AUDIT REPORT

TO: Eileen Breslin, Ph.D., Dean, School of Nursing
FROM: Angela D’Anna, Chief Audit Executive, Internal Audit and Consulting Services
DATE: April 27, 2015
SUBJECT: School of Nursing Faculty Compensation Plan (15-10)

EXECUTIVE SUMMARY

Internal Audit and Consulting Services has reviewed the School of Nursing (SON) Faculty Compensation Plan at UT Health Science Center San Antonio for the fiscal year ended August 31, 2014. The objectives of the audit were to determine whether the SON Faculty Compensation Plan was structured in alignment with UT System guidelines, whether faculty productivity was incentivized consistent with institutional strategic goals and to ascertain whether compensation paid to faculty was in accordance with the SON Faculty Compensation Plan.

In general, the SON Faculty Compensation Plan was properly structured and in alignment with strategic goals, and payments made under the plan were consistent with established criteria. The primary opportunity for improvement noted in this review related to the transparency of supplemental compensation in the Memorandums of Appointment and in the PeopleSoft Human Capital Management System. Other opportunities for improvement were also noted. This audit identified no issues considered priority to the institution.

DETAILED REPORT

See attached.

AUDIT TEAM

Robert McDermott, Senior Internal Auditor
Esther Villarreal, Intermediate Internal Auditor

AUDITING STANDARDS

This review was conducted in accordance with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing.

DISTRIBUTION

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Julie Novak, Ph.D., Vice Dean for Practice and Engagement, School of Nursing
Michael Peppers, Chief Audit Executive, UT System
DETAILED AUDIT REPORT

PURPOSE AND SCOPE

Internal Audit and Consulting Services has reviewed the School of Nursing Faculty Compensation Plan (Compensation Plan) at UT Health Science Center San Antonio (Health Science Center) for the period September 1, 2013 through August 31, 2014. We reviewed payments made to 15 faculty members for supplemental compensation (augmentation) and all payments made for incentive compensation. The major objectives of the review were as follows:

- Evaluate the Compensation Plan to determine whether it was structured in alignment with UT System guidelines for establishing base salary (X), supplemental compensation (Y) and incentive compensation (Z).
- Determine whether the Compensation Plan incentivizes faculty productivity consistent with Health Science Center strategic goals.
- Determine whether the Compensation Plan was approved both at the institution and UT System.
- Ascertain whether compensation paid to faculty was calculated in accordance with the Compensation Plan and whether supporting documentation existed for the payments.

BACKGROUND.

The Compensation Plan was developed utilizing the XYZ model and was designed to reward faculty performance which contributes to the Health Science Center's mission of excellence in education, patient care, research and community service. It was approved by the Faculty Assembly in May 2009 and has undergone revisions in 2013 and 2014. The last revision was approved by the Faculty Council and Faculty Assembly in November 2014.

Supplemental Compensation:

The determination of supplemental compensation is based on additional responsibilities and/or unique market conditions for recruitment and retention of faculty in specific specialties and is approved by the Dean of the School of Nursing and the Department Chairs. For faculty members who participate in the Faculty Practice Plan (FPP), supplemental compensation is approved by the FPP Budget Committee and the FPP Nursing, Research and Development Plan (NSRDP) Board based upon recommendation from the FPP Faculty Compensation Committee.

Incentives:

Faculty members participating in the Faculty Practice Plan may receive incentive compensation based on a positive net margin. The revenue generated by faculty members is netted against (1) the salary and benefits paid to the faculty members and (2) overhead allocation for both UT Nursing Clinical Enterprise (UTNCE) and Departmental support. The faculty members are awarded 10% of the net margin as incentive compensation. In FY 2014, three faculty members who participated in the Faculty Practice Plan were awarded incentives which totaled $7,395. This was the first year that faculty members earned incentive compensation by participating in the Faculty Practice Plan. See Appendix A for details regarding the UT Nursing Clinical Enterprise.

Incentive compensation for faculty members not participating in the Faculty Practice Plan is based on an individually determined percentage for each faculty member which is applied to base pay (X) and supplemental compensation (Y) to determine the incentive. In FY 2014, four faculty members were awarded incentives which totaled $58,009.
RESULTS

In general, the Compensation Plan was properly structured and in alignment with institutional strategic goals, and payments were made in accordance with the Compensation Plan. However, the rationale for awarding supplemental compensation and the identification of supplemental compensation payments in the PeopleSoft Human Capital Management (HCM) System was not always transparent. Other opportunities for improvement were also noted.

This audit identified no issues considered priority to the institution. According to UT System Policy 129 – Internal Audit Activities, a priority audit issue is one that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of the institution or the UT System as a whole.

Attached are the recommendations, management action plans, responsible parties, and anticipated completion dates. These matters are offered for management’s consideration in the spirit of continuously improving processes and reducing risks in the organization.
Supplemental Compensation and Records Management

Opportunity for Improvement:

• Supplemental Compensation

A standardized procedure was not in place to document the rationale for supplemental compensation in the Memorandums of Appointment and to ensure that the PeopleSoft HCM funding panels were populated with the appropriate compensation earning codes. Our review of 15 supplemental compensation payments revealed the following:

- Six (or 40%) Memorandums of Appointment did not document the rationale for augmentation. Furthermore, there was no additional documentation to support the reasons for augmentation.

- Three (or 20%) PeopleSoft HCM funding panels did not have the correct earning code for augmentation. The augmentation amounts were combined with regular pay in the funding panels and the total compensation was posted as regular pay. This resulted in the augmentation not being separately identifiable in the financial system.

Documenting the determination of supplemental compensation and separately inputting these amounts in the financial system creates transparency regarding the additional compensation paid to faculty and helps to ensure that the institution does not inadvertently pay for duties not performed. This also helps to facilitate the budgeting process for the School of Nursing.

• Records Management

A process was not in place to store documentation related to faculty compensation in a central repository within the School of Nursing. During our review, we noted that documentation was stored in multiple locations, such as the UTNCE business office and other departmental offices, and was not readily available.

Handbook of Operating Procedures (HOP) Policy 4.9.2, Management’s Responsibilities, states that management is responsible for establishing and maintaining an effective system of information management including records management.

Recommendation:

The School of Nursing should develop and communicate to departments a standardized procedure to document the rationale for supplemental compensation in the Memorandums of Appointment and to separately input supplemental compensation base salary in the PeopleSoft HCM funding panels.

Additionally, a central repository should be created by the School of Nursing to maintain all original documentation related to faculty compensation. This documentation would include Memorandums of Appointment, UTNCE Memorandums of Agreement, annual faculty incentive goals and any other information to support compensation paid to faculty. The UTNCE and departmental offices may retain copies of the documentation.
Supplemental Compensation and Records Management (Cont’d)

Management’s Action Plan:

Responsible Party(s): Thomas Giandinoto

Estimated Completion Date(s): June 2015

The Associate Dean of Finance in the School of Nursing will develop procedures to document the rationale for supplemental compensation in the Memorandums of Appointment and to separately input the appropriate earning codes for supplemental compensation in the PeopleSoft HCM funding panels.

In addition, a procedure will be developed to create a central repository for all original faculty compensation documentation.
UTNCE Memorandums of Agreement

Opportunity for Improvement:

The Memorandums of Agreement did not include a clause for early termination as it relates to incentive compensation should the providers not meet contracted obligations. During our review, we noted that a faculty member, who was contracted to provide services at University Health System (UHS), did not fully perform the agreed upon duties. Four months into the 12 month contract, the faculty member significantly reduced her contract commitment to UHS from 0.6 FTE to 16-32 hours per month. She was awarded partial incentive compensation since the Memorandum of Agreement did not stipulate disincentives for reductions to contracted obligations.

As a good business practice, incentive pay plans stipulate that incentives will not be paid should certain events occur, such as reduction in commitment hours or early termination of the contracts. The inclusion of disincentives in the Memorandums of Agreement helps to prevent potential conflicts and to minimize liabilities to the institution.

Recommendation:

The UT Nursing Clinical Enterprise should consider including a clause in the Memorandums of Appointment related to incentive compensation which stipulates disincentives for reduction in commitment hours or early termination of the contracts.

Management’s Action Plan:

Responsible Party(s): Dr. Julie Novak

Estimated Completion Date(s): April 2015

The UTNCE will add a clause to the Memorandum of Agreement regarding members who reduce commitment hours or do not complete the terms of the contract.
Approval of SON Faculty Compensation Plan

Opportunity for Improvement:

The School of Nursing Faculty Compensation Plan was approved at the institutional level but was not approved by the Executive Vice Chancellor for Health Affairs at UT System. Section 10.3 of the School of Nursing Practice Plan By-laws state that the Compensation Plan is subject to approval by the Executive Vice Chancellor for Health Affairs.

Recommendation:

The School of Nursing should obtain approval of the Compensation Plan from the Executive Vice Chancellor for Health Affairs.

Management’s Action Plan:

Responsible Party(s): Dr. Eileen Breslin

Estimated Completion Date(s): May 2015

The Dean of the School of Nursing will provide the SON Faculty Compensation Plan to the President for his review and approval. The President will submit the Plan to UT System for review and approval by the Executive Vice Chancellor for Health Affairs.
APPENDIX A – UT Nursing Clinical Enterprise

Overview:

The Office of Practice and Engagement (OPE) was established in 2009 under the leadership of Dr. Julie Novak, Vice Dean for Practice and Engagement and Senior Clinical Administrator of the Faculty Practice Plan. In 2010, the OPE evolved into the UT Nursing Clinical Enterprise (UTNCE). The UTNCE provides a research and learning laboratory where evidence-based practice and education occur and creates an accessible, compassionate, high-quality, culturally proficient and cost-effective health care delivery system for individuals, families and communities.

Since 2010, the UT Nursing Clinical Enterprise has been developing, implementing and evaluating a sustainable nurse-led, nurse-managed clinic network. Each of the clinics provides patient and family-centered primary care, chronic disease management, behavioral health services for underserved populations and nutrition counseling. Additionally, the UTNCE supports a wide range of health care initiatives, as well as facilitate access to research populations. The Faculty Practice Plan By-laws for the UTNCE were approved by the Vice Chancellor for Health Affairs in January 2013.

The sources of funding for the UT Nursing Clinical Enterprise include the SON Faculty Practice Plan income, Delivery System Reform Incentive Payment (DSRIP), Hillman Foundation grant, Crow Endowment, UT System Wellness Tobacco grant and institutional support for programs such as wellness and occupational health.

Members:

Members of the Practice Plan include Nurse Practitioners, Advanced Practice Nurses and Nutritionists. As of February 2015, there were 15 Practice Plan members with current practices. There are plans to hire three additional Nurse Practitioners.

Clinics:

There are currently six clinics where Practice Plan members practice:

<table>
<thead>
<tr>
<th>Clinic</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>School of Nursing - Student Health Center</td>
<td>&gt; Provides services to HSC students.</td>
</tr>
<tr>
<td></td>
<td>&gt; Revenue from patient insurance billed through EPIC.</td>
</tr>
<tr>
<td>School of Nursing - Employee Health and Wellness Clinic</td>
<td>&gt; Provides services to HSC faculty and staff.</td>
</tr>
<tr>
<td></td>
<td>&gt; Revenue from patient insurance billed through EPIC.</td>
</tr>
<tr>
<td>Healy-Murphy Alternative High School Wellness Clinic</td>
<td>&gt; Provides services to students and their children.</td>
</tr>
<tr>
<td></td>
<td>&gt; Revenue from grants and invoiced services.</td>
</tr>
<tr>
<td>San Antonio Refugee Health Clinic</td>
<td>&gt; Provides services to immigrants.</td>
</tr>
<tr>
<td></td>
<td>&gt; Revenue from grants.</td>
</tr>
<tr>
<td>Avance Community Partnership Clinic - Castroville Road</td>
<td>&gt; Provides services to low-income children.</td>
</tr>
<tr>
<td></td>
<td>&gt; Revenue from grants.</td>
</tr>
<tr>
<td>Avance Community Partnership Clinic - Fenly Center</td>
<td>&gt; Provides services to low-income children.</td>
</tr>
<tr>
<td></td>
<td>&gt; Revenue from grants.</td>
</tr>
</tbody>
</table>

A Practice Plan member is also located at the Clarity Child Guidance Center. Clarity pays 100% of the provider’s salary plus a margin. Members also provide training at University Health System on a contract basis. Future plans include an expansion of services offered through Avance San Antonio and an evening Pediatric Clinic for children of students of the Health Science Center and Healy-Murphy High School, as well as children enrolled in Avance.
Sources of Practice Plan Income:

The sources of income for the UT Nursing Clinical Enterprise for FY 14 and the first 6 months of FY 15 are presented below:

<table>
<thead>
<tr>
<th>Source</th>
<th>FY 2014</th>
<th>FY 2015 (6 months)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Percentage</td>
</tr>
<tr>
<td>DSRIP Primary Care Expansion</td>
<td>609,124</td>
<td>42.8%</td>
</tr>
<tr>
<td>DSRIP - Team Stepps</td>
<td>136,502</td>
<td>9.6%</td>
</tr>
<tr>
<td>UHS Contracts</td>
<td>264,375</td>
<td>18.6%</td>
</tr>
<tr>
<td>Student Health Center</td>
<td>226,537</td>
<td>15.9%</td>
</tr>
<tr>
<td>Employee Health &amp; Wellness</td>
<td>120,204</td>
<td>8.4%</td>
</tr>
<tr>
<td>Avance</td>
<td>27,930</td>
<td>2.0%</td>
</tr>
<tr>
<td>Healy - Murphy</td>
<td>7,280</td>
<td>0.5%</td>
</tr>
<tr>
<td>Clarity</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Other</td>
<td>30,830</td>
<td>2.2%</td>
</tr>
<tr>
<td>Total</td>
<td>1,422,782</td>
<td>100.0%</td>
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</tbody>
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