



The University of Texas Medical Branch  
Audit Services

Audit Report

Medical Services Research Development Plan Audit

Engagement Number MBG25AS0012

December 2025

The University of Texas Medical Branch  
Audit Services  
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## **Background**

The University of Texas System (UT System) Board of Regents created Medical Services Research and Development Faculty Practice Plans (MSRDP) at each UT System health institution to manage and hold in trust the professional income of faculty members. The University of Texas Medical Branch (UTMB) MSRDP bylaws outline the governance process of UTMB, directing and managing practice plan operations towards achievement of its objectives.

MSRDP's goal is to promote excellence in teaching, research, clinical service, and administration through clinical practice and compensation strategies that will contribute to and safeguard UTMB's continued growth in excellence. The Plan sets forth a general framework for compensating School of Medicine faculty and certain key administrators as determined by the President to attract and retain outstanding faculty and administrators by rewarding performance, clinical innovation and productivity, research, teaching, and administrative excellence; providing fairness and consistency in compensation determinations; and aligning faculty performance with UTMB's mission.

For Fiscal Year 2025, the MSRDP bylaws governed approximately 647 Practice Plan Members. These members accounted for:



## **Objective, Scope, and Methodology**

The objective of the audit was to evaluate the internal controls related to governance and oversight of the MSRDP bylaws.

The scope of our engagement focused on the compliance of the program's management with the MSRDP bylaws. Specifically, we focused on the articles governing Membership, Board of Directors, Committees, Business Operations, and the Institutional Trust Fund from September 1, 2024 through August 31, 2025.

Our methodology included the following procedures:

- Reviewed 100% of Faculty Memorandum of Appointments (MOA) and participation agreements using data analytics to confirm plan eligibility and execution.
- Verified board structure and governance compliance through analysis of bylaws, meeting records, and election results.
- Assessed committee membership, appointments, and meeting documentation for alignment with bylaws and governance procedures.
- Reviewed financial records and workflows to ensure compliance with Business Operations article.
- Validated Trust Fund audit process, professional fee reporting, and outside income disclosures against Plan and institutional requirements.

### *Executive Summary*

The audit confirmed compliance with MSRDP bylaws for all Articles in the scope of this engagement. This compliance is supported by comprehensive documentation and control processes. In addition, the audit identified opportunities to further enhance operational effectiveness in the following areas:

**Faculty Execution of Annual MOA:** Establish a documented oversight process for MOA execution, including routine follow-up with plan participants, to ensure timely completion. MOA execution should be enforced with the goal of 100% compliance.

**Bylaw Review:** Incorporating a formal periodic bylaw review process to ensure bylaws are amended in a timely manner and are updated to reflect the current operating conditions of the institution.

### *Detailed Results*

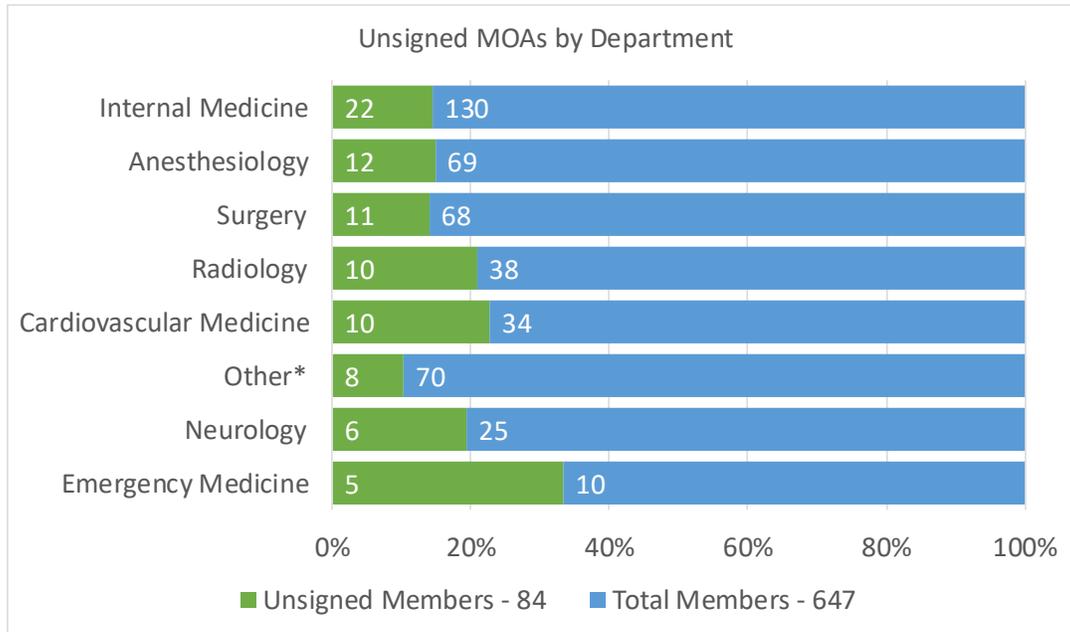
#### **Memorandum of Appointments**

Per MSRDP bylaws Article III, Paragraph 3.2: “A Memorandum of Appointment and an Agreement of Participation assigning professional income to the Plan shall be executed annually between each Member and the Institution, in a form prescribed by the Executive Vice Chancellor for Health Affairs and are a condition for membership and participation in the Plan. Any delay, error or failure to execute these two documents does not relieve a Member of the requirement that all his or her professional income shall be assigned to the Plan.” Each MOA includes terms that are subject to annual revision and may materially impact a member’s employment and compensation.

Our testing of FY25 MOAs found that 84 of 647 plan participants did not sign their MOA for the FY25 plan year. Of the 84 plan members who did not sign their FY25 MOA, we verified that an MOA was executed upon hire. The absence of a signed FY25 MOA presents significant compliance

and operational risks. Without formal execution, plan members may not be informed regarding the updated terms of their appointment.

Below is a listing of the 84 participants with unexecuted MOAs by department with comparison to the total number of plan members in the respective departments:



\*Includes Family Medicine, Internal Medicine-CL, Pharmacology & Toxicology, Dermatology, and Pathology.

**Recommendation 001 Medium – Memorandum of Appointment**

The Office of the Provost – Workforce Operations, Academic Enterprise should establish and implement a formally documented oversight process for annual MOA execution between participants and the Institution. This process should ensure that follow-up with plan participants occurs routinely to promote timely execution of MOAs. It should also include a systematic method for tracking the execution status of MOAs across departments and clearly defined procedures for addressing instances where MOAs remain unsigned.

**Management’s Response:** Office of the Provost – Workforce Operations, Academic Enterprise will implement a formally documented oversight process for annual MOA execution that includes routine follow-up with participants, systematic tracking of execution status across departments, and defined procedures for addressing unsigned MOAs.

**Responsible Party:** Victor Moreno, Associate Vice President, Workforce Operations, Academic Enterprise

**Implementation Date:** July 31, 2026

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### **MSRDP Bylaw Updates**

An amendment was approved by UT System on June 16, 2010, allowing the Chief Medical Officer to serve as an ex-officio, voting member of the Board. However, prior to this audit the official bylaws were not updated to reflect this change, which affects Article IV, Paragraph 4.2: Composition and Officers of the Board, where the Chief Medical Officer was previously designated as an ex-officio, non-voting member. While UTMB currently and historically has operated in accordance with the updated policy, the discrepancy between the official bylaws and the current practice creates an inconsistency in governance documentation.

#### **Recommendation 002 Low – MSRDP Bylaw Updates**

The Faculty Group Practice should update the MSRDP bylaws to reflect the UT System approved change designating the Chief Medical Officer as an ex-officio, voting member of the board. Additionally, a periodic review of the bylaws should be incorporated in the governance of the bylaws to ensure the bylaws continue to govern the plan as intended.

**Management’s Response:** The MSRDP bylaws have been updated to reflect that the Chief Medical Officer, as an ex officio, is a voting member.

Additionally, the MSRDP bylaws shall be reviewed by the Faculty Group Practice whenever changes occur, including minor revisions, by the appropriate governance leadership to ensure accuracy and continued alignment with governance standards.

**Responsible Party:** Scott Hermstein, Associate Vice President, Faculty Group Practice.

**Implementation Date:** November 21, 2025

### ***Conclusion***

We appreciate the assistance provided by the Faculty Group Practice and hope that the information presented in our report is beneficial.

This audit was conducted in conformance with The Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*. Additionally, we conducted the audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions on our audit objectives.

**Observation Ratings**

<b>Priority</b>	An issue that, if not addressed timely, has a high probability to directly impact achievement of a strategic or important operational objective of the University or the UT System as a whole.
<b>High</b>	An issue considered to have a medium to high probability of adverse effects to a significant office or business process or to the University as a whole.
<b>Medium</b>	An issue considered to have a low to medium probability of adverse effects to an office or business process or to the University as a whole.
<b>Low</b>	An issue considered to have minimal probability of adverse effects to an office or business process or to the University as a whole.

Report Date:

December 3, 2025

Report Distribution:

To: Scott Hermstein, Associate Vice President, Clinical Business/Value Attainment

Cc: Dr. Jochen Reiser, President and Chief Executive Officer, UTMB Health System  
Antonio Bianco, Vice President and Chief Administrative Officer  
David Hileman, Vice President, and Chief Administrative Officer  
Victor Moreno, Associate Vice President for Workforce Operations for the Academic Enterprise  
UTMB Health Institutional Audit Committee