Performed. Per Cycle Source as of May, 2026: The State Fire Marshal's Office

[1] The Total Expected Inspections per Cycle column represents the number of building inspections SFMO is expected to complete within each risk category based on the required inspection frequency cycle for the applicable building occupancy types. SFMO has identified approximately 21,277 state owned buildings subject to inspection that are distributed across each of the three risk categories (high, medium, and low risk), of which 11,816 have been performed as of May, 2026.

[2] The Inspected by SFMO column represents the total number of inspections SFMO actually completed within each risk category during the applicable inspection frequency cycle, as of May 2026.

[3] The Not Inspected in the Last 5 Years Column represents the backlog of inspections per risk category for the last 5 years, as of May 2026. SFMO is currently working on a 5-year inspection backlog reduction plan.

Inspection Records Management System. SFMO's current system, ESO, has functionality limitations that add manual effort and reduce efficiency in inspection planning, fieldwork, and reporting:

- Risk-based prioritization: 28 TAC §34.320 directs SFMO to review nine risk factors to set each state-owned or leased building's inspection priority to schedule higher-hazard and higher-occupancy environments ahead of lower-risk properties. ESO has limitations on calculating the Occupancy Vulnerability Assessment Profile (OVAP) scores SFMO uses for this. SFMO relies on manual calculations and staff judgment, increasing administrative effort.
- Fieldwork and reporting: ESO requires internet connectivity and lacks offline capability with later syncing. Inspectors may record handwritten notes and photos and re-enter the data later, duplicating effort.
- Inspection checklist: ESO's checklist requires inspectors to review each item and select Pass, Fail, or N/A, including items that may not apply to the occupancy. The prior system[4] allowed inspectors to select only applicable items per the specific building occupancy and provided embedded inspection guidance, violation descriptions, and code references, reducing the time required to navigate and document inspections.
- Workload management: ESO lacks a functional dashboard showing upcoming, assigned, or overdue inspections, limiting inspectors' ability to manage and prioritize their workloads.

Inspector Staffing. SFMO has 12 authorized inspector positions: one Capitol Fire Marshal position dedicated to the Capitol Complex Building and 11 field inspector positions. The number of inspectors who worked during the fiscal year fell from 17 in fiscal year 2024 to 12 in fiscal year 2026, a 29% reduction reflecting turnover and replacements rather than concurrent staffing (Figure 5). In fiscal year 2023 and 2024, SFMO had 15 authorized inspector positions.

The decrease in authorized inspector positions in fiscal year 2025 (15 to 12) resulted from SFMO eliminating three inspector positions and using the associated funding to increase salaries for the remaining positions. According to SFMO, inspector turnover was largely attributable to salary levels, particularly in relation to the expected workload and travel requirements (Figure 5). Salary adjustments were intended to improve the competitiveness of inspector compensation and support recruitment and retention, rather than reflect a determination that fewer inspectors were needed to address the statewide inspection workload. Following implementation of the salary adjustments, SFMO reported that no inspectors have left the agency.

Overall reduced resources limits SFMO's capacity to complete routine, risk-based inspections while also responding to complaint and fee-based work.

[4] The ESO inspection system replaced the previous inspection system, Emergency Reporting, in 2025 following ESO's acquisition of Emergency Reporting.

This contributes to a backlog of 9,461 routine inspections (3 high-risk, 1,554 moderate-risk, and 7,904 low-risk, shown in Figure 4 above) as higher-risk facilities are prioritized.

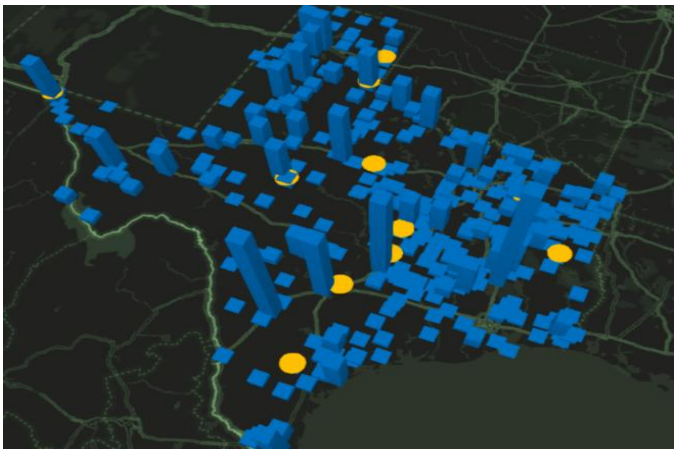

Figure 5: SFMO inspections compared to available inspectors in fiscal year 2026. Height of blue inspection cubes indicate quantity of inspections. Source: SFMO inspections and available inspector's data

Building Inspection Population Management. State agencies are not required to report building inventory changes to SFMO, and SFMO indicated the statewide real property data it can access is not reliable for scheduling inspections. SFMO identifies and verifies changes manually through agency coordination, field inspections, and appraisal district databases, and unique acquisition processes such as donated university property can create data gaps. This manual approach increases administrative effort and risks that newly acquired, leased, or reclassified buildings are not timely incorporated into the inspection cycle.

Recommendation

SFMO should:

- Continue updating ESO to reduce manual processes and improve productivity, specifically to automate OVAP scoring, support offline inspections with later syncing, streamline checklists to show only applicable occupancy items like the prior inspection management system, and provide dashboards for managing assigned, upcoming, and overdue inspections.
- Evaluate standardized electronic data sharing with state agencies for building inventory, occupancy, fire protection system status, and other information to support risk-based inspection prioritization.
- Evaluate inspector staffing needs in alignment with locations of high-inspection frequency alongside implementation of process and technology improvements, considering statutory requirements, current and projected workload, backlog and corresponding 5-year backlog reduction plans, building and complaint or fee-based demands, risk-based priorities, and measurable efficiency gains.

Management Implementation Plan

The State Fire Marshal's Office (SFMO) agrees with the recommendations to improve inspection efficiency through technology enhancements, better building inventory information, and continued evaluation of inspection staffing and resources. SFMO has identified similar opportunities through its assessment of inspection operations and has actively taken steps to address them. The audit recommendations reinforce those efforts and provide additional support for continued improvements. SFMO will implement the recommendations as follows:

- Continue updating ESO to reduce manual processes and improve productivity, specifically to automate OVAP scoring, support offline inspections with later syncing, streamline checklists to show only applicable occupancy items like the prior inspection management system, and provide dashboards for managing assigned, upcoming, and overdue inspections.

- SFMO agrees with the recommendation and will continue working with ESO on system improvements and evaluating opportunities for improving electronic data sharing with state agencies. SFMO currently receives some building information from state agencies, but those data sources do not include all the information needed for risk-based inspection planning. SFMO will build on existing data-sharing relationships, identify key information gaps and evaluate additional technology options, including electronic tagging systems that could provide access to fire protection system inspection and testing information. SFMO will coordinate with TDI Strategy, information Technology and Legal as appropriate while evaluating these options.

- SFMO agrees with the recommendation and will continue evaluating inspection staffing requirements as technology and process improvements are implemented. Improved technology and data will help inspectors work more efficiently and allow management to better allocate available resources. However, technology and process improvements alone will not eliminate the gap between inspection workload and available capacity. TDI has evaluated the staffing necessary for SFMO to address their critical staffing gap and meet its risk-based inspection responsibilities. TDI requested funding for 11 additional SFMO fire safety inspection positions and associated vehicles in its FY 2028–2029 Legislative Appropriations Request. These positions are within TDI's existing authorized FTE cap. The request is supported by an estimated annual workload of approximately 11,500 inspections and an average inspection capacity of approximately 454 inspections per inspector annually. If funded, SFMO would use inspection frequency, workload, and geographic coverage to help determine where additional inspectors would provide the greatest benefit, while considering our ability to recruit qualified applicants in those areas. SFMO will continue prioritizing the highest-risk facilities while completing as much of the remaining inspection workload as available resources allow.

Responsible Party: State Fire Marshal

Implementation Date: Ongoing for all buildings; 10/31/27 for previously inspected buildings; Ongoing [for remaining components of the recommendation].[5]

OPPORTUNITY 2 — TDI Should Strengthen Software Portfolio Management Across TDI, DWC, and OIEC to Eliminate Duplicative Subscriptions and Reduce Licensing Costs

TDI, DWC, and OIEC have an opportunity to reduce software costs and administrative effort by consolidating subscriptions, eliminating redundant functionality, and optimizing licensing. TDI has identified approximately $145,000 in annual subscription costs that may duplicate existing agency platforms or are no longer needed, of which approximately $25,200 is confirmed for non-renewal (Figure 6)[6].

No.	Software	Annual Subscription or License Cost		
		TDI	DWC	Total
Identified for Non-Renewal or Potential Migration[6]				
1	Lectora Inspire	-	$2,818	**$2,818**
2	ACL Robotics Professional	$22,396	-	**$22,396**
3	Tableau Creator / Explorer / Viewer	$79,494	$40,000	**$119,494**
Subtotal		**$101,890**	**$42,818**	**$144,708**

Figure 6: Software Subscriptions Identified for Non-Renewal or Review for Potential Migration to Power BI. Source: Analysis of TDI and DWC software license and cost data. Amounts are annual subscription or license costs.

During this review, we identified the potential for duplication or over-licensing of certain software subscriptions across TDI, DWC, and OIEC, listed below. The current annual subscription and licensing cost of the identified software is approximately $839,000, of which only a portion is expected to yield a reduction in cost. Any realized reduction will be based on confirmed business need and required license counts.

- DocuSign Enterprise Pro
- DocuSign Connector for SharePoint

[5] Added by Weaver to clarify the component of the recommendation to which the implementation status provided by management applies.

[6] Annual subscription costs. Approximately $25,200 is confirmed for non-renewal; the remainder depends on the outcome of the Tableau to Power BI migration.

- SQL Server Enterprise Core
- Oracle Multitenant
- Oracle Advanced Security, Diagnostics, Tuning, Partitioning, etc.

After the issue was brought to management's attention, TDI ITS, which oversees software subscriptions and the IT strategic plan for TDI, DWC, and OIEC, initiated a review of the identified subscriptions to assess potential cost savings and optimization opportunities. TDI is also planning a data warehouse and enterprise data platform to integrate data across the three agencies, which may offer further opportunities to consolidate data-related technologies.

Information Technology Business Services performs an annual review confirming software use by program area and reconciles purchased licenses to purchase orders when users are added. However, TDI does not have a recurring enterprise-wide process for assessing the software portfolio across the three agencies for duplication, overlap, or consolidation opportunities. A recurring portfolio review could help TDI, DWC, and OIEC retire redundant applications, optimize licensing, consolidate platforms, and avoid unnecessary software costs and administrative effort from maintaining overlapping platforms.

Recommendation

TDI ITS should:

- Continue to track the approximately $145,000 in identified reductions, including the planned non-renewals and the Tableau to Power BI migration, to confirm the savings are realized.
- Establish a recurring enterprise-wide review of software subscriptions across TDI, DWC, and OIEC to consolidate applications and optimize licenses, beginning with the subscriptions and licenses identified through this audit and validating business needs with program areas before retiring or reducing licenses.
- Continue planning the enterprise data platform to reduce overlapping data-related technologies across the agencies.

Management Implementation Plan

TDI ITS agrees with the recommendation to document and track the approximately $145,000 in identified reductions, including the planned non-renewals and the Tableau to Power BI migration, to confirm the savings are realized. TDI ITS is working with program areas to determine whether Power BI will meet the business needs of program areas using Tableau. Power BI will be used by all program areas if their business needs can be met.

TDI ITS agrees with the recommendation and has already established a recurring enterprise-wide review of software subscriptions across TDI, DWC, and OIEC to consolidate applications and optimize licenses, validating business needs with program areas before retiring or reducing licenses. The review will evaluate software a year before the next renewal period to allow time for transition to a new software if an existing alternative is already in place.

TDI ITS agrees with the recommendation and will continue planning the enterprise data platform to reduce overlapping data-related technologies across the agencies. The agency is implementing a data management software that loads data into a data warehouse, synchronizes data across applications, databases, cloud environments, and business systems. The software also enforces policies for data usage, lineage, compliance, and stewardship. We will implement the data management software in fiscal year 2027.

Responsible Party: Chief Information Security Officer, Chief Information Officer, and Deputy Commissioner of Information Technology

Implementation Date: October 31, 2026, for software license reduction tracking and March 31, 2027, for Power BI program area evaluation; [Enterprise-wide review of software subscriptions]: Fully implemented - October 12, 2026; [Enterprise data platform planning continuation]: August 31, 2027[7]

[7] Bracketed text was added by Weaver to provide context for aligning the implementation dates provided by management with the applicable components of the recommendation.

Section II: The Office of Public Insurance Counsel

Background

Office of Public Insurance Counsel

The Office of Public Insurance Counsel (OPIC) is a Texas state agency established to represent the interests of Texas insurance consumers. OPIC reviews and analyzes insurance rates, rules, and policy forms; may comment, raise concerns, or file formal objections; may intervene in rate hearings; recommends legislation that benefits insurance consumers; and provides consumer information and tools. OPIC also became the designated supervising state agency for the Certificate of Public Advantage (COPA) program after responsibility transferred from the Texas Health and Human Services Commission in 2024.

The Office of Public Insurance Counsel at a Glance

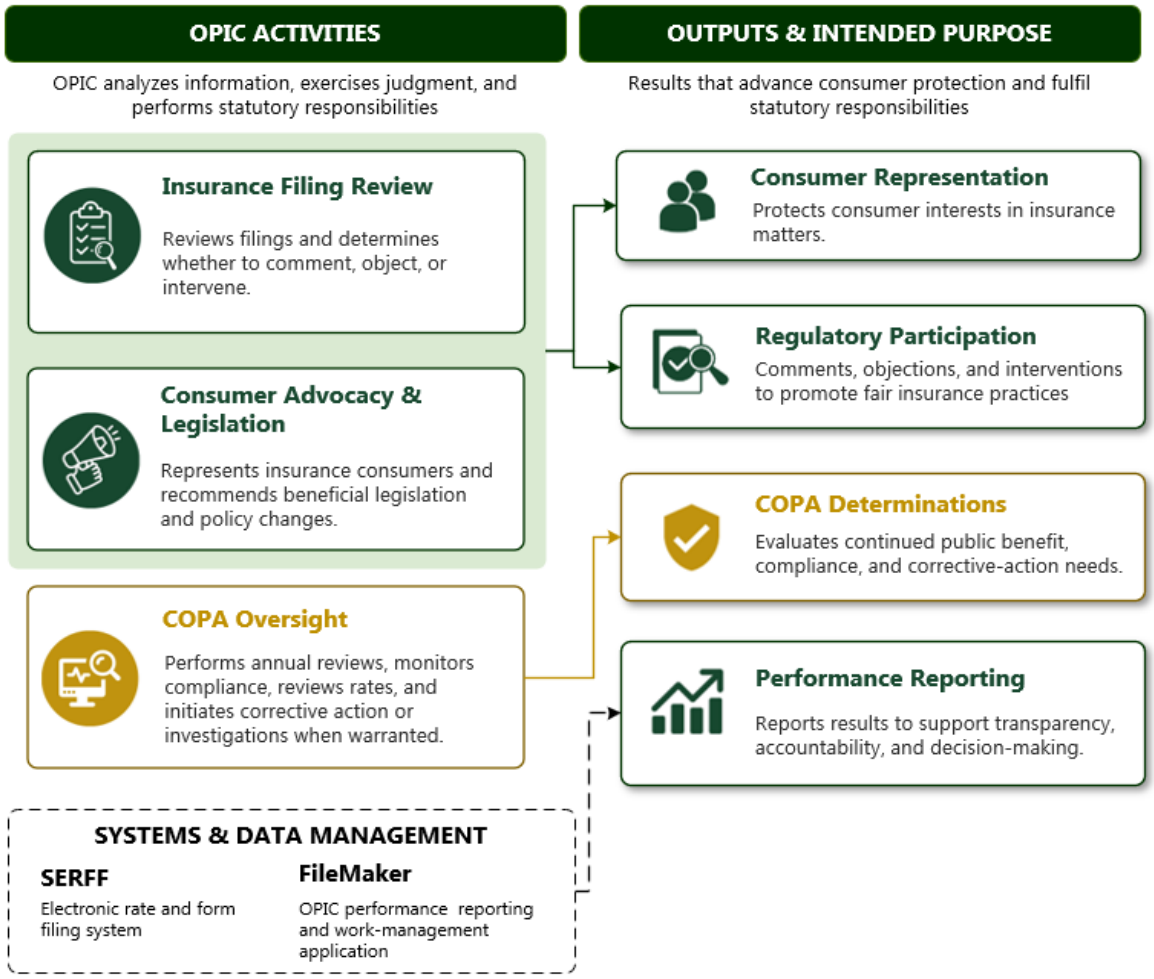

Figure 7: The Office of Public Insurance Counsel at a Glance. Source: Texas Insurance Code Chapter 501; Texas Health and Safety Code Chapter 314A.

Detailed Audit Results

The detailed results are organized in numerical order as Opportunities for Efficiency. 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

OPIC Should Establish Defined COPA Oversight Procedures to Evaluate Hospital Reporting and Support Annual Review and Rate Decisions

OPIC has established the basic administrative framework necessary to administer the COPA Program and receives substantial performance and compliance information through required quarterly and annual hospital reporting. However, beyond the Public Counsel's reasonableness review, OPIC has not established defined review criteria, analytical methodologies, minimum review procedures, or clear assignments of responsibility for evaluating that information against applicable COPA requirements. As a result, OPIC does not have a defined approach for evaluating the information and translating it into oversight conclusions. Defined procedures would allow OPIC to evaluate hospital reporting consistently and support well-grounded oversight decisions.

Annual Review Determinations. Texas Health and Safety Code Chapter 314A requires OPIC to supervise hospitals operating under a certificate of public advantage, including reviewing required annual reports and requiring corrective action if a hospital's activities no longer benefit the public. Documentation provided by OPIC did not include a separate conclusion or other record assessing whether reported information supports continued public benefit, whether applicable certificate conditions continue to be satisfied, or whether corrective action or additional investigation is warranted. While oversight judgements may occur through OPIC's ongoing monitoring activities, consistently recording the conclusions reached, along with supporting documentation would give OPIC a recorded basis with evidence for each annual review and for subsequent reviews.

Certificate of Public Advantage (COPA)

A COPA allows merged hospitals to operate under state supervision instead of antitrust enforcement when the merger is expected to maintain or improve the quality, efficiency, and accessibility of health care. OPIC assumed this role from the Health and Human Services Commission in August 2024.

OPIC requires corrective action if a hospital's activities no longer benefit the public and reviews proposed rate increases. Its Public Counsel or Deputy Public Counsel reviews hospitals' quarterly and annual reports for reasonableness and identifies concerns needing follow-up before publication.

Source: Texas Health and Safety Code, Chapter 314A

Review Analytical Capabilities. Chapter 314A of the Texas Health and Safety Code requires OPIC to review proposed COPA hospital rate increases and determine whether they benefit the public and do not inappropriately exceed comparable market rates. OPIC has received three rate change applications since assuming responsibility for the program. Management has identified the need to further develop the expertise, data, and procedures to support and document these reviews. OPIC is pursuing UTHealth support using Texas All-Payer Claims Database information for statewide and market-specific comparisons, but the agreement and related analytical capability were not finalized at the conclusion of the audit.

Building on its ongoing COPA oversight activities, defined review procedures, recorded annual review conclusions, and an operational rate comparison capability would allow OPIC to evaluate hospital reporting consistently, support well-grounded annual review and rate decisions, and strengthen the consistency, supportability, and transparency of its COPA oversight.

Recommendation

OPIC should strengthen its COPA oversight framework, proportionate to the size and activity of the program, to address:

- **Hospital reporting review procedures:** Strengthen the existing review process to provide a consistent framework for evaluating hospital reporting, including compliance with certificate conditions and whether the program continues to achieve its intended public benefits.
- **Annual review determinations:** Strengthen the annual review process to consistently assess and document whether each approved COPA continues to meet applicable requirements and provide the intended public benefits, including any necessary follow-up.
- **Rate-review analytical capabilities:** Enhance analytical capabilities and processes to support consistent, data-informed evaluation of proposed rate changes and the extent to which rates continue to benefit the public.

Management Implementation Plan

OPIC appreciates the audit team's recommendations and generally agrees with the findings.

As discussed during the audit process, OPIC recently assumed responsibility for this program from another agency and had already begun a comprehensive review and redesign effort before the audit began.

While formalizing detailed procedures and documentation remains an important objective, OPIC determined that available staff resources were most effectively focused on program development and improvement during this transition period.

As program operations continue to mature, the agency will further formalize supporting documentation and procedures to promote consistency, transparency, and long-term effectiveness.

As noted in the report, OPIC is nearing completion of efforts to expand analytical capabilities through partnerships with UTHealth and the All Payer Claims Database.

Before the audit began, OPIC was making significant progress in reducing reporting burdens for regulated entities by:

- aligning reporting requirements with fiscal years;
- eliminating duplicative reports; and
- reducing reporting frequency where appropriate.

OPIC is also advancing efforts to reduce annual fees and pursue clear legislative authority to return over-assessments, which are expected to total a significant six-figure amount to be returned to regulated entities.

OPIC remains committed to these initiatives and plans to continue implementation through the upcoming legislative session and beyond.

Implementation Date: We believe that final savings, procedures, and documentation should be in place by September 2028.

OPPORTUNITY 2

Current FileMaker Design Increases Manual Effort Across Filing Review and Performance Reporting

OPIC reviews insurance filings in SERFF and manages its internal review workflow and performance reporting in FileMaker. Because the systems do not interface, staff manually create and update FileMaker records using SERFF and internal review information. FileMaker's current design adds manual effort in three areas, consistent with limitations OPIC previously identified through its Database Revision and Improvement Project:

Workflow and User Experience. FileMaker displays the same 45 fields for every filing regardless of workflow and provides limited guidance on expected content or format. Staff rely on individual knowledge to determine which fields apply. This increases data entry effort and the potential for omissions or inconsistent entries, and it complicates training and cross-coverage.

Reporting and Performance Measurement. FileMaker does not automate recurring or user-defined reports. Staff extract filing-level data to spreadsheets and manually classify, tabulate, and validate it for monthly, quarterly, annual, and performance reporting (Figure 8). The fiscal year 2025 filing-related performance measures reviewed reconciled to underlying records without exception, however, producing them depends on staff applying inclusion and classification criteria consistently each period.

SERFF and FileMaker

System for Electronic Rates and Forms Filing (SERFF): A platform administered by the National Association of Insurance Commissioners (NAIC) that insurers and regulators use to submit, review, and manage rates, policy forms, rules, and correspondence. OPIC has read-only access and uses SERFF to identify and analyze filings affecting Texas consumers.

FileMaker: OPIC's internal work-management system for assigning filings, tracking review status, recording outcomes, and maintaining performance measure data.

Source: OPIC

How the Final Measures are Produced

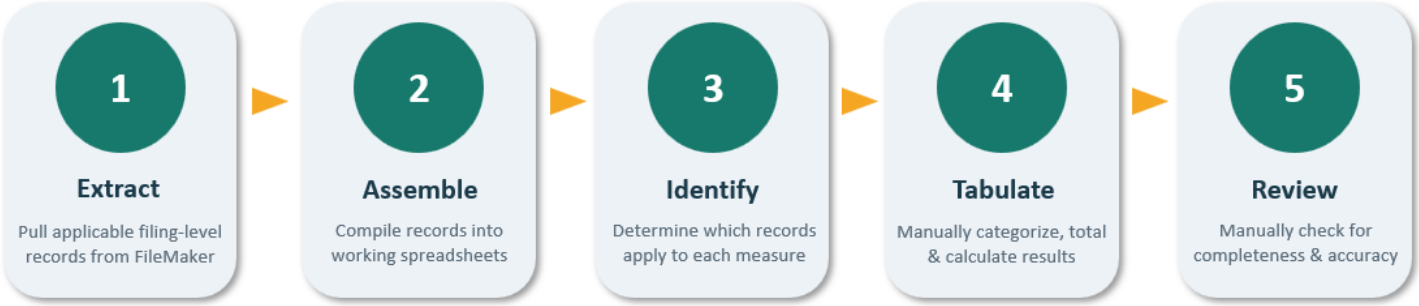

Figure 8: How the Final Measures are produced. Source: OPIC

Change Tracking and Auditability. FileMaker does not provide an audit log or change report showing who modified a record, what changed, or when. This limits OPIC's ability to investigate errors, reconstruct record history, and validate reported information.

FileMaker Database Modernization in Progress

OPIC is upgrading FileMaker to address these limitations, with implementation targeted for approximately September 2026. The upgraded functionality was not operational during the period evaluated. As OPIC completes the upgrade, confirming that the new design includes workflow-specific layouts with required fields and validation, reduces re-entry of SERFF information, generates reports from defined source fields and calculation logic, and maintains a protected audit trail would help ensure the upgrade delivers the intended reduction in manual effort.

Recommendation

Continuing the Database Revision and Improvement Project, OPIC should improve FileMaker and related processes to address the identified workflow, reporting, and auditability limitations. Specifically, OPIC should:

- **Improve filing-review workflows** to clarify applicable data requirements, support consistent data entry, facilitate training and cross-coverage, and reduce unnecessary manual effort and duplicate entry.
- **Improve reporting capabilities and processes** to reduce manual extraction, classification, tabulation, and validation while supporting consistent, reliable, and traceable performance reporting.
- **Establish appropriate change-tracking capabilities** to support accountability, investigation of errors, reconstruction of record history, and validation of reported information.

  Validate the revised database and related processes before implementation to confirm that the identified workflow, reporting, and auditability needs are addressed.

Management Implementation Plan

OPIC appreciates the audit team’s observations and agrees with the recommendations.

The recommendations align closely with the agency’s ongoing modernization of its FileMaker database, an initiative that was already underway well before the audit began.

OPIC will continue implementing this project as part of its broader commitment to improving operational efficiency, data management, and service delivery.

Implementation Date: We believe that final savings, procedures, and documentation should be in place by September 2028.

APPENDIX

Objective, Scope, and Methodology

Objective

The objective of this efficiency audit was to determine whether the Texas Department of Insurance (TDI), including its oversight of TDI Joint Underwriting and Advisory Organizations (JUAOs), and the Office of Public Insurance Counsel (OPIC) are administering selected state resources in an efficient manner according to best practices and applicable requirements.

Scope

The scope of this audit covered TDI's and OPIC's fiscal year 2023 through fiscal year 2026 administration of their statutory programs, as well as their use of state resources for governance, workforce, workspace, personal property, information technology, procurement, performance reporting, and reporting relationships during that period.

The scope also included TDI's oversight of its JUAOs, including insurance guaranty associations, residual market and assigned-risk plans, and specialty entities such as the Texas Windstorm Insurance Association and the Texas FAIR Plan Association. The Texas Windstorm Insurance Association's operations are addressed in a separate report, *An Efficiency Audit of the Texas Windstorm Insurance Association* (Report No. 26-009) and were not evaluated in this report.

The Division of Workers' Compensation (DWC) and the Office of Injured Employee Counsel (OIEC) were included only to the extent of shared services provided by TDI. DWC's and OIEC's programs and operations are addressed in a separate report, *An Efficiency Audit of the Division of Workers' Compensation and Office of Injured Employee Counsel* (Report No. 26-XXX). 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 TDI and OPIC leadership, program managers, and process owners to gain an understanding of TDI's and OPIC's functions, activities, and processes.
- Identified the relevant criteria:
    - Texas Insurance Code Title 2 (Texas Department of Insurance)
    - Texas Insurance Code Chapters 2210 and 2211 (Texas Windstorm Insurance Association and Texas FAIR Plan Association)
    - Texas Insurance Code Chapter 501 (Office of Public Insurance Counsel)
    - Texas Health and Safety Code Chapter 314A and 28 Texas Administrative Code Chapter 280 (Certificate of Public Advantage)
    - 28 Texas Administrative Code Section 34.320 (Fire Safety Inspections of State Buildings)
    - Texas Government Code Section 403.271 and 34 Texas Administrative Code Section 5.200 (State Property Accounting)
- Reviewed TDI's and OPIC's statutory responsibilities, organizational structures, strategic plans, appropriations, and recent legislation, and TDI's oversight of its JUAOs, 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, Section 327, we performed the work described below within each area.

Strategic Planning

We evaluated whether TDI's and OPIC's missions, goals, strategies, and reported performance measures aligned with their statutory responsibilities. For TDI, we mapped statutory responsibility under the Texas Insurance Code, Title 2, to TDI's divisions and programs, assessed alignment among Legislative Appropriations Request (LAR) goals, budget structure, and statutory mandates, and reviewed legislation from the most recent session affecting TDI's authority or structure.

For OPIC, we evaluated how the agency establishes, monitors, and reports the measures used to assess agency activities and achievement of program objectives.

Financial Resources

For TDI, we reviewed General Revenue, dedicated funds, appropriated receipts, budget-to-actual records, program financial data, LAR materials, and Centralized Accounting and Payroll/Personnel System (CAPPS) budget reports.

Operations

For TDI, we evaluated:

- Fraud and Enforcement Division fraud case adjudication
- State Fire Marshal's Office (SFMO) fire and life safety inspections
- TDI's oversight of its JUAOs, including plan of operation approval, board appointments and participation, rate review, and receivership administration
- Selected Financial Regulation, Property and Casualty, and Life and Health activities, to assess statutory alignment and potential duplication

We also evaluated procurement and contract management, workforce management, facilities management, budgeting, and information technology for risks affecting the efficient use of TDI resources. Procurement procedures addressed spend volume by category, contract complexity, use of centralized and cooperative purchasing, contract administration, and vendor performance monitoring.

For OPIC, we evaluated insurance filing review, policyholder representation, and COPA Program administration, including statutory responsibilities, hospital reporting, program monitoring, annual and rate reviews, and oversight documentation.

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

For TDI, we reviewed annual inventory counts, missing-item handling, and employee separation documentation against State Property Accounting (SPA) records for TDI and Division of Workers' Compensation (DWC) assets maintained by TDI, and reviewed lease records for Fiscal Years 2023 through 2025 to assess facility utilization and space management.

For OPIC, we reviewed available information on the use and administration of state property to identify opportunities for efficient use, management, or disposition.

Technology

We evaluated TDI's software portfolio management practices across TDI, DWC, and the Office of Injured Employee Counsel (OIEC), the SFMO ESO inspection records management system, and the Fraud and Enforcement Division's case management system.

For TDI, we inventoried systems and applications supporting financial operations, program operations, and performance reporting, and assessed legacy systems, planned modernization, and supporting information technology controls.

For OPIC, we evaluated how the System for Electronic Rates and Forms Filing (SERFF) and FileMaker support filing review and performance reporting, including information flows, data management and validation, system limitations, and improvement initiatives. We also considered selected IT governance and security practices.

Staffing

For TDI, we analyzed Fraud and Enforcement Division investigator staffing and case reassignments for Fiscal Years 2023 through 2026, SFMO inspector staffing for Fiscal Years 2024 through 2026, selected divisional staffing structures, and agency-wide turnover, specialized vacancies, and hiring practices.

For OPIC, we reviewed organizational structure, assigned responsibilities, vacancies, resource constraints, and personnel allocated to statutory and operational functions, including the COPA Program.

Performance Measures and Reporting

We evaluated whether TDI's and OPIC's performance measures reported in their Strategic Plans and LARs aligned with statutory mandates and program activities, and assessed whether related reports were fairly presented and contained useful information.

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:

- **Personal Property.** TDI's and DWC's SPA inventory listings as of August 13, 2026, reconciled to sampled supporting documentation for annual counts, missing-item handling, and employee separations.

- **Fraud Case Management.** Fraud and Enforcement Division case management system data for Fiscal Years 2023 through 2026, including case cycle times, reassignments, and investigator staffing, reviewed against sampled case records and investigator training and credential documentation.
- **Fire and Life Safety Inspections.** SFMO ESO data on the inspection universe and inspection completion for Fiscal Years 2023 through 2026, and inspector staffing data for Fiscal Years 2024 through 2026, reviewed against SFMO building count documentation and reported inspection results.
- **Software Licensing and Costs.** TDI Information Technology Services' Fiscal Year 2026 software license and cost inventory for TDI, DWC, and OIEC, reviewed against subscription and licensing records.
- **OPIC Performance Measures.** FileMaker filing-level records and supporting spreadsheets used to produce filing-related performance measures, reconciled to the reported results without exception.
- **SERFF Filing Information.** SERFF filing information, reviewed against FileMaker records to confirm the relationship between official filing data and OPIC's internal review records.

COPA Reporting. COPA quarterly and annual reports submitted by participating hospital systems, reviewed against the applicable COPA Terms and Conditions of Compliance.