

UTSouthwestern
Medical Center™

Office of Institutional Compliance
and Audit Services

Physician Incentive Plan Audit

Internal Audit Report 25-AS-0007

October 16, 2025



Executive Summary

The Office of the Provost developed UT Southwestern's Medical Services, Research, and Development Plan (MSRDP) that requires each department to adopt a Faculty Compensation Plan that describes the process to compensate faculty performance and maintain and enhance faculty excellence in support of patient care, education, and research. The bylaws provide that the Faculty Compensation Plan shall describe three major components: salary, supplemental administrative compensation, and incentive compensation.

Incentive compensation may be paid to an MSRDP member to promote future performance. Per the bylaws, the amount of such payment should be determined through an established and equitably applied formula set forth in the department incentive plan. Each department is ultimately responsible for developing their specific incentive plan and submitting it to the Office of the Provost for review and approval. Each of the in-scope departments reviewed (i.e., Otolaryngology, Psychiatry, and Radiology) have a process in place to formulate the incentive plan with key stakeholders, inclusive of department administrations, finance managers, and chairs. For each incentive period, the department is responsible for obtaining supporting documentation, calculating the anticipated incentive payment, and submitting the information to The Office of the Provost for review and approval of payments to eligible physicians.

Engagement Results

The Office of Institutional Compliance & Audit Services (OICAS) conducted the FY 2025 Physician Incentive Plan audit. The audit team identified several strengths across departmental processes, including readily available documentation, established standard operating procedures (SOPs), and timely communication. The Department of Psychiatry's physician incentive plan payments were found to be in full compliance, with no audit findings.

However, control gaps were identified in the Departments of Otolaryngology and Radiology. The Department of Otolaryngology is expected to address the noted exceptions by assessing their financial impact and completing any necessary payment corrections. Additionally, both departments should take steps to clarify incentive plan documentation and strengthen reconciliation practices to improve oversight and ensure future accuracy.

A summary of observations is outlined below:

AREA	OPPORTUNITIES	RISK RATING
<i>Incentive Payment Accuracy & Alignment with Approved Plan</i>	<ul style="list-style-type: none"> Metric Result Accuracy (Otolaryngology) 	MEDIUM
<i>Incentive Plan Clarification</i>	<ul style="list-style-type: none"> Plan Definitions & Amendments (Otolaryngology) Plan Details (Radiology) 	LOW

Further details are outlined in the Detailed Observations section. Less significant issues were communicated to management.

Management Summary Response

Management agrees with the observations and Recommendations and has developed action plans to be implemented on or before October 31, 2025.

Appendix A outlines the objectives, scope, methodology, stakeholder list, and audit team for the engagement.

Appendix B outlines the Risk Rating Classifications and Definitions.

The courtesy and cooperation extended by the personnel in the Departments of Otolaryngology, Psychiatry, and Radiology and The Office of the Provost are appreciated.

Natalie A. Ramello

Natalie A. Ramello, JD, CIA, CHC, CHPC, CHRC, CHIAP
 Vice President, Chief Compliance & Audit Officer
 Office of Institutional Compliance & Audit Services
 October 16, 2025

DETAILED OBSERVATIONS

1. Incentive Payment Accuracy & Alignment with Approved Plan

Ensuring physician incentive payments (hereinafter referred to as “payments”) are calculated in alignment with approved plan methodologies is essential for maintaining fairness, transparency, and institutional integrity. There is an opportunity to establish and formalize reconciliation and review processes to ensure payment accuracy.

MEDIUM

1.1 Metric Result Accuracy (Otolaryngology)	Recommendations	Management Action Plan
<p>Testing revealed that an error in the group incentive metrics led to incorrect June 1st payments for all eligible Adult Otolaryngology physicians.</p> <p>The Adult group quality goal for “New Patients Seen within 10 Days” was incorrectly reported as not being met, resulting in no payment; however, supporting documentation confirmed the metric was achieved and should have been paid.</p> <p>Payments Tested:</p> <ul style="list-style-type: none"> • 2 Adult Otolaryngology physicians • 2 Pediatric Otolaryngology physicians <p>Pediatric Payments:</p> <ul style="list-style-type: none"> • No issues identified <p>Adult Payments:</p> <ul style="list-style-type: none"> • 2 of 2 payments (100%) impacted 	<p>The Otolaryngology department should:</p> <ul style="list-style-type: none"> • Recalculate all payments made to Adult Otolaryngology physicians for both June 1st and December 1st to determine the total impact and the appropriate course of action for issuing corrected payments (which may include associated messaging, etc.). • Establish a formal reconciliation process to ensure reports are utilized to calculate the incentive aligns with the incentive plan definitions and all manually entered fields are accurately input. 	<p>Action Plan Owners: Charlene Kesse Tatyana Winokur</p> <p>Action Plan Executive: Dr. Bradley Marple</p> <p>Due Date: 10/31/2025</p> <p><i>Management will:</i></p> <ul style="list-style-type: none"> • <i>Recalculate all incentive payments made to Adult Otolaryngology physicians for FY2025 to determine the total impact of the incorrect benchmark usage. (Complete)</i> • <i>Request the underpaid difference be accrued in FY2025 to ensure the financials accurately reflect FY2025 incentive obligations. (Complete)</i>

<ul style="list-style-type: none"> • Resulted in underpayments totaling approximately \$5,497 • Affected payment date: June 1st, 2025 <p>Due to this being a group incentive error, all Adult Otolaryngology payments to eligible physicians were incorrect, resulting in a confirmed underpayment of approximately \$45,268, which represents about 6.64% of the total June 1st Adult Otolaryngology payment.</p>		<ul style="list-style-type: none"> • <i>Submit corrective payments in September 2025 that will be paid on October 1, 2025 (September 2025 paycheck). (Complete)</i> • <i>Provide impacted physicians with a clear written communication via email by September 10, 2025, explaining the error and the corrective action taken. (Complete)</i> • <i>Have the FY2025 accrual reversed in September to offset the actual payments processed through Payroll. (Complete)</i> <p><i>Management will:</i></p> <ul style="list-style-type: none"> • <i>Establish a formal two-tier review process for all incentive calculations, which will include:</i> <ul style="list-style-type: none"> ○ <i>Review of the primary calculations performed by the Financial Analysis Supervisor.</i> ○ <i>An independent verification by the Financial Analyst I or II prior to final approval.</i> • <i>Implement a standardized checklist to ensure that all metrics align with approved plan definitions, data sources, and reporting periods.</i>
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2. Incentive Plan Clarification

Incentive plans must be clearly defined and consistently maintained to ensure transparency, equitable compensation, and alignment with institutional expectations. Additionally, discrepancies such as typographical errors and undocumented adjustments further compromise the integrity of the plan and may result in inaccurate payments or inconsistent application across departments. There is an opportunity to strengthen plan governance by formalizing amendment protocols and enhancing clarity within incentive plan documentation.

LOW

2.1 Plan Definitions and Amendments (Otolaryngology)

Recommendations

Management Action Plan

Various minor Otolaryngology incentive metrics within the incentive plan are not clearly defined and / or do not contain adequate specificity. Specifically, the group incentive metric weights and timelines were not explicitly outlined within the incentive plan. While the plan indicates 'FY2025' within the group goals section, the results timeframe is for the prior fiscal year.

Additionally, the incentive plan was not formally amended to reflect various changes made to the individual and group incentive metrics.

The Otolaryngology department should update the incentive plan to explicitly outline the group incentive metric weights and applicable performance timeframes.

The plan should be formally amended to reflect all approved changes, so it aligns with current criteria and interpretations.

Action Plan Owners:
Charlene Kesse
Tatyana Winokur

Action Plan Executive:
Dr. Bradley Marple

Due Date: 10/31/2025

Management will:

- *Revise the Otolaryngology incentive plan to clearly outline group incentive metric weights, definitions, and applicable performance timeframes in the plan document itself.*
- *Continue to include supporting matrices; however, the core plan will contain the key details to avoid ambiguity.*

		<p><i>Management will:</i></p> <ul style="list-style-type: none"> • Document any future changes or adjustments to the incentive plan (e.g., substitutions due to unavailable metrics, updates in survey wording, benchmarks changes) in a formal amendment memo. • Ensure amendments are formally reviewed and approved by department leadership and retained as part of the official plan records. <p><i>Management will:</i></p> <ul style="list-style-type: none"> • Review current benchmarks, survey tools, and budgetary priorities in advance of each new fiscal year. Any adjustments that cannot be incorporated into the plan immediately will be captured in an amendment memo, ensuring clarity and alignment until the next formal update.
2.2 Plan Details (Radiology)	Recommendations	Management Action Plan
<p>There is an opportunity to enhance clarity around the adjustments made to clinical FTE (cFTE), specifically how non-wRVU generating time is factored into payment calculations within the formal incentive plan.</p> <p>It is important to note that a dashboard with the adjusted cFTE for the non-wRVU</p>	<p>The Radiology Department should update the incentive plan document to include information regarding the adjustments made to cFTE, inclusive of example payment calculations to clearly outline the impact of the cFTE adjustments.</p>	<p>Action Plan Owner: John Hundt</p> <p>Action Plan Executive: Dr. Martin Pomper</p> <p>Due Date: Complete</p>

<p>generating time is readily available for physicians.</p>		<p><i>Beginning with FY2026, Radiology will no longer make an adjustment to clinical effort for non-RVU generating time. The approved incentive plan documents reflect the new method for computing clinical productivity. No further action required.</i></p>
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Appendix A

Objectives, Scope, and Methodology

The objectives of the review were to review and assess processes and procedures related to physician incentive plans, the underlying associated incentive metrics, and the calculation methodologies to validate accuracy of payments.

The audit scope period included activities of physician incentive plan payments made on June 1, 2025. The review only included incentive plans for the Otolaryngology, Psychiatry, and Radiology departments.

Our procedures included but were not limited to the following:

- Reviewed a sample of physician incentive plans, underlying associated metrics, and calculation methodologies to determine if they are clearly defined, auditable / measurable, supportable, and consistently applied.
- Validated that a sample of physician incentive payments capture all underlying contracted incentive metrics for the specified time periods, are calculated accurately, and are supported by readily accessible documentation by reviewing incentive methodologies, reported results, achievement levels attained, and source documentation.

We conducted our engagement in conformance with the Institute of Internal Auditors' Global Internal Audit Standards™.

Executive Sponsor:

Cameron Slocum, Vice President, Chief Operating Officer, Academic Affairs and Medical Group

Key Stakeholders:

Michael Baker, Assistant Administrator, Academic Affairs

Dr. Steven Bloom, Associate Vice Provost, Faculty Affairs and Career Development

Angela Brodrick-Donohue, Director, Administrative Development and Support Services

Prapti Buch, Assistant Director, Department Financials Psychiatry

Luke Hullet, Director, Business Operations and Analytics

John Hundt, Department Administrator, Radiology

Charlene Kesee, Department Administrator, Otolaryngology-Head & Neck Surgery

Dr. Bradley Marple, Professor and Chair, Otolaryngology-Head & Neck Surgery

Cari Norz, Department Administrator, Psychiatry

Dr. Martin Pomper, Professor and Chair, Radiology
Wade Radicioni, Associate Vice President, Academics and Clinic Operations
Dr. Tarek Rajji, Professor and Chair, Psychiatry
Ruby Varughese, Assistant Director, Department Financials Radiology
Tatyana Winokur, Supervisor, Financial Analysis, Otolaryngology-Head & Neck Surgery

Audit Team:

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Elizabeth Cruser, Senior Consultant, Protiviti
Matt Jackson, Managing Director, Executive and Engagement Oversight, Protiviti
Mandy Woodruff, Senior Manager, Client and Engagement Lead, Protiviti

Appendix B

Risk Classifications & Definitions

Each observation has been assigned a risk rating according to the perceived degree of risk that exists based upon the identified deficiency combined with the subsequent priority of action to be undertaken by management. The following chart is intended to provide information with respect to the applicable definitions, color-coded depictions, and terms utilized as part of our risk ranking process:

Degree of Risk & Priority of Action	
Priority	An issue identified by Internal Audit that, if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of UT Southwestern or the UT System as a whole.
High	A finding identified by Internal Audit that is considered to have a high probability of adverse effects to UT Southwestern either as a whole or to a significant college / school / unit level. As such, immediate action is required by management to address the noted concern and reduce risks to the organization.
Medium	A finding identified by Internal Audit that is considered to have a medium probability of adverse effects to UT Southwestern either as a whole or to a college / school / unit level. As such, action is needed by management to address the noted concern and reduce the risk to a more desirable level.
Low	A finding identified by Internal Audit that is considered to have minimal probability of adverse effects to UT Southwestern either as a whole or to a college / school / unit level. As such, action should be taken by management to address the noted concern and reduce risks to the organization.

It is important to note that considerable professional judgment is required in determining the overall ratings. Accordingly, others could evaluate the results differently and draw different conclusions. It is also important to note that this report provides management with information about the condition of risks and internal controls at one point in time. Future changes in environmental factors and actions by personnel may significantly and adversely impact on these risks and controls in ways that this report did not and cannot anticipate.