

# **Stephen F. Austin State University**

## **25-104 LERR and STARs Expenditures**

**As of March 31, 2025**

**Audit Report 25-104**



## **Department of Audit Services**

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### **EXECUTIVE SUMMARY**

The Department of Audit Services has completed an audit of the University's Library, Equipment, Repair, and Rehabilitation (LERR) and Faculty Science and Technology Acquisition and Retention (STARS) expenditures.

#### **AUDIT OBJECTIVES**

The audit objective was to gain assurance that the University is in compliance with LERR and STARS budget rules and procedures and expenditure guidelines.

#### **SCOPE**

The audit scope included the University's LERR and STARS expenditures for fiscal years 2024 and 2025 through March 2025.

#### **SUMMARY OF AUDIT RESULTS**

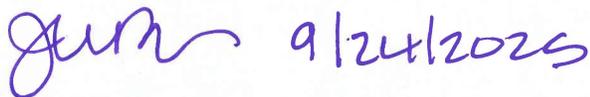
We gained assurance that the University was generally in compliance with the applicable LERR and STARS expenditure guidelines as prescribed by the University of Texas System (UTS) guidance. While performing our audit, we noted an opportunity to strengthen controls, enhance compliance, or improve processes. Additional details can be found in *Details of Audit Observations*.

Observation	Rating*
1 – LERR & STARS Non-Eligible Expenditures	Low

\* See Appendix 1 for Observation Rating descriptions

#### **ACKNOWLEDGMENTS**

We appreciate the assistance provided to us during our audit by the Office of Financial Reporting.



Jane Ann Bridges, CPA, CIA, CFE  
Chief Audit Executive  
Stephen F. Austin State University

**DETAILS OF AUDIT**

**BACKGROUND**

The Department of Audit Services has completed an audit of Library, Equipment, Repair, and Rehabilitation (LERR) and Faculty Science and Technology Acquisition and Retention (STARs) expenditures.

Article VII, Section 18 (b) of the Texas Constitution authorizes the University of Texas System (UTS) Board of Regents to issue bonds and notes secured by UTS's interest in the Permanent University Fund for the purpose of:

- Acquiring land, with or without permanent improvements.
- Constructing and equipping buildings or other permanent improvements.
- Major repair and rehabilitation of buildings and other permanent improvements.
- Acquiring capital equipment.
- Acquiring library books and library materials.

It is for the last three purposes that the UTS Board of Regents established the LERR, STARs (including Faculty and Rising STARs), and similarly funded programs.

The following amounts were budgeted for Stephen F. Austin State University (University) for fiscal years 2024 and 2025:

Program	Fiscal Year 2024	Fiscal Year 2025
LERR	\$ 4,200,000	\$ 4,200,000
STARs	\$ 800,000	\$ 800,000
<b>Total</b>	<b>\$ 5,000,000</b>	<b>\$ 5,000,000</b>

**AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY**

The audit objective was to gain assurance that the University is in compliance with LERR and STARs budget rules and procedures and expenditure guidelines.

The audit scope included the University's LERR and STARs expenditures for fiscal years 2024 and 2025 through March 2025.

The audit was conducted in accordance with the *Global Internal Audit Standards* and *Generally Accepted Government Auditing Standards* (GAGAS). The 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 findings and conclusions based on our audit objectives. The Department of Audit Services is independent

per both standards for internal auditors. We communicated other, less significant issues separately to University management.

The audit methodology consisted of performing a risk assessment; reviewing applicable policies, procedures, laws, and best practices; assessing internal controls; interviewing appropriate University personnel; testing for compliance with applicable LERR and STARS expenditure guidelines; reviewing supporting documentation; evaluating opportunities for fraud to occur; and performing other procedures as deemed necessary.

The audit criteria included:

- *UTS Permanent University Fund Bond Proceeds for Library Equipment, Repair and Rehabilitation (LERR) and Faculty Science and Technology Acquisition and Retention (STARS) and Similar Funded Programs Budget Rules and Procedures.*
- *UTS Permanent University Fund Bond Proceeds for Library Equipment, Repair and Rehabilitation (LERR) and Faculty Science and Technology Acquisition and Retention (STARS) and Similar Funded Programs Expenditure Guidelines.*
- *UTS Science and Technology Acquisition and Retention (STARS) Program Administration Guidelines and FAQs.*
- UTS policies.
- University procedures.

**DETAILS OF AUDIT OBSERVATIONS**

**Observation 1: LERR & STARS Non-Eligible Expenditures**

**Background:** The UTS Permanent University Fund Bond Proceeds for Library Equipment, Repair and Rehabilitation (LERR) and Faculty Science and Technology Acquisition and Retention (STARS) and Similar Funded Programs Expenditure Guidelines include the following guidance for use of program funds:

- **Operating Expenses** - “Consumables, which include those items that have an expected useful life of less than one year, are not eligible for LERR or STARS program funds, as these are considered operating expenses. Some examples include, but are not limited to, chemicals, gases, paper, staplers and other office supplies, toner cartridges, medical supplies, disposal services, and laboratory supplies.”
- **Warranties and Similar Service Features** - “The cost of warranties and similar service features related to a purchase of capital equipment (such as maintenance agreements and loaner programs) are not eligible for LERR, STARS, or similar program funds as these are considered operating expenses. This ineligibility also applies to warranty and similar service feature costs separately identified during original purchase. For example, a warranty agreement charge that is separately identified on a laptop purchase is not allowed.”

**Observation:** As part of our audit procedures, we reviewed the following LERR & STARS transactions:

Program	Fiscal Year 2024		Fiscal Year 2025 (as of 03/31/25)	
	Transactions	Expenditures	Transactions	Expenditures
LERR	755	\$3,809,293.27	431	\$1,336,256.60
STARS	151	\$ 712,406.33	116	\$ 405,851.69
<b>Total</b>	<b>906</b>	<b>\$4,521,699.60</b>	<b>547</b>	<b>\$1,742,108.29</b>

We identified non-eligible LERR and STARS expenditures as summarized in the chart below:

Program	Non-Eligible Category	Number of Transactions	Amount of Transactions
LERR	Operating Expenses	7	\$ 18,375.98
	Warranties/Service Agreements	10	\$ 92,054.16
		<b>17</b>	<b>\$110,430.14</b>
STARS	Operating Expenses	22	\$ 5,829.96
	Warranties/Service Agreements	2	\$ 2,314.95
		<b>24</b>	<b>\$ 8,144.91</b>

**Observation Rating:** Low

**Recommendation:** Management should strengthen procedures for identifying non-eligible LERR & STARS expenditures to help ensure compliance with the guidelines. In addition, management should determine the proper treatment of the non-eligible expenses identified.

**Management Response:** Management will strengthen procedures for monitoring the awarding and expending of program funds to reduce the risk of loss of funding. Management will also identify non-eligible LERR & STARS expenditures and determine the proper treatment of the non-eligible expenses.

**Responsible Party:** Senior Vice President for Organizational Effectiveness

**Implementation Date:** December 31, 2025

**APPENDIX 1 SFASU AUDIT SERVICES OBSERVATION RATINGS**

Audit Services uses professional judgment to rate the audit observations identified in audit reports. The audit observation ratings are determined based on the risk or effect of the issues in relation to the audit objective(s), along with other factors. These factors include, but are not limited to, financial impact; potential failure to meet area/program/function objectives; level of compliance with laws, regulations, and other requirements or criteria; adequacy of the design of control activities and information system activities; level of potential fraud, waste, or abuse; control environment; history of audit issues; and other pertinent factors.

The table below provides a description of the audit observation ratings used by SFASU Audit Services.

SFASU Audit Services Observation Ratings	
Rating	Description
Priority	The audit observation presents risks or issues that if not addressed could critically impact the University as a whole or the area/program/function audited. Immediate action is needed to address the audit observation. Priority observations are reported to the UT System Audit, Compliance, and Risk Management Committee.
High	The audit observation presents risks or issues that if not addressed could substantially impact the University as a whole or the area/program/function audited. Prompt action is needed to address the audit observation and reduce risks to a more desirable level.
Medium	The audit observation presents risks or issues that if not addressed could moderately impact the University as a whole or the area/program/function audited. Action is needed to address the audit observation and reduce risks to a more desirable level.
Low	The audit observation does not present significant risks or issues that could negatively impact the University as a whole or the area/program/function audited. Action is needed to address the audit observation.

Some recommendations made during an audit are considered of minimal risk, and the observations are verbally shared with management during the audit or pre-exit meeting.