



Report Highlights

Louisiana State University System – Stephenson Technologies Corporation

MICHAEL J. "MIKE"
WAGUESPACK, CPA

Audit Control # 50240015
Investigative Audit Services • May 2026

Why We Conducted This Audit

We received a request from Stephenson Technologies Corporation (STC), a nonprofit affiliate of LSU, to investigate concerns regarding the alleged misuse of STC funds, noncompliance with law, and conflicts of interest concerning individuals formerly associated with STC.

What We Found

Failure to Properly Oversee Operations of Nonprofit Affiliate

In September 2015, the LSU Board of Supervisors (LSU Board) approved STC as an LSU affiliate to pursue research and development (R&D) contracts with the federal government for LSU's financial benefit. In February 2019, LSU's Office of Internal Audit (Internal Auditor) completed an audit of STC. The audit found that STC: (1) failed to sign an affiliation agreement with LSU; (2) had not reimbursed LSU for financial support LSU provided; and (3) had paid unapproved compensation to an LSU employee who also served as STC's Chief Executive Officer (CEO), President, and Board Chairman.

During our audit, we found that LSU failed to provide adequate oversight of STC's operations and did not implement the Internal Auditor's recommendations. Moreover, LSU did not enter into an affiliation agreement with STC until May 2023; did not obtain reimbursement from STC for support LSU provided; and did not elect STC board members for more than three years. During this time, the LSU employee who served as STC's CEO, President, and Board Chairman continued to receive compensation from STC without LSU approval. By failing to properly oversee STC's operations, LSU management may have violated the Louisiana Constitution, which prohibits the donation of public funds, and state law.

STC Improperly Paid Compensation and Benefits to an LSU Employee and Other STC Executive Management Team Members

STC paid at least \$1,345,488 to or for the benefit of Jeffrey Moulton between 2017 and 2022. This amount included wages, incentive pay, paid time off, deferred compensation, severance, a golf club membership and related charges, and lease payments for a Baton Rouge condo Mr. Moulton claimed was his personal residence (collectively referred to as "compensation and benefits"). As a full-time LSU employee, Mr. Moulton was prohibited from receiving compensation and benefits from STC without LSU's approval. None of Mr. Moulton's STC compensation was properly approved by LSU, as required by Louisiana law and LSU policy.

Continued on next page

What We Found (Cont.)

Records also show that STC paid other STC executive management team members (CEMT) \$364,139 in incentive payments, \$648,192 in severance payments, and at least \$60,589 in club membership benefits that were not approved by an LSU-approved STC Board despite the fact that LSU is its sole member. We further found that Louisiana Department of Economic Development (LED) funds were used to pay a portion of the compensation and benefits to CEMT members. By improperly paying compensation and benefits to an LSU employee and other CEMT members, STC management may have violated LSU policy, the Louisiana Constitution, and state and federal law.

STC Management Obtained R&D Projects for an Unaffiliated Entity

Records show that STC management members and employees, including Mr. Moulton and John Pursley, incorporated Stellar, an unaffiliated nonprofit corporation, in September 2018 to obtain R&D contracts from the federal government. Although certain management members were fiduciaries of STC and its sole member, LSU, they obtained R&D projects for Stellar exceeding \$57 million that did not benefit STC or LSU. In addition, records show that these STC management members and employees also received at least \$5,513,134 in reported compensation and taxable benefits from Stellar between 2019 and 2023. STC is now financially distressed and reliant on state funding from LED to meet its operating expenses. By obtaining funds for Stellar and receiving compensation and benefits from Stellar, Mr. Moulton and others may have breached their fiduciary duties to STC and LSU and violated LSU policy and state and federal law.

STC Improperly Funded Office Space for an Unaffiliated Entity

STC accounting records show STC paid \$626,554 for leasehold improvements to expand its Baton Rouge office space and \$412,426 to lease the expanded space between December 2021 and October 2024. Approximately one-fourth of the expanded space was dedicated for Stellar's use; however, it does not appear that the STC Board approved funding of office space for Stellar. STC expensed the leasehold improvements and lease costs to LED and STC's federal government clients. By funding office space for Stellar, STC management may have violated the Louisiana Constitution, which prohibits the donation of public funds, and state and federal law.

STC Paid a Contractor for Legal Services Who May Not Have Been Licensed to Practice Law

Records show STC paid \$616,929 in compensation and benefits to a contractor, Scott Draughon, through his Florida company, The MyTechnologyLawyer Corporation (MTL) between January 2019 and January 2022. According to emails and the invoices MTL submitted to STC, Mr. Draughon was referred to as STC's attorney who reviewed, edited, and negotiated changes to public and private contracts on STC's behalf. However, we found no record that Mr. Draughon is licensed to practice law in Louisiana, and Mr. Draughon is ineligible to practice law in Florida. If Mr. Draughon received compensation from STC (and Stellar) related to the practice law without being licensed to do so, Mr. Draughon may have violated state law.