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Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of University of Missouri System Administration

Background	The State Auditor's Office has conducted a review of the University of Missouri System, covering the Board of Curators and System Administration. This audit did not include operations of the individual campuses or the University of Missouri Health System. Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents pertaining to procurement procedures, information technology, construction procedures, administrative expenditures, and human resources, among other areas; interviewing various personnel of the university system; and testing selected transactions.
Incentive Payments	In 2015, 2016 and 2017, the Board of Curators or System President approved approximately \$1.2 million in incentive payments to top executives and administrators for their performance during the preceding years. 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 are a violation of the Missouri Constitution. The majority of these payments, as well as approximately \$60,000 in retention bonuses, were paid to administrators without formal Board of Curators' approval of the individual amounts. Also, this additional compensation is not included in the individuals' published salaries, thereby reducing compensation transparency to the public.
Chancellor Transition	In November of 2015, R. Bowen Loftin resigned as Chancellor of the Columbia campus. He continued to receive his chancellor salary over the following 6 months, though he had no job title and no official responsibilities. Upon Loftin's resignation, then UM System President Tim Wolfe approved the creation of a new position, Director of National Security Research Development. In June 2016, interim president Hank Foley approved a new contract for Loftin in this position, retroactive to the previous month, at 75 percent of Loftin's chancellor salary, significantly higher than other research administrators. Under the terms of the contract, Loftin was allowed to keep additional compensation not required by his original contract, and was also granted "developmental leave" to spend the remainder of the year traveling with no clear objectives or deliverables required during this time, all while receiving both his salary, an additional \$50,000 travel budget, a \$15,560 vehicle allowance, and \$35,000 annual stipend. The duties of the new position of Director of National Security Research Development are not supported by the strategic plans of the UM System or the Columbia campus.
Vehicle Allowances	Vehicle allowances paid to UM System executives appear excessive and result in a lack of transparency in executive compensation. A total of approximately \$407,000 in vehicle allowance payments were made to an average of 15 top executive and administrative positions during the 2015 and 2016 fiscal years.

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## Treasurer's Salary

The Board of Curators approved the hiring and established the initial salary of the Treasurer/CIO, but have not approved subsequent merit increases, incentive payments, and retention agreements. State law requires the Treasurer's "compensation to be fixed by the board."

In the areas audited, the overall performance of this entity was **Fair**.\*

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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