

UTSouthwestern
Medical Center™

Office of Institutional Compliance
and Audit Services

Physician Incentive Plan Audit

Internal Audit Report 24:10

April 24, 2024



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 (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 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., Plastic Surgery, Emergency Medicine, Internal Medicine (IM) Cardiology, and IM Parkland Hospitalists) 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 uploading the information to PeopleSoft Human Capital Management (HCM) Other Compensation module for the Office of The Provost to review and approve incentive payments to eligible physicians.

Audit Results

The Office of Institutional Compliance & Audit Services (OICAS) conducted a Physician Incentive Plan Audit with fieldwork taking place between November 2023 and February 2024. Overall, we recognized multiple strengths for the process including the level of detail and guidance outlined in the MSRDP guidelines, controls in place to review physician compensation threshold limits against total compensation, and a process to ensure all department plans are reviewed every three years by the Office of The Provost. However, several control gaps were identified that require management to segregate eligible physicians from the incentive calculation processes and enhance incentive plan definitions and documentation of physician’s achievement of metrics.

A summary of observations is outlined below:

AREA	Opportunities	
<i>Incentive Metric Performance Reporting and Payment Review</i>	<ul style="list-style-type: none"> • Incentive metric performance results & benchmarks • Physician eligibility review • Incentive payment request documentation process 	MEDIUM
<i>Incentive Plan Clarification</i>	<ul style="list-style-type: none"> • Plan definitions and parameters 	MEDIUM
<i>Segregation of Duties</i>	<ul style="list-style-type: none"> • Segregation of physician’s roles in process 	MEDIUM

AREA	Opportunities	
<i>Incentive Plan Review and Approval</i>	<ul style="list-style-type: none"> • Incentive plan approval process 	LOW
<i>Incentive Payment Coding</i>	<ul style="list-style-type: none"> • Earnings Code for Extra Shift Compensation 	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 August 31, 2026.

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 Office of The Provost, Plastic Surgery, Emergency Medicine, and Internal Medicine are appreciated.

Natalie A. Ramello

Natalie A. Ramello, JD, CHC, CHPC, CHRC, CHIAP
Vice President, Chief Institutional Compliance Officer & Interim Chief Audit Executive
Office of Institutional Compliance & Audit Services
April 24, 2024

DETAILED OBSERVATIONS

Incentive Metric Performance Reporting and Payment Review

Source documentation does not substantiate the achievement of certain incentive metrics and/or supporting documentation was not provided to fully support achievement of certain incentive metrics. As a result, incentive payments were either made to physicians that did not achieve the required incentives or did not have support to show they achieved the required incentives.

MEDIUM

1. Incentive Metric Performance Results & Benchmarks (Plastic Surgery)	Recommendations	Management Action Plans
<p>1 of 2 physicians reviewed for Plastic Surgery were paid in quarterly equal installments in FY2023 for achieving FY2022 metrics; however, supporting documentation indicated that the following metric was not achieved for one of the physicians:</p> <ul style="list-style-type: none"> • ‘Social Media Blog’ (individual incentive metric) support did not align with metric achievement (FY2023 payments totaling \$20,672). <p>Additionally, approval for the Plastic Surgery ‘Social Media Blog’ individual incentive metric was not maintained by the department to substantiate payment. It is important to note that approval was retroactively requested in December 2023 as a result of this audit.</p>	<p>The Plastic Surgery department should review the FY2022 incentive achievement results for the ‘Social Media Blog’ for all physicians. Quantify the total dollar amount of incentive payments issued to physicians during FY2023 that are not substantiated with supporting documentation.</p>	<p>Action Plan Owner[s]: Sangeetha Tadimalla Action Plan Executive[s]: Dr. Jeffrey Kenkel Due Date: August 31, 2024</p> <p><i>Management will conduct a thorough review of the FY2022 incentive achievement results for the ‘Social Media Blog’ metric for all physicians.</i></p>
	<p>The Plastic Surgery department should determine if an overpayment was made and if so, work with the Office of The Provost to facilitate the recoupment of impacted payments.</p>	<p>Action Plan Owner[s]: Sangeetha Tadimalla Action Plan Executive[s]: Dr. Jeffrey Kenkel Due Date: August 31, 2024</p> <p><i>Management will review all incentive payments made to faculty for the ‘Social Media Blog’ metric and take appropriate steps as needed.</i></p>

	<p>The Plastic Surgery department, for future incentive payments, should develop a workbook containing supporting documentation for the achievement of each metric by physician, including appropriate approvals for deviations from the plan that impact incentive payments.</p>	<p>Action Plan Owner[s]: Sangeetha Tadimalla Action Plan Executive[s]: Dr. Jeffrey Kenkel Due Date: August 31, 2024</p> <p><i>Management will create separate folders and save source documentation for each metric that is listed in our incentive plan. Using the source documents, management will develop a summary workbook, which will summarize the incentives earned/not earned on a quarterly basis. Faculty will be sent a quarterly reconciliation of their summary workbook. Management will do an end of year reconciliation of met/unmet metrics and incentivize physicians as per the summary workbook. Any deviations from the plan will be sent to the Office of The Provost for approval before the incentive payments are made.</i></p>
	<p>The Plastic Surgery department should develop a formalized procedure that captures requirements for planning, validating, documenting, and substantiating incentive payments.</p> <p>Once requirements are formally defined, communication and additional education should be provided to department.</p>	<p>Action Plan Owner[s]: Sangeetha Tadimalla Action Plan Executive[s]: Dr. Jeffrey Kenkel Due Date: August 31, 2024</p> <p><i>As explained above, Management will ensure that proper documentation is obtained, maintained, and reconciled on a quarterly basis. Department physicians will be notified of their Incentive goals on a quarterly basis.</i></p>

2. Physician Eligibility Review (Emergency Medicine)	Recommendations	Management Action Plans
<p>2 of 2 physicians reviewed for Emergency Medicine were paid \$4,910 in May 2023 for achieving semi-annual individual and group FY2023 metrics; however, supporting documentation indicated that the incentive max amount calculated by the department was exceeded by \$60 per physician. Incentive max amount for all department physicians (\$4,910) was originally calculated using 81 eligible physicians; however, the department identified an additional physician was eligible and payment was issued to the omitted physician in the following month.</p>	<p>The Emergency Medicine department should review the May 2023 incentive payments for all physicians and quantify the total dollar amount of incentive payments issued to physicians that exceeded the department's incentive max amount.</p>	<p>Action Plan Owner[s]: Michele Trageton Action Plan Executive[s]: Dr. Deborah Diercks Due Date: May 31, 2024</p> <p><i>Management has an existing procedure where a spreadsheet is created for all faculty which includes whether they met the metrics or not. First level review is finance team. Second level review is the Chair, Vice Chairs, and Department Administrator. Formal sign-off indicating approvals will be maintained.</i></p>
	<p>The Emergency Medicine department should determine if an overpayment was made and if so, work with the Office of The Provost to facilitate the recoupment of impacted payments.</p>	<p>Action Plan Owner[s]: Angela Brodrick-Donohue Action Plan Executive[s]: Dr. Deborah Diercks Due Date: May 31, 2024</p> <p><i>Management determined there was an oversight on one person for less than \$5,000, which is not material in the scope of provider effort. Per institutional policy, the department will calculate the overpayment and affected providers and notify them of the amount that needs to be recouped and will work with the Payroll department and the Office of The Provost to recoup as an adjustment during the next LSI process.</i></p>

	<p>The Emergency Medicine department should develop a formalized procedure to review each physician’s eligibility requirements (e.g., 0.5 FTE, .40 FTE, etc.) prior to requesting incentive payments. The procedure should require validation of physician effort reported in the Total Professional Effort (TPE) system and resolving any identified variances.</p> <p>Once requirements are formally defined, communication and additional education should be provided to department.</p>	<p>Action Plan Owner[s]: Michele Trageton, Michael Baker Action Plan Executive[s]: Dr. Deborah Diercks, Wade Radicioni Due Date: May 31, 2024</p> <p><i>Department Management reviews effort annually during faculty evaluations in the spring. Department will validate ongoing effort, at a minimum, quarterly and determine effort calculation eligibility for the incentive plan twice a year. The Office of The Provost will be sending our new definitions and guidelines for TPE between late FY 24 and early FY 25. Department will validate to new guidelines once received.</i></p>
<p>3. Incentive Metric Performance Benchmarks (Internal Medicine - Cardiology)</p>	<p>Recommendations</p>	<p>Management Action Plans</p>
<p>1 of 1 physician reviewed for Internal Medicine Cardiology division was paid \$91,716 in November 2022 for exceeding FY2022 work RVUs benchmark (5,174) for Cardiology Invasive-Interventional specialty; however, supporting documentation indicated that the benchmark for the specialty was 5,428 work RVUs, resulting in an approximate overpayment of \$6,355. The FY2023 Internal Medicine plan does not specify whether multiple specialties are permitted for determining work RVU benchmarks.</p>	<p>The Internal Medicine department should review the Cardiology division’s November 2022 incentive payments for all physicians that exceeded benchmark work RVUs and identify physicians that had benchmarks that were a blend of multiple specialties and/or sources. Document the review and approval of the associated benchmarks by the Division Chief and Department Chair. For any physicians identified with benchmarks that were inappropriate, quantify the total dollar amount of incentive payments issued to during FY2023.</p>	<p>Action Plan Owner[s]: Nathan Nikirk, Sharon Reimold, James De Lemos Action Plan Executive[s]: Dr. Thomas Wang Due Date: August 31, 2024</p> <p><i>By the beginning of each fiscal year, all division chiefs receive a copy of the benchmarks/targets for their faculty for the current fiscal year to review and approve. While there has not been a formal sign-off process in the past, there is significant discussion and review that takes place between the division and the department. Internal Medicine will review all Cardiology benchmarks for FY22 with the Division</i></p>

		<p><i>Chief and the Department Chair. Any identified as incorrect will be recalculated based on the correct target and quantified to determine any over or under payments.</i></p>
	<p>The Internal Medicine department should determine if an overpayment was made and if so, work with the Office of The Provost to facilitate the recoupment of impacted payments.</p>	<p>Action Plan Owner[s]: Nathan Nikirk, Sharon Reimold, Bart Loewen Action Plan Executive[s]: Dr. Thomas Wang Due Date: August 31, 2024</p> <p><i>Should any error be identified based on an incorrect benchmark, Internal Medicine will work with the Office of The Provost to determine the appropriate remedy.</i></p>
	<p>The Internal Medicine department should specify whether multiple specialties are permitted for determining work RVU benchmarks in the next annual incentive plan.</p>	<p>Action Plan Owner[s]: Nathan Nikirk, Sharon Reimold Action Plan Executive[s]: Dr. Thomas Wang Due Date: November 30, 2024</p> <p><i>Internal Medicine will update the next incentive plan to clearly state that blended national benchmarks (e.g., MGMA, AAMC, etc.) can be used when it is most appropriate to accurately reflect the work being done by the physician.</i></p>
	<p>The Internal Medicine department should define in the next annual incentive plan the source that all divisions should use to assign each physician’s specialty for work RVU purposes (e.g., Grouper in Epic, etc.).</p>	<p>Action Plan Owner[s]: Nathan Nikirk, Sharon Reimold Action Plan Executive[s]: Dr. Thomas Wang Due Date: November 30, 2024</p>

	<p>The Internal Medicine department should develop a process to review and confirm accuracy of specialties assigned to all physicians in each Internal Medicine division and document approvals for any physicians that have assigned specialties that deviate from the plan.</p> <p>Once requirements are formally defined, communication and additional education should be provided to department.</p>	<p><i>Internal Medicine will work with all divisions to ensure that each faculty is assigned a benchmark that most closely corresponds to their specialty and clinical work. When possible, this should also correspond to their system identified specialty.</i></p> <p>Action Plan Owner[s]: Nathan Nikirk, Sharon Reimold Action Plan Executive[s]: Dr. Thomas Wang Due Date: November 30, 2024</p> <p><i>Internal Medicine will institute a formal sign-off process annually where the division chief and the Vice Chair of Clinical Operations certify that all faculty within a division have the correct target set for the current fiscal year.</i></p>
<p>4. Incentive Metric Performance Results (Internal Medicine - Parkland Hospitalist)</p>	<p>Recommendations</p>	<p>Management Action Plans</p>
<p>1 of 1 physician reviewed for Internal Medicine Parkland Hospitalist division was paid \$2,243 in May 2023 for achieving the semi-annual FY2023 ‘Opiate Monitoring Program Compliance Rate’ individual metric; however, supporting documentation could not be provided to recalculate the achievement result. IA noted that the achievement result (94%) was reported at the group-level as opposed to the individual-level outlined in the plan.</p>	<p>The Internal Medicine department should review the Parkland Hospitalist division’s May 2023 ‘Opiate Monitoring Program Compliance Rate’ incentive achievement results for each individual physician. Quantify the total dollar amount of incentive payments issued to physicians during FY2023 that are not substantiated with supporting documentation evidencing achievement.</p>	<p>Action Plan Owner[s]: Nathan Nikirk, Sharon Reimold, Eugene Chu Action Plan Executive[s]: Dr. Thomas Wang Due Date: August 31, 2024</p> <p><i>Internal Medicine will work with the Hospital Medicine division and Parkland Hospital and Health System to obtain the individual results for each faculty and review that against the payment that was previously made.</i></p>

	<p>The Internal Medicine department should determine if an overpayment was made and if so, work with the Office of The Provost to facilitate the recoupment of impacted payments.</p>	<p>Action Plan Owner[s]: Nathan Nikirk, Sharon Reimold, Bart Loewen Action Plan Executive[s]: Dr. Thomas Wang Due Date: August 31, 2024</p> <p><i>Should any error be identified based on an individual not meeting the target, Internal Medicine will work with the Office of The Provost to determine the appropriate remedy.</i></p>
	<p>The Internal Medicine department should correct the ‘Opiate Monitoring Program Compliance Rate’ to specify the metric is a group metric in the next annual incentive plan.</p>	<p>Action Plan Owner[s]: Nathan Nikirk, Sharon Reimold Action Plan Executive[s]: Dr. Thomas Wang Due Date: November 31, 2024</p> <p><i>Internal Medicine agrees and has already corrected this for the FY25 incentive plan.</i></p>
<p>5. Incentive payment request documentation process (Office of The Provost)</p>	<p>Recommendations</p>	<p>Management Action Plans</p>
<p>The Operations Team within the Office of The Provost reviews the accuracy of calculations in each incentive payment request submitted from departments in PeopleSoft; however, evidence of the review and approval is not formally documented or retained.</p>	<p>The Office of The Provost should update the ‘Clinical Department Incentive Payment Review Process’ procedures to include validating each department’s request in the Other Compensation PeopleSoft module includes sufficient supporting documentation as defined in the plan (e.g., source system data, reports, etc.) for all metric achievements reported.</p> <p>Once requirements are formally defined, communication and additional education should be provided to department.</p>	<p>Action Plan Owner[s]: Michael Baker Action Plan Executive[s]: Wade Radicioni Due Date: August 31, 2024</p> <p><i>The Provost’s Office will update the ‘Clinical Department Incentive Payment Review Process’ procedures document to include validation of sufficient supporting documentation as defined in the plan for all metrics.</i></p>

	<p>The Office of The Provost should determine a method for the Operations Team in the Office of The Provost to evidence their review and approval of Other Compensation requests (e.g., workflow step in PeopleSoft).</p>	<p>Action Plan Owner[s]: Michael Baker Action Plan Executive[s]: Wade Radicioni Due Date: August 31, 2024</p> <p><i>The Provost's Office Operations team will add a workflow step in PeopleSoft (after department submission, but before Provost's Office Finance approval) for better documentation of incentive payment approval.</i></p>
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Incentive Plan Clarification

Certain incentive metrics within the department and/or division incentive plans are not clearly defined and/or do not contain adequate specificity, resulting in insufficient clarity or context on incentive metric definitions, parameters, and calculation methods.

MEDIUM

6. Plan Definitions and Parameters (Plastic Surgery)	Recommendations	Management Action Plans
<p>Plastic Surgery FY2022 Incentive Compensation Plan:</p> <ul style="list-style-type: none"> The 'Press Ganey - Clinic' group incentive metric does not specify which score (e.g., Overall, Care Provider Overall, etc.) should be used and evaluated for the achievement of the metric. The 'Infection Rate for Clean Elective Cases' group incentive metric does not contain the name of the report and/or details on how the metric is calculated. In addition, the department was utilizing a SQL query to calculate the metric result and the query contained hard-coded Provider IDs as opposed to all providers with Service 'PLASTICS.' Furthermore, there is not a review process in place, prior to each incentive period, to ensure all providers included in the data extract were appropriate (e.g., review for new or termed providers, etc.) or that providers that should have been included were not left off. The 'First Start On Time' individual incentive metric does not define the name of the report, the grace period (in minutes) allowed the delay reasons that are considered acceptable when calculating the results, or allowed exclusions about practicing locations (e.g., services rendered at THR Frisco, etc.). The 'Social Media Blog' metric defines Facebook as the source of social media posting; however, the department is also including other social media platforms (e.g., Instagram) as counting towards achievement of the metric. If providers are working 	<p>The Plastic Surgery department should document definitions, source systems, report/dashboard names, reporting parameters, calculations, etc. leveraged to calculate all the metrics included in the current incentive plans. Key components to include when summarizing the reporting requirements include but are not limited to, inclusion of timeframe for review, definition of metric, source documentation, department providing results, exclusions, etc.</p>	<p>Action Plan Owner[s]: Sangeetha Tadimalla Action Plan Executive[s]: Dr. Jeffrey Kenkel Due Date: August 31, 2024</p> <p><i>Management is including additional specifics in their revised incentive plan that will be submitted for approval to the Office of The Provost. This plan will be effective September 1, 2024, if approved.</i></p>
	<p>The Plastic Surgery department should develop a documentation retention standard within future incentive plans (e.g., save all files and approvals in a shared folder, create an incentive plan calculation summary workbook, etc.).</p>	<p>Action Plan Owner[s]: Sangeetha Tadimalla Action Plan Executive[s]: Dr. Jeffrey Kenkel Due Date: August 31, 2024</p> <p><i>Management will create separate folders and save source documentation for each metric that is listed in our Incentive plan. Using the source documents, management will develop a summary workbook, which will summarize the incentives earned/not earned on a quarterly basis. Faculty will be sent a quarterly reconciliation of their summary workbook. Management will do an end of year</i></p>

<p>with the Marketing department to post social media content on their behalf, the incentive plan does not specify whether this counts towards the metric achievement.</p>		<p><i>reconciliation of met/unmet metrics and incentivize physicians as per the summary workbook. Any deviations from the plan will be sent to the Office of The Provost for approval before the incentive payments are made.</i></p>
<p>7. Plan Definitions and Parameters (Emergency Medicine)</p>	<p>Recommendations</p>	<p>Management Action Plans</p>
<p>Emergency Medicine FY2023 Incentive Compensation Plan: The following group and individual incentive metrics do not outline the source systems, report names, reporting parameters, and/or filters applied to arrive at the calculated results:</p> <ul style="list-style-type: none"> • Serial/Repeat Lactate in Septic Shock • Opioid/Regional Block Pain Management in Humerus/Femur Fracture • Dysphagia/Swallow Screen Before PO Meds in Stroke • Central Lines Performed Under Ultrasound 	<p>The Emergency Medicine department should document definitions, source systems, report/dashboard names, reporting parameters, calculations, etc. leveraged to calculate all the metrics included in the current incentive plans. Key components to include when summarizing the reporting requirements include but are not limited to, inclusion of timeframe for review, definition of metric, source documentation, department providing results, exclusions, etc.</p>	<p>Action Plan Owner[s]: Michele Trageton Action Plan Executive[s]: Dr. Deborah Diercks Due Date: May 31, 2024</p> <p><i>Management will create an Addendum to the existing Incentive Plan to add more details regarding reports and metric calculations.</i></p>
	<p>The Emergency Medicine department should develop a documentation retention standard within future incentive plans (e.g., save all files and approvals in a shared folder, create an incentive plan calculation summary workbook, etc.).</p>	<p>Action Plan Owner[s]: Michele Trageton, Paula Abercrombie Action Plan Executive[s]: Dr. Deborah Diercks Due Date: May 31, 2024</p> <p><i>Management will follow existing UT Southwestern retention policy guidelines. Data for incentive plan calculations will be retained in the department shared folder and de-identified as needed. Spreadsheets and calculations will be DocuSign as approved by the Department Chair and Department Administrator.</i></p>

8. Plan Definitions and Parameters (Internal Medicine - Overall)	Recommendations	Management Action Plans
<p>Internal Medicine FY2023 Incentive Compensation Plan:</p> <ul style="list-style-type: none"> The plan does not specify the specific dollar amounts to be deducted for each instance of professionalism issues (e.g., open encounters, overdrawn accounts, etc.). The following Cardiology division group incentive metrics do not have the source systems, report names, reporting parameters, and/or filters applied to arrive at the calculated results: <ul style="list-style-type: none"> Overall Mortality for Cardiac Conditions During CUH hospitalization New Patients in Clinic at UTSW ARNI Use in HFrEF at Parkland Cardiology/CHF Clinics SGLT2i Use in Cardiology Clinics at CUH Cardiac Rehab Post PCI at CUH The Parkland Hospitalist division's 'Opiate Monitoring Program Compliance Rate' individual incentive metric does not outline the source systems, report names, reporting parameters, and/or filters applied to arrive at the calculated results. 	<p>The Internal Medicine department should document definitions, source systems, report/dashboard names, reporting parameters, calculations, etc. leveraged to calculate all the metrics included in the current incentive plans. Key components to include when summarizing the reporting requirements include but are not limited to, inclusion of timeframe for review, definition of metric, source documentation, department providing results, exclusions, etc.</p> <p>The Internal Medicine department should develop a documentation retention standard within future incentive plans (e.g., save all files and approvals in a shared folder, create an incentive plan calculation summary workbook, etc.).</p>	<p>Action Plan Owner[s]: Nathan Nikirk, Sharon Reimold, Bart Loewen Action Plan Executive[s]: Dr. Thomas Wang Due Date: November 30, 2024</p> <p><i>Internal Medicine will work to ensure that all metrics have definitions, calculations, source system, etc. clearly delineated and documented.</i></p> <p>Action Plan Owner[s]: Nathan Nikirk, Sharon Reimold, Bart Loewen Action Plan Executive[s]: Dr. Thomas Wang Due Date: November 30, 2024</p> <p><i>Internal Medicine will ensure that all documents related to a fiscal year incentive plan will be retained and stored in a central file location.</i></p>
9. Plan Definitions and Parameters (Office of The Provost)	Recommendations	Management Action Plans
<p>The Office of The Provost does not clearly define and/or validate that incentive metrics within department and/or division incentive plans contain adequate specificity, resulting in insufficient clarity or context on incentive metric definitions, parameters, and calculation methods.</p>	<p>The Office of The Provost should develop a Standard Operating Procedure (SOP) outlining the requirements for departments to include sufficient level of detail (as noted in Observations outlined above) in their Incentive Plans.</p>	<p>Action Plan Owner[s]: Michael Baker Action Plan Executive[s]: Wade Radicioni Due Date: August 31, 2026</p> <p><i>This year, 16 of the department incentive plans require Compensation Committee and EVP/President review and approval. The Provost's Office representatives will ensure that all incentive metrics for each plan under</i></p>

		<p><i>review are clearly defined and contain necessary details per the audit recommendations. The remaining plans not under review in FY24 will go through the same review process within the next two years. In addition, the Provost's Office will also develop a template SOP for departments to use when submitting payments and supporting documentation. Within the SOP, departments will now be required to submit source system data, reports, etc. with quarterly and semi-annual payments in addition to payment files and the threshold reports.</i></p>
	<p>The Office of The Provost should distribute the SOP noted above to all departments and request that departments make appropriate updates to their respective plans, where applicable.</p>	<p>Action Plan Owner[s]: Michael Baker Action Plan Executive[s]: Wade Radicioni Due Date: August 31, 2024</p> <p><i>Please see Management Action Plan above.</i></p>
	<p>The Office of The Provost should during the Office of The Provost's routine review of department Incentive Plans, validate that departments have incorporated the requirements from the SOP into their revised Incentive Plans.</p>	<p>Action Plan Owner[s]: Michael Baker Action Plan Executive[s]: Wade Radicioni Due Date: August 31, 2024</p> <p><i>As part of the upcoming incentive plan review process, the Compensation Committee will ensure that all plans have adequate specificity regarding any proposed metrics, calculation methods, etc.</i></p>

Segregation of Duties

Segregation of duties between individuals supplying incentive metric results and those calculating incentive metric results should be established.

MEDIUM

10. Segregation of Physician's Roles (Internal Medicine - Overall)	Recommendations	Management Action Plans
<p>Internal Medicine Cardiology and Parkland Hospitalist division physicians that were eligible to receive incentive payments in FY2023 compiled and/or calculated certain incentive performance results, resulting in a potential segregation of duties issue.</p> <p>Refer to Observation #2 for additional context regarding insufficient supporting documentation to recalculate the Internal Medicine Parkland Hospitalist division's achievement level.</p>	<p>The Internal Medicine department should develop a policy and/or procedure requiring divisions to review and approve the calculated group incentive metric performance results to ensure adequate segregation of duties (i.e., individuals reviewing and approving results should not be eligible to receive incentive payments impacted by the results).</p>	<p>Action Plan Owner[s]: Nathan Nikirk, Sharon Reimold, Bart Loewen Action Plan Executive[s]: Dr. Thomas Wang, Chair Due Date: November 30, 2024</p> <p><i>Currently, divisional leadership, along with the Vice Chair of Clinical Operations and the Department Administrator, review all group metrics to ensure appropriateness and calculate the results based on predefined targets. Internal Medicine does agree that there needs to be more separation between the participating faculty and the data that is being submitted to substantiate the performance against the metric. Formal review and approval sign-off on the achievement results by the Vice Chair of Clinical Operations and the Department Administrator will be documented and maintained.</i></p>

	<p>The Office of The Provost should develop an SOP outlining the requirements noted above.</p> <p>Once requirements are formally defined, communication and additional education should be provided to departments and divisions.</p>	<p>Action Plan Owner[s]: Michael Baker Action Plan Executive[s]: Wade Radicioni Due Date: August 31, 2024</p> <p><i>See action plan above regarding Provost's Office development of SOP template that will be distributed to departments.</i></p>
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Incentive Plan Review and Approval

Formal review and approval of the Internal Medicine Cardiology division incentive group metrics was not provided and/or maintained.

LOW

11. Incentive Plan Approvals (Internal Medicine - Cardiology)	Recommendations	Management Action Plans
<p>Formal review and approval of the Internal Medicine Cardiology FY2022 division group incentive metrics was not provided and/or maintained.</p> <p>Management attested that approval was obtained but evidence was not retained to corroborate that approval.</p>	<p>The Office of The Provost should maintain documentation of the required approvals for any incentive plan metrics that are not specifically outlined in department incentive plans (e.g., division group incentive metrics).</p>	<p>Action Plan Owner[s]: Michael Baker Action Plan Executive[s]: Wade Radicioni Due Date: August 31, 2024</p> <p><i>See action plan above regarding Provost's Office development of SOP template that will be distributed to departments.</i></p>
	<p>The Internal Medicine department should maintain documentation of the required approvals for any incentive plan metrics that are not specifically outlined in the department's incentive plan (e.g., division group incentive metrics).</p>	<p>Action Plan Owner[s]: Nathan Nikirk Action Plan Executive[s]: Dr. Thomas Wang Due Date: Completed</p> <p><i>Management has maintained documentation of the required approvals for the Cardiology division group metrics for FY2023 and has provided this documentation to UT Southwestern Internal Audit.</i></p>

Incentive Payment Coding

The Medical Services, Research, and Development Plan (MSRDP) Faculty Compensation Plan states that Extra Shift Compensation should not be coded with incentive earnings codes (LSI or L15).

LOW

12. Earnings Code for Extra Shift Compensation (Plastic Surgery)	Recommendations	Management Action Plans
<p>1 of 2 physicians reviewed for Plastic Surgery was paid a total of \$192,850 in FY2023 for Texas Health Presbyterian Hospital Plano Extra Shift Compensation (Call) coded to L15.</p>	<p>The Plastic Surgery department should work with the Office of The Provost to determine whether Extra Shift Compensation (Call) paid to physicians requires recoding to an appropriate earnings code (e.g., EX-Extra Shift, etc.) and if applicable, determine the appropriate timeframe for recoding.</p>	<p>Action Plan Owner[s]: Sangeetha Tadimalla Action Plan Executive[s]: Dr. Jeffrey Kenkel Due Date: August 31, 2024</p> <p><i>Management will work with the Office of The Provost to code call pay appropriately.</i></p>

Appendix A

Objective, Scope, and Methodology:

The objective of the review was to assess processes and procedures for select in-scope physician performance incentive plans, the underlying associated incentive metrics, and the calculation methodologies to validate accuracy of payments issued. This was a risk-based audit and part of the fiscal year 2024 Audit Plan.

The audit scope period included activities of Academic Affairs, Academic & Business Operations (Office of The Provost), and clinical departments from September 2022 to August 2023. The review included the Plastic Surgery, Emergency Medicine, Internal Medicine Cardiology, and Internal Medicine Parkland Hospitalist departments. These departments were included based on total dollars spent on incentive compensation (leveraging the L15 and LSI pay codes) as well as the number of transactions completed. This review did not include any other departments or pay codes (e.g., salary or supplemental administrative compensation).

Our procedures included but were not limited to the following:

- Interviews with stakeholders and review of relevant of policies and procedures and other documentation
- Substantive testing was completed for the following areas:
 - Verified that select physician incentive plans, underlying associated metrics, and calculation methodologies are clearly defined, auditable / measurable, supportable, consistently applied and each align with what was approved by leadership.
 - Validated that 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.
 - Validated that physician incentive payments are in accordance with the appropriate incentive plan and align with achievement thresholds / limits reached by reviewing incentive methodologies, reported results, and achievement levels attained.

We conducted our examination according to guidelines set forth by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

Executive Sponsors:

Cameron Slocum, Vice President, Chief Operating Officer, Academic Affairs, Office of The Provost

Key Stakeholder List:

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Appendix B

Risk Classifications and 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 and 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 a UT institution 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 the UT institution either as a whole or to a significant college / school / unit level. As such, immediate action is required by management in order 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 the UT institution either as a whole or to a college / school / unit level. As such, action is needed by management in order 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 the UT institution 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 these risks and controls in ways that this report did not and cannot anticipate.