

**UTSouthwestern**  
Medical Center™

Office of Institutional Compliance  
and Audit Services

# Paid Time Off Audit

Internal Audit Report 26-AS-1122

April 20, 2026



## Executive Summary

Effective September 1, 2024, the University of Texas Southwestern Medical Center (UT Southwestern) implemented an institutional comprehensive leave program, which replaced the prior State Leave Program that allocated earned time off between vacation and sick leave. The program applies to all eligible employees in accordance with policy *EMP-252 Comprehensive Leave Program* and employees accrue paid time off (PTO) that can be used for vacation or sick leave, as well as scheduled and floating holidays. In Fiscal Year 2025, approximately 22,800 employees were eligible to participate in the program.

Employees with unused vacation and sick leave accrued prior to September 1, 2024, have these hours in non-accruing legacy leave banks. When leave is utilized, the system deducts hours from available banks according to a predetermined sequence, typically prioritizing current PTO over legacy banks. Upon separation, unused PTO and balances from the Prior Vacation Leave Bank are paid out up to the maximum cap allowed by policy, based on years of service.

### Engagement Results

The Office of Institutional Compliance & Audit Services (OICAS) conducted an audit of the comprehensive leave program, covering activities from September 1, 2024, through August 31, 2025. The audit identified several strengths that support operational efficiency and compliance, including comprehensive, regulatory compliant policies and automated system logic to accrue PTO based on years of service, take leave hours from the appropriate accruals, and prevent PTO grants or usage for ineligible employees. In addition, several other processes, such as payout amount calculation, PTO balance deductions, and a monitoring dashboard for managers have been developed and adjusted to improve control effectiveness and compliance.

However, the overall engagement results indicated opportunities to strengthen system logic related to automated accrual and payout calculations. Specifically, the audit noted instances of inaccurate PTO, holiday, and legacy bank balances as well as inappropriate PTO, prior vacation, and holiday payout amounts. These issues may elevate the risk of financial loss due to overpayment or excess time granted, potential legal or regulatory exposure related to underpayment or insufficient time granted and associated reputational impact. Accordingly, corrective action is warranted to strengthen internal controls, improve calculation accuracy, and mitigate identified risks.

A summary of observations is outlined below:

AREA	OPPORTUNITIES	RISK RATING
Separation Payout Accuracy	<ul style="list-style-type: none"> <li>Holiday Compensation Payout</li> <li>Late Terminations with Retrospective Date</li> <li>Payouts for Employees under 3 years of continuous employment</li> </ul>	HIGH

	<ul style="list-style-type: none"> <li>• Change Management</li> </ul>	
<b>PTO Balance Accuracy</b>	<ul style="list-style-type: none"> <li>• Leave Request Approvals</li> <li>• Leave Balance Settlement at Termination</li> </ul>	<b>MEDIUM</b>
<b>Legacy Bank Adjustments</b>	<ul style="list-style-type: none"> <li>• Prior Sick Leave Bank Adjustments</li> </ul>	<b>LOW</b>
<b>Audit &amp; Monitoring</b>	<ul style="list-style-type: none"> <li>• Continuous Data Monitoring</li> </ul>	<b>LOW</b>

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

### Management Response Summary

Management agrees with the observations and recommendations and has developed action plans to be implemented on or before March 31, 2027.

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 HR Department and Information Resources (IR) are appreciated.

*Natalie A. Ramello*

Natalie A. Ramello, JD, CIA, CHC, CHPC, CHRC, CHIAP  
 Vice President, Chief Compliance and Audit Officer  
 Office of Institutional Compliance & Audit Services  
 April 20, 2026

## DETAILED OBSERVATIONS

### 1. Separation Payout Accuracy

Upon employee termination, unused PTO and prior Vacation Leave Bank balances are paid out based on years of service and applicable policy limits. Control gaps identified in system configuration, late termination date submission, eligibility determination, and change management resulted in inaccurate separation payouts. These conditions led to underpayments, overpayments, and potentially duplicate payouts, increasing financial, compliance, and employee relations risk.

**HIGH**

1.1 Holiday Compensatory Payout	Recommendations	Management Action Plan
<p>Employees are entitled to nine holidays and may accrue holiday compensatory time for holidays worked and additional holiday hours to be used for PTO if work schedules differ from official holiday hours. Unused holiday compensatory time is paid out at the end of each fiscal year or upon separation, as applicable.</p> <p>While an automated workflow is set up in PeopleSoft to calculate the number of hours for which an employee should be paid out based on balances in MyTime, the configuration is incorrectly including the holiday compensatory hours in the cap hours.</p> <p>28 employees were identified with underpayment due to the incorrect cap configuration.</p>	<p>Management should:</p> <ul style="list-style-type: none"> <li>• Correct payout configuration to remove holiday compensatory from cap calculation and ensure that all employees are paid holiday compensatory hours at time of separation.</li> <li>• Initiate corrective payments for all identified instances of employee underpayment.</li> <li>• Review employees termed after audit scope period to identify other employees underpaid due to configuration issues and complete payments where indicated.</li> </ul>	<p>Action Plan Owner: Katie Buchanan</p> <p>Action Plan Executive: Martha Washington</p> <p>Due Date: 06/30/2026</p> <p>Management will:</p> <ul style="list-style-type: none"> <li>• Correct the payout configuration to remove holiday compensatory from the cap calculation and perform validation checks to ensure that employees are paid holiday compensatory hours separate from capped PTO and vacation hours.</li> <li>• Identify and remediate employee underpayments by initiating corrective payments for all known instances and reviewing</li> </ul>

		employees terminated after the audit scope period to detect additional underpayments resulting from holiday hours configuration issue.
1.2 Late Terminations with Retrospective Date	Recommendations	Management Action Plan
<p>Termination dates in PeopleSoft are not always aligned with MyTime due to delays in entering termination actions. In valid situations (e.g., job abandonment) the termination must be entered after the actual effective date. However, current processes and system configuration do not fully support these late entries, resulting in misaligned termination dates between PeopleSoft and MyTime.</p> <p>Hours granted after the termination date per PeopleSoft but on or prior to the termination date per MyTime appear to have been included in hours paid out.</p> <p>If the termination date per MyTime is after the employee’s anniversary date, but their true termination date is before the anniversary date, a higher than appropriate maximum payout cap may be applied to the employee.</p>	<p>Management should:</p> <ul style="list-style-type: none"> <li>Review the integration of PeopleSoft and MyTime to ensure retroactive termination dates overwrite MyTime data consistently</li> <li>Create automated exception reporting for late entries and associated date discrepancies; if date discrepancies are identified manual review of payouts should be completed</li> <li>Determine whether employee overpayments must be recovered and carry out the recoupment procedure accordingly.</li> </ul>	<p>Action Plan Owner: Katie Buchanan</p> <p>Action Plan Executive: Martha Washington</p> <p>Due Date: 7/31/2026</p> <p>Management will:</p> <ul style="list-style-type: none"> <li>Implement a pre-payout audit step within the VSL payout process to validate termination date variances between PeopleSoft and MyTime and identify any accruals granted after the termination date.</li> <li>Leverage existing system reports or develop new reports, as needed, to identify accrued leave hours recorded after termination.</li> <li>Review audit exception reports and, for any confirmed overpayments, determine and execute appropriate corrective actions, including recoupment where applicable.</li> </ul>

1.3 Payouts for Ineligible Employees	Recommendations	Management Action Plan
<p>The new leave policy prohibits PTO payout upon separation for employees with fewer than 3 years of continuous employment (if hired after September 1, 2024).</p> <p>However, it was identified that:</p> <ul style="list-style-type: none"> <li>• Seven (7) terminated employees hired after 9/1/2024 received PTO payouts without meeting the three-year requirement.</li> <li>• Six (6) employees had a hire date per MyTime that did not align with the “Active” date in PeopleSoft and prevented accurate determination of continuous employment.</li> </ul>	<p>Management should:</p> <ul style="list-style-type: none"> <li>• Review identified cases to validate eligibility and determine if overpayments require recoupment from employees.</li> <li>• Investigate and remediate root causes of hire date and status discrepancies in MyTime.</li> <li>• Create automated exception reporting to flag payouts for employees with fewer than three years of continuous employment and hire date or status mismatches.</li> </ul>	<p>Action Plan Owner: Katie Buchanan</p> <p>Action Plan Executive: Martha Washington</p> <p>Due Date: 12/18/2026</p> <p>Management will:</p> <ul style="list-style-type: none"> <li>• Review audit exception reports and, for any confirmed overpayments, determine and execute appropriate corrective actions, including recoupment where applicable.</li> <li>• Investigate and remediate root causes of hire date and status discrepancies in MyTime</li> <li>• Review the VSL payout process and update as needed to ensure correct review of the 3-year continuous employment eligibility requirement prior to payout.</li> </ul>
1.4 Change Management	Recommendations	Management Action Plan
<p>During transition to the comprehensive leave program, some accrual balances required manual adjustment, and data integration and process modifications continued to be developed after the initial implementation.</p>	<p>Management should:</p> <ul style="list-style-type: none"> <li>• Perform a targeted review and correction process for employees impacted by underpayments or potential duplicate payouts,</li> </ul>	<p>Action Plan Owner: Katie Buchanan</p> <p>Action Plan Executive: Martha Washington</p>

<p>For employees terminated during the transition period, validation of data and timing issues with terminations resulted in incorrect payouts.</p> <ul style="list-style-type: none"> <li>45 employees were not paid correctly (underpayment) at termination due to accruals for October 2024 missing from payout data used to calculate payout amount.</li> <li>22 employees potentially received duplicate payout amounts or payment for a duplicate number of hours</li> </ul>	<p>consistent with UTSW payroll requirements.</p> <ul style="list-style-type: none"> <li>Strengthen automated validation and reconciliation of accrual data during policy transitions to prevent missing or duplicate hours.</li> </ul>	<p>Due Date: 6/30/2026</p> <p>Management will:</p> <ul style="list-style-type: none"> <li>Review audit exception reports and, for any confirmed underpayment or overpayments, determine and execute appropriate corrective actions, including additional payout or recoupment where applicable.</li> <li>Update procedures to ensure that data monitoring and anomaly detection tools are adjusted as needed during significant policy changes to detect issues related to transitions.</li> </ul>
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## 2. PTO Balance Accuracy

*PTO accrues each pay period based on years of state service until the balance reaches 135% of the annual accrual rate (“the accrual cap”), at which point accrual stops and resumes once the balance falls below the accrual cap. Leave requests are submitted within MyTime and automatically reflected on the employee’s timecard and once manually approved by their manager, leave balances (PTO, Prior Sick Leave and Prior Vacation Leave Banks) are deducted accordingly. Opportunities exist to review unapproved PTO requests, timely clear leave balances for terminated employees, and accurate prior sick leave bank adjustments.*

**MEDIUM**

2.1 PTO Request Approvals	Recommendations	Management Action Plan
<p>If leave requests are not approved or declined by managers in MyTime, they will remain in the "submitted" status within the system. Consequently, leave balances may not be accurately deducted, and</p>	<p>Management should:</p> <ul style="list-style-type: none"> <li>Automate the approval of salaried employee leave requests to automatically deduct hours from</li> </ul>	<p>Action Plan Owner: Katie Buchanan</p> <p>Action Plan Executive:</p>

<p>PTO / vacation hours may not be correctly paid upon separation from employment.</p> <p>There is currently no process in place to reconcile or follow up on unapproved leave requests in MyTime from previous pay periods, and there is also no enforcement mechanism to ensure managers review and complete the approval process in a timely manner.</p> <p>Review of FY 2025 leave request activity identified the following time-off requests still in a “submitted” status (not approved or denied by manager) at the time of audit:</p> <ul style="list-style-type: none"> <li>• 3.3% (7,183 of 216,865) of exempt employee requests</li> <li>• 3.5% (5,003 of 139,069) of non-exempt employee requests during the audit period.</li> </ul>	<p>accruals unless additional action is taken by the employee or manager to change or cancel the request.</p> <ul style="list-style-type: none"> <li>• Implement automated notifications to managers for incomplete leave requests from prior pay periods</li> <li>• Develop procedures for follow-up of aging incomplete requests and escalation for managers with repeated instances of non-response or delayed approval.</li> <li>• Review requests in submitted status and determine if management follow up is required; complete retroactive correction of hours or pay where indicated.</li> </ul>	<p>Martha Washington</p> <p>Due Date: 12/18/2026</p> <p>Management will:</p> <ul style="list-style-type: none"> <li>• Work with IR to configure MyTime to automatically approve leave requests for salaried employees. Hours will be deducted from accruals unless additional action is taken by the employee or manager to change or cancel the request.</li> <li>• Work with IR to configure automated reminders for unapproved leave requests and implement a MyTime landing page tile to improve visibility for employees and supervisors.</li> <li>• Review unapproved leave requests report and work with managers to determine if leave was processed appropriately; complete historical edits where indicated to correct accrual balances.</li> </ul>
<p><b>2.2 Leave Balance Settlement at Termination</b></p>	<p><b>Recommendations</b></p>	<p><b>Management Action Plan</b></p>
<p>IR is responsible for clearing paid time off (PTO) balances in MyTime after leave payouts are processed and for manually clearing sick leave balances after the 90-day reinstatement period, as</p>	<p>Management should:</p> <ul style="list-style-type: none"> <li>• Implement automation enhancements to ensure PTO balances are removed promptly after payout processing and</li> </ul>	<p>Action Plan Owner: Katie Buchanan Jodi Levy</p> <p>Action Plan Executive:</p>

<p>the PeopleSoft-MyTime interface is not configured for automation of this function.</p> <p>Audit analysis identified that PTO balances were not cleared within two weeks of the payout date for 23 of 2,894 (0.8%) of terminated employees.</p> <p>In addition, of 25 employees who retained sick leave balances beyond the 90-day reinstatement period, two (2) had their sick leave balances incorrectly reinstated upon rehire after the reinstatement period had expired.</p> <p>Failure to timely and accurately clear leave balances increased the risk of incorrect leave reinstatement and employee compensation errors.</p>	<p>sick leave balances are automatically cleared in MyTime following the 90-day reinstatement period</p> <ul style="list-style-type: none"> <li>• Implement post-termination and rehire validation controls to detect and prevent inappropriate reinstatement of leave balances, including reconciliation reviews and exception reporting for terminated and rehired employees.</li> <li>• Review exceptions identified during the audit period, assess whether similar issues occurred in periods after the audit, and correct PTO and sick leave accrual balances as needed.</li> </ul>	<p>Martha Washington</p> <p>Due Date: 12/18/2026</p> <p>Management will:</p> <ul style="list-style-type: none"> <li>• Automate processes to ensure PTO balances are removed promptly following payout processing and sick leave balances are automatically cleared after the 90-day reinstatement period.</li> <li>• Develop further integration from PeopleSoft into MyTime to support further accrual automations including validation controls including post-termination and on rehire.</li> <li>• Remediate audit-identified and post-audit exceptions by reviewing accrual balances affected by the identified issue for both the audit period and subsequent periods.</li> </ul>
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### 3. Legacy Bank Adjustments

*Existing vacation and sick leave accrued and unused for employees hired before September 1, 2024, are held in legacy banks, which can be used after PTO, holiday, and compensatory time have been exhausted. Once all other balances are exhausted, prior vacation is automatically deducted first, but prior sick leave can be used instead by submitting the prior sick request form or the historical edit form to HR. However, the manual administration of legacy leave banks has resulted in inaccurate legacy bank balances and the prescribed order for exhausting leave balances has not been consistently followed.*

**LOW**

3.3 Prior Sick Leave Bank Adjustments	Recommendations	Management Action Plan
<p>HR reviews and manually adjusts Prior Sick Leave Bank based on requests from employees and their managers.</p> <p>4 of 16 (25%) of sampled accrual adjustments to prior sick leave banks were either incorrect or lacked adequate supporting documentation.</p>	<p>Management should implement standardized approval, documentation requirements, and regular reviews to ensure accrual adjustments are accurate and supported.</p>	<p>Action Plan Owner: Katie Buchanan</p> <p>Action Plan Executive: Martha Washington</p> <p>Due Date: 7/31/2026</p> <p>Management will develop and implement a standard operating procedure (SOP) that defines required documentation, approval workflows, and periodic review controls for accrual adjustments to ensure all changes are accurate, approved, and adequately supported.</p>

## 4. Audit & Monitoring

*Leave program accruals are tracked and adjusted in MyTime; PTO is automatically calculated based on years of service (continuous employment) and FTE status. PeopleSoft integrations have been built to extract leave balances from MyTime and calculate amount of leave payout to which an employee is entitled. However, configuration issues in the systems have been identified, resulting in inconsistencies in leave accruals and payout calculations.*

LOW

4.1 Continuous Data Monitoring	Recommendations	Management Action Plan
<p>As data is generated from two systems and due to the complexities related to legacy banks, service year calculations and holiday accrual policies, irregularities in accruals, leave use, or payouts may not be detected.</p> <p>Examples of potential irregularities in leave data identified via data analysis are as follows:</p> <ul style="list-style-type: none"> <li>• Employees were granted more than 72 hours of holiday compensatory accruals.</li> <li>• Employees were paid out for double the number of accrued hours.</li> <li>• Employees have not taken any type of paid leave over a significant period.</li> <li>• Accruals were granted after termination.</li> </ul>	<p>Management should:</p> <ul style="list-style-type: none"> <li>• Develop and implement continuous monitoring tools and exception reporting that integrate data from PeopleSoft and MyTime to identify and flag potential irregularities in leave accruals, usage, and payouts.</li> <li>• Develop an SOP to define roles and responsibilities for monitoring and follow up to data anomalies.</li> </ul>	<p>Action Plan Owners: Katie Buchanan</p> <p>Action Plan Executive: Martha Washington</p> <p>Due Date: 12/18/2026</p> <p>Management will:</p> <ul style="list-style-type: none"> <li>• Develop data monitoring tools for identifying outliers or triggers for potential review.</li> <li>• Develop an SOP to define roles and responsibilities for monitoring and follow up to data anomalies.</li> </ul>

## Appendix A

### Objective(s), Scope, and Methodology

The objective of the review is to evaluate paid time off under the comprehensive leave program, including relevant controls, to determine whether systems and controls are functioning effectively, as intended, and delivering optimal results.

The audit scope period included leave activities from 09/01/2024 to 08/31/2025. The review included PTO accrual, PTO usage, and legacy leave balances. The review did not include FMLA, paid parental leave, medical leave, access controls, or PTO liability for employees nearing termination or retirement.

Our procedures included but were not limited to the following:

- Interviewed key personnel and reviewed relevant organizational policies.
- Reperformed PTO calculation to determine PTO and holiday balances are accurate.
- Examined via data analysis for the following:
  - No new balances are granted to legacy banks
  - PTO was not accrued after termination date
  - Legacy bank was used according to policy requirements
- Examined time off requests have been approved (i.e., there are no time off requests outstanding for past pay periods).
- Examined volume of employees who have not taken any PTO in the last year.
- Reperformed payout calculations to determine amount of paid out leave was appropriate.
- For a selection of leave payout amounts greater than \$15,000, examined department approval was obtained.
- For a selection of leave payouts, examined amount was not paid out multiple times.
- Examined via data analysis that terminated running balance is zero after their payout disbursement date.

We conducted our engagement in conformance with the Institute of Internal Auditors' Global Internal Audit Standards™. This report was prepared by the audit team, with some use of AI-assisted tools to support grammar and wording; all content, conclusions, and judgments reflect the work and review of the auditors.

### Executive Sponsor:

Jeremy Falke, VP & Chief HR Officer, Human Resources

### Key Stakeholders:

Trevor Brown, Manager Payroll Operations, HR Services Admin

Katie Buchanan, Director, Payroll and HRIS  
Isaura Davis, Payroll Supervisor, HR Services Admin - Payroll  
Josh Johnson, ERP Specialist, IR Business Admin Systems  
Ashlee McCarter, Time & Attendance Coordinator, HR Services Admin - Payroll  
Jodi Levy, Associate Vice President, Business Admins Systems  
Priscilla Rodriguez, Senior Business Analyst, HR Services Admin - Payroll  
Alicia Schroeder, Senior Manager, IR Business Admin Systems  
Martha Washington, AVP, HR Services  
Sandy Yeager, ERP SPEC, IR Business Admin Systems

**Audit Team:**

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Neda Sales, Grant Thornton, Internal Audit  
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## 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	
<b>Priority</b>	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.
<b>High</b>	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.
<b>Medium</b>	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.
<b>Low</b>	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.

## Appendix C

### Time Off Deduction Cascade

Except as otherwise provided in *EMP-262 Paid Parental Benefit Policy* and *EMP-303 Workers' Compensation Insurance Program Policy*, an employee's time away from work will automatically be deducted from Program accrual balances and other time accrual balances as follows and in this order:

