



Paid Time Off Cash Out Program Review

February 17, 2026

Executive Summary

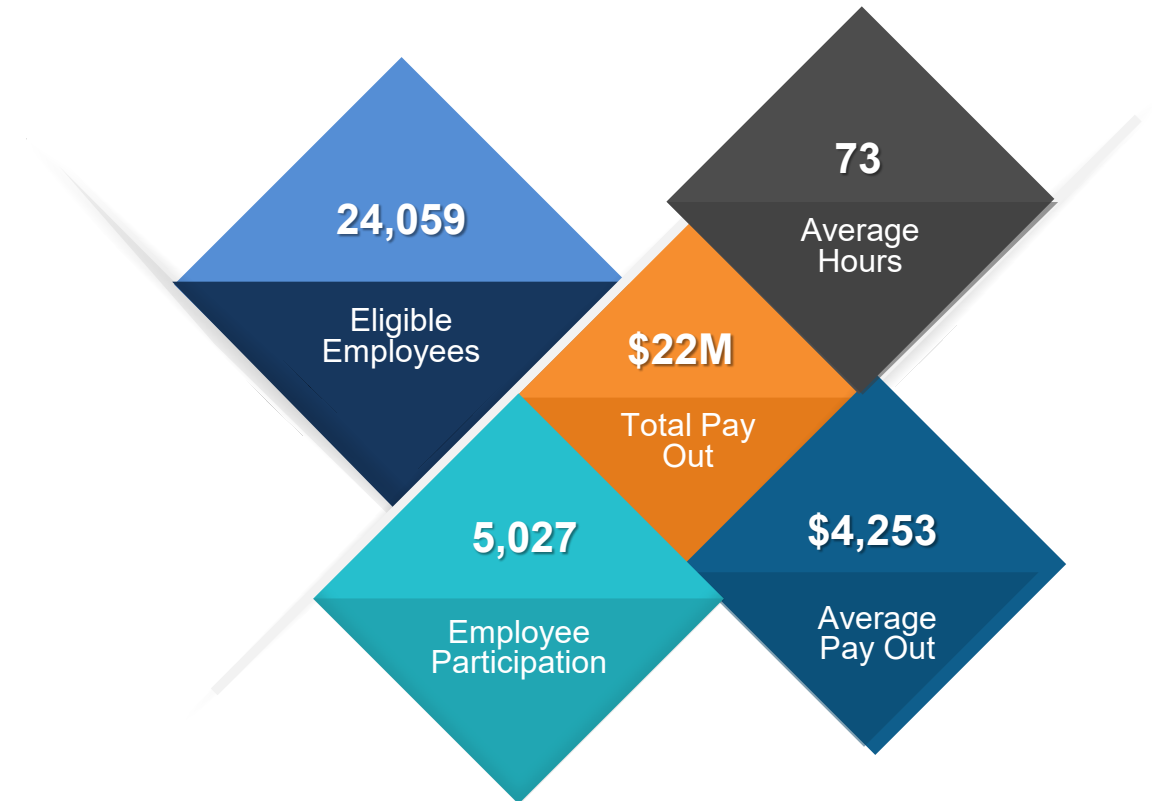
The Institution implemented the Paid Time Off (PTO) Cash Out Program in Fiscal Year (FY) 2025. Under the program, eligible employees were permitted to cash out up to 80 hours of their accrued PTO balance, with payouts calculated and issued at 85% of the employee's hourly rate. Internal Audit performed a review of the program to evaluate the effectiveness of the controls established to ensure that payouts were appropriate, accurate, and properly recorded.

Audit Results:

Overall, we concluded that management has established and implemented control processes designed to ensure PTO cash out payments are appropriate, accurate, and properly recorded. During the review, however, management identified 37 employees who elected to participate in the program despite not meeting the established eligibility requirements. The Benefits team elected to allow these employees to participate, resulting in approximately \$87K in payouts. This exception was not communicated to, nor approved by, senior leadership. Although the financial impact was not material, noncompliance with institutional policy increases the risk of inconsistent application of program requirements.

Further details are outlined in the Detailed Observation section.

FY25 Program Highlights



Executive Summary (Continued)



Management Summary Response:

Management agrees with the observation and recommendation and has developed an action plan to be implemented on or before 5/11/2026.

Appendix A outlines the objective, scope, and methodology for this project.

The courtesy and cooperation extended by the personnel in the Benefits & Recognition and Faculty & Executive Benefits departments are sincerely appreciated.

A handwritten signature in cursive script that reads "Ann Lovelady". The signature is written in black ink and is positioned above a horizontal line.

Ann Lovelady, CIA, CHIAP, CFE, CRMA, CCSA
AVP and Chief Audit Officer Ad Interim
February 17, 2026

PTO Cash Out Program Eligibility Requirements



One year or more of credited state service



Employed in a benefits-eligible position



Active work status (no continuous leave)



80 hours remaining in PTO Bank after election

Detailed Observation

1.0 Follow Established Guidelines for PTO Cash Out Program

Ranking: Medium

Thirty-seven ineligible employees (0.7% of 5,207 participants) were allowed to participate in the PTO Cash Out Program. Management identified the employees during their review process; however, they were permitted to participate and received a total of \$87K in payouts. The current program guidelines state that participants must maintain a minimum of 80 hours in their PTO bank, post-election, which these individuals did not meet. Failure to adhere to established guidelines increases the risk of inconsistency and/or potential noncompliance.

Recommendation:

Management should follow the Institution's PTO Cash Out Program requirements to ensure all employees who elect to participate are eligible.

Management's Action Plan:

Executive Leadership Team Member: Shibu Varghese

Division/Department Executive: Yolán Campbell

Owners: Edwin Godfrey and Bret Belfer

Implementation Date: May 11, 2026

In preparation for the upcoming PTO Cash Out Program, with an election period beginning April 1, 2026, the requirement that participants maintain a minimum balance of 80 hours of PTO at the time of payout will remain in effect. Because our timekeeping system (Dimensions) does not support automation of this process, our teams will manually audit and adjust elections as needed. This will ensure that, if a participant's remaining PTO balance falls below 80 hours at the time of payout, their cash-out amount is adjusted to maintain the required minimum balance.

Furthermore, no exceptions will be made in future programs without prior approval from senior leadership and adequate advance communication. This approach is necessary to prevent the potential for inequitable treatment across the MD Anderson workforce.

Appendix A

Objective, Scope, and Methodology:

The objective was to assess the controls in place to ensure that the PTO cash out payments are appropriate, accurate, and properly recorded. The audit period covered April 1, 2025, through August 31, 2025.

Our procedures included, but were not limited to, the following:

- Interviewed responsible personnel
- Reviewed and analyzed available data for PTO cash out payments
- Reviewed relevant policies and procedures
- Verified eligibility requirements for a sample of employees who elected to participate
- Recalculated the cash payments paid to employees for accuracy

Our Internal Audit was conducted in accordance with the *Global Internal Audit Standards*. The Internal Audit function at MD Anderson Cancer Center is independent per the *Generally Accepted Government Auditing Standards (GAGAS)* requirements for internal auditors.

Audit Team: Benjamin Preston, Rachel Bourns, and Randall Ray

Number of Priority Findings to be monitored by UT System: (None)

A Priority Finding is defined as “*an issue identified by an Internal Audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.*”