



Office of Missouri State Auditor  
**Nicole Galloway, CPA**

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**FOLLOW-UP REPORT ON AUDIT FINDINGS**

University of Missouri  
System Administration

Report No. 2018-026

May 2018

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# University of Missouri System Administration

## Follow-Up Report on Audit Findings

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\*Includes selected findings



## **NICOLE GALLOWAY, CPA** **Missouri State Auditor**

Honorable Eric Greitens, Governor  
and  
Board of Curators of the University of Missouri  
and  
Dr. Mun Y. Choi, President  
University of Missouri - System Administration  
Columbia, Missouri

We have conducted follow-up work on certain audit report findings contained in Report No. 2017-012, *University of Missouri System Administration* (rated as Fair), issued in March 2017, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the administration of the University of Missouri System Administration about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
  - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
  - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
  - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
  - Not Implemented: Auditee has not implemented the recommendation and has no specific plans to implement the recommendation.

As part of the AFTER work conducted, we reviewed documentation provided by system administration and discussions with system administration to verify the status of implementation for the recommendations. Documentation provided by the system administration included payroll detail, new policies, and other pertinent documents. This report is a summary of the results of this follow-up work, which was substantially completed during February 2018.

A handwritten signature in black ink that reads "Nicole R. Galloway".

Nicole R. Galloway, CPA  
State Auditor

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# University of Missouri System Administration

## Follow-Up Report on Audit Findings

### Status of Findings

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#### 1.1 Incentive Payments

The Board of Curators or System President approved \$819,000 in incentive payments to top executives and administrators, including the chancellors of the 4 system campuses, for their performance during the years ended June 30, 2014 and 2015. An additional \$359,000 were paid in incentive payments for the fiscal year 2017. The incentive payments were made in accordance with Board of Curators approved Collected Rules and Regulations (CCR) 20.130, which allows the President to develop a pay system to facilitate recruitment, retention, and meaningful performance assessment of executive staff.

Incentive payments were made without a formalized and clearly defined process of how the additional compensation was to be earned, giving the appearance of year-end bonuses, which may violate the Missouri Constitution. The majority of these incentive payments were paid to administrators without formal approval by the Board of Curators of the individual amounts. Also, additional compensation is not included in the individual's published salaries, thereby reducing compensation transparency to the public. While the majority of the individuals participating in the incentive program are notified of their participation in the program through an offer letter or employment contract, no documentation was provided for two associate vice president-level employees to show they were clearly notified prior to the beginning of the year they were participating in the program.

#### Recommendation

Ensure the incentive pay program utilizes specific and objective measurement criteria to determine when incentive payments have been earned, and ensure all individuals participating in the program are clearly designated and notified. The Board of Curators should also ensure all incentive criteria have been met, approve all such payments, and ensure reported salaries include all compensation.

#### Status

##### **Implemented**

The incentive payment program has been eliminated as of March 10, 2017. In addition, incentive performance plans established through contracts for individuals reporting directly to the Board, including the System President, Board Secretary, and General Counsel, have been eliminated. No incentive payments have been issued since that date.

#### 1.2 Chancellor Transition

With the approval of the then UM System President, the Columbia campus created a new position for the former Chancellor following his resignation in November 2015. The duties of the new position (Director of National Security Research Development) were not supported by the strategic plans of the UM System or the Columbia campus, the compensation for the position was significantly higher than other research administrators, and the Chancellor was allowed to keep additional compensation not required in his original contract.



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**Recommendation**

Ensure compensation terms for administrators are in the best interest of the UM System, the universities, and taxpayers.

**Status**

**Implemented**

The new position was eliminated and this individual is no longer working as an administrator at the university. The individual currently works as a professor at the Columbia campus as required by his original contract.

**1.3 Vehicle Allowances**

Vehicle allowances paid to UM System executives appeared excessive and resulted in a lack of transparency in executive compensation. The method to calculate the vehicle allowances did not approximate the actual expenses incurred by the employees on behalf of the system. Rather, vehicle allowance amounts paid by the UM System were calculated to be equivalent to the system providing a leased luxury vehicle to each participating executive, including insurance and fuel. Fifteen positions received vehicle allowances during the year ended June 30, 2016.

**Recommendation**

Ensure vehicle allowances are based on reasonable estimates of actual mileage, or reimburse executives based on actual miles traveled.

**Status**

**Partially Implemented**

The UM System has stopped paying vehicle allowances for 8 of the 15 administrators who received them during the audit period. In addition, the system is phasing out two additional administrators' vehicle allowances as their contracts come up for renewal during calendar year 2018. The vehicle allowances will continue for 5 positions (the Chief of Staff, System President, General Counsel, and 2 campus Chancellors) as a component of their compensation contracts. The vehicle allowances were determined during compensation negotiations and not based on reasonable estimates of actual mileage or on actual miles traveled as recommended. The table below shows the monthly average vehicle allowance for these 5 positions. Three of the 5 allowances will be less than the amounts paid during the audit period.

**Monthly Average Vehicle Allowances by Position**

Position	Fiscal Year 2018	Fiscal Year 2016
System President	\$ 1,463	1,310
General Counsel	1,323	1,307
Chancellor, Rolla Campus	1,081	1,234
Chancellor, Columbia Campus	1,075	1,300
Chief of Staff	501	1,254