



The University of Texas Medical Branch  
Audit Services

Audit Report

Faculty Compensation and Incentives Audit

Engagement Number MBG25AS0004

March 2026

The University of Texas Medical Branch  
Audit Services  
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Galveston, Texas 77555-0150

# Faculty Compensation and Incentives Audit

## Engagement Number: MBG25AS0004

### Background

The Faculty Compensation and Incentives Plan audit was included in the Fiscal Year 2025 (FY25) Audit Plan for Audit Services to provide assurance on the control effectiveness, accuracy, and proper administration of incentive compensation for faculty members. One core responsibility of the Office of the Provost is the administration of the Faculty Compensation and Incentives Plan which supports UTMB's missions of patient care, research, education, and administrative service. The Faculty Compensation and Incentives Plan establishes formal guidelines to promote accountability and alignment with departmental, school, health system, and institutional objectives, and defines the framework for faculty compensation, including institutional salary, incentive compensation, benefits, and provisions for salary adjustments when performance expectations are exceeded or not achieved.



The primary faculty incentive framework is structured around five core areas: clinical, research, education, and group and quality incentives designed to align faculty contributions with institutional objectives. For each area, specific eligibility criteria, administrative oversight, and performance assessment methodologies are established to ensure equitable and transparent compensation. Faculty incentive eligibility applies to faculty with an Assistant, Associate, or Professor title.

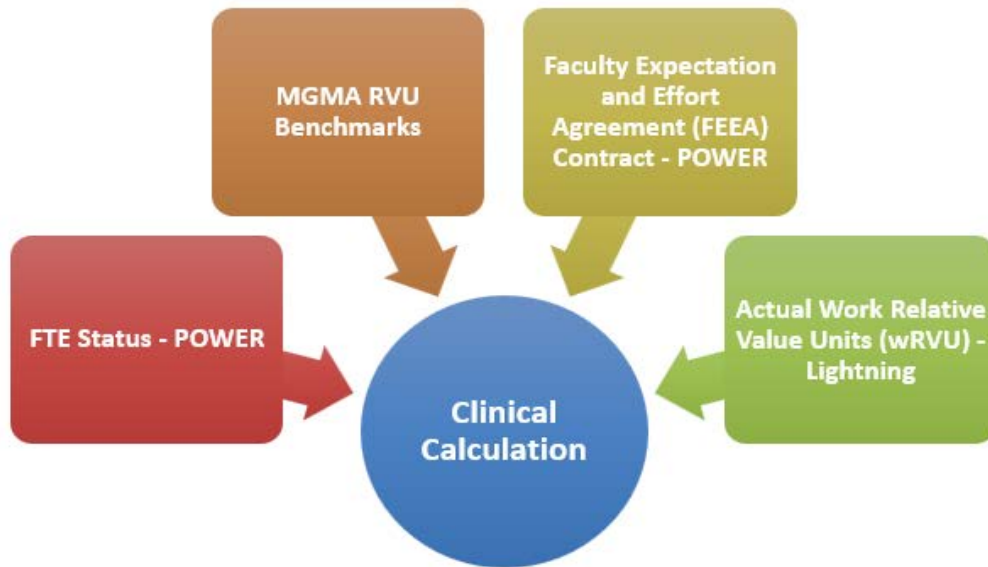
Clinical incentives also include a specialty-based component, in which incentive rates are determined using a specialty specific percentage, which is updated annually and benchmarked using external industry standard surveys.

Both clinical and research incentives are calculated monthly to facilitate ongoing monitoring of performance and projected payouts. This approach reduces the administrative burden at the end of the program year and provides timely visibility into cumulative incentive totals. While POWER serves as the primary system of record, it does not have the functionality to calculate incentive

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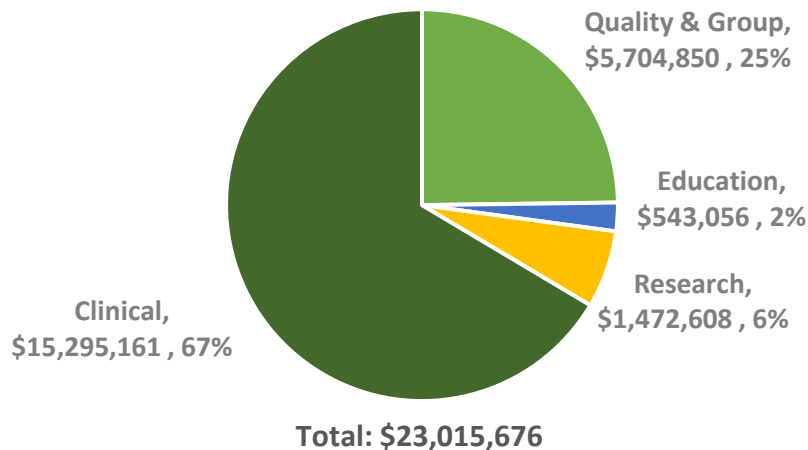
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payments. As a result, the Office of the Provost manually calculates incentive payment estimates throughout the fiscal year using data extracted from multiple sources. An example of the inputs involved in the clinical incentive calculation are shown below:



Between Fiscal Years 2023 through 2025, UTMB has distributed an average of \$22.5 million annually in incentives across Education, Research, Group, Quality, and Clinical programs. Fiscal Year 2025 marked the peak of this activity, with a total of \$23 million in incentives paid to approximately 825 faculty members distributed as shown below.

**Total Incentives Paid  
Fiscal Year 2025**



## *Objective, Scope and Methodology*

The audit was conducted to evaluate internal controls related to compensation and incentives for faculty for the period September 2025 through March 2026. Our methodology included the following procedures:

- Performed walkthroughs with key process owners to gain an understanding of the incentive calculation and approval process.
- Reviewed the Faculty Compensation and Incentives Guidelines.
- Evaluated current processes for calculating and reviewing faculty incentives and assessed the design of associated controls.
- Conducted detailed testing to verify the accuracy and consistency of incentive calculations.

In addition, we leveraged data analytics to conduct a 100% review of the following areas:

- Accuracy of incentive calculations for clinical, research, and education overload payments.
- Faculty eligibility criteria.
- Comparison of calculated incentives to amounts distributed.
- Verification of properly executed Faculty Effort and Expectations Agreements.
- Power user access and associated edit rights.

## *Executive Summary*

The Office of the Provost has established a faculty incentive payment process that supports the annual distributions and operates as intended. The process is largely manual and spreadsheet-driven, with controls that rely primarily on high-level reviews and email-based coordination across multiple stakeholders. This reliance introduces inherent risk related to data integrity, change traceability, and scalability.

Opportunities exist to strengthen the overall control framework by enhancing workbook security and change controls, automate calculations where feasible for research, education overload, and group and quality incentives, formalizing core processes, and improving end-to-end review/approval traceability and reconciliation discipline. These enhancements would improve data integrity, reduce the risk of calculation errors and unauthorized changes, increase consistency in incentive processing, and strengthen management oversight and accountability.

## *Detailed Results*

The current incentive calculation process relies heavily on manual, spreadsheet-based workflows which are updated annually to reflect changes in components, inputs, and supplemental

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incentives. Each year, staff must interpret revised criteria and adjust spreadsheet parameters, which management has noted adds complexity and has hindered efforts to automate the process. Most of the underlying data is sourced from POWER and Lightning, with relevant data elements manually identified and entered into a centralized workbook where calculations are performed and maintained throughout the year. While this approach offers flexibility in accommodating annual modifications, the continued dependence on manual calculations and external systems increases the risk of human error, is operationally inefficient, and requires significant staff time and resources to maintain and validate results.

### **Workbook Security and Automation**

The Excel incentive workbooks contains significant manual inputs and embedded calculation logic; however, workbook access and change controls are limited. Data entry fields and formula cells are not restricted, and the workbook is not protected to prevent inadvertent or unauthorized modification of formulas, calculations, or historical data. Additionally, the workbook does not maintain formal version control, audit trails, or change logs to document what changes were made, when changes occurred, or who made them. As a result, there is an increased risk that errors or unauthorized changes could occur without timely detection, and it may be difficult to reconstruct or explain changes to calculated results over the year-long processing cycle.

For incentives where automation may be feasible, such as the research, education overload, group, and quality incentives, it would be beneficial to reduce reliance on manual processes, strengthen control visibility, and improve calculation accuracy, and consistency.

### **Recommendation 001 High – Workbook Security:**

The Office of the Provost should implement enhanced security controls over the spreadsheet by restricting edit rights to key formulas and critical input fields, as well as limit access to authorized personnel, with defined roles and responsibilities to prevent unauthorized changes and reduce the risk of error.

**Management's Response:** Performance Services will ensure that all files and workbooks used for the calculation of the faculty incentives are password protected and only provided to authorized personnel. For those not authorized to make changes, they will only receive a read-only version and will not be able to make edits to the incentive amounts or any calculations being used, with the exception of an editable column to provide department feedback or questions.

**Responsible Party:** Associate Vice President Workforce Operations Academic Enterprise

**Implementation Date:** September 1, 2026

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### **Recommendation 002 High – Automation:**

The Office of the Provost should evaluate opportunities to fully or partially automate the incentive calculation process where feasible.

**Management’s Response:** Performance Services will work with the POWER support team (Business and Academic Systems) to evaluate opportunities for automation and recommend the processes to automate for calculating the incentives for faculty.

**Responsible Party:** Associate Vice President Workforce Operations Academic Enterprise

**Implementation Date:** December 31, 2026

### **Standard Operating Procedure (SOP) Documentation**

There are minimal standard operating procedures (SOPs) documenting the end-to-end faculty incentive calculation, review, and approval process prior to distribution. As a result, execution of the process is largely driven by institutional staff knowledge rather than formal guidance. Given the numerous required steps and disparate source data points, the workflow relies heavily on staff familiarity with where to locate information, how to interpret and apply the calculation logic, how to perform and document validation checks, and what actions are required to obtain and record approvals. Developing a formal SOP would promote consistency in how incentives are calculated and approved, provide clear guidance on required reviews and controls, and preserve documented process knowledge.

### **Recommendation 003 High – Standard Operating Procedure (SOP) Documentation:**

The Office of the Provost should develop and implement centralized, formally documented Standard Operating Procedures for the faculty incentive calculation and approval process, including defined data sources, calculation methodologies, review steps, and leadership approval workflows.

**Management’s Response:** Performance Services will review existing documentation and transform them into a more structured, centralized, and detailed manner to include incentive calculations, defining data sources, and the review and approval process.

**Responsible Party:** Associate Vice President Workforce Operations Academic Enterprise

**Implementation Date:** September 1, 2026

### **Incentive Review and Validation**

Currently, the entire incentive calculation, review, and approval process is performed manually, from the initial calculation phase to the final payroll processing. Workflow status and historical changes are primarily managed through email correspondence and informal annotations on

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approval documents. This means there is an absence of a centralized system to track packet custody, current version status, or modifications made between different iterations. Consequently, the process heavily depends on individual diligence and institutional staff knowledge, which significantly elevates the risk of delayed approvals, the need for rework, undetected changes, and errors potentially carrying through to the final distribution of incentives.



### **Recommendation 004 High – Incentive Review and Validation:**

The Office of the Provost should strengthen governance over the incentive review and Payroll handoff process by implementing supporting reconciliation checks, a traceable workflow with centralized tracking, version control, and documented reapproval of any post review changes prior to payment.

**Management’s Response:** Performance Services currently has a folder on the secure Shared drive that tracks all documented approvals of the incentive payouts and ensures that there is approval documentation from leadership prior to making any changes requested. Regarding the version control and centralized tracking, Performance Services will ensure that the password protected files are saved as a new version with the date saved (where there are changes), which can be used for reconciliation and comparing the original calculations with the final calculations and payouts. Performance Services will continue to audit the payroll file and verify the incentive amounts are correct that payroll uploads prior to payroll processing.

**Responsible Party:** Associate Vice President Workforce Operations Academic Enterprise

**Implementation Date:** December 1, 2026

## **Conclusion**

We greatly appreciate the assistance provided by the Office of the Provost and Performance Services, and we hope that the information presented in our report is beneficial.

This audit was conducted in conformance with The Institute of Internal Auditors’ *Global Internal Audit Standards*. Additionally, we conducted the audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to

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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 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:

March 24, 2026

Report Distribution:

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 Academic Enterprise

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