

THRIVE ACADEMY
SPECIAL SCHOOLS AND COMMISSIONS



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED NOVEMBER 14, 2018

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

ASSISTANT LEGISLATIVE AUDITOR
FOR STATE AUDIT SERVICES
NICOLE B. EDMONSON, CIA, CGAP, MPA

DIRECTOR OF FINANCIAL AUDIT
ERNEST F. SUMMERVILLE, JR., CPA

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Thrive Academy
Special Schools and Commissions

November 2018

Audit Control # 80180101

Introduction

The primary purpose of our procedures at Thrive Academy (Thrive) was to evaluate certain controls Thrive uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide overall accountability over public funds.

Results of Our Procedures

We evaluated Thrive's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of Thrive's controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures on selected controls and transactions relating to payroll and non-payroll expenditures.

Current-report Findings

Weaknesses in Controls over Payroll

Thrive did not ensure that all personnel records were maintained, time sheets were properly certified and approved, hours worked per time sheets and hourly rates agreed with payroll, salaried employee attendance was adequately documented, and leave records were accurately maintained. These control weaknesses increase the risk of payroll error and/or fraud and may result in a loss of state and/or federal funds.

Our review of personnel records disclosed the following:

- Documentation to show teacher credentials, including the years of service, was not provided. Without this documentation, we could not determine if the teachers were being paid in accordance with the approved pay scale.
- Contracts were not provided for six (20%) of 30 salaried employees. Thrive management represented that contracts are required for salaried employees. Without the contracts, we could not determine if the employees were being paid

the correct salary. Of the 24 contracts provided, 16 (67%) were not signed by the employee.

A test of time sheets for 27 hourly employees disclosed the following:

- Hours paid for 12 (44%) time sheets did not agree to the hours worked on the time sheet.
- Five (19%) time sheets lacked evidence of the supervisor's approval.
- Hours worked on two (7%) time sheets were paid using the incorrect hourly rate.
- One (4%) time sheet was not provided.
- One (4%) time sheet lacked the employee's signature.

A test of 13 biweekly payroll payments for salaried employees disclosed the following:

- The rate paid for two (15%) employees did not agree with the biweekly contract rate.
- Of the biweekly payroll payments tested, 10 were for instructional staff who are required to sign in and out daily. Sign-in sheets for July 1, 2017, through October 3, 2017, could not be located. Three (30%) of the 10 payroll payments tested did not have daily attendance documentation, including two occasions during the period noted above. For all 10 items, there was no evidence of supervisor review of the sign-in sheets to certify that instructional staff attendance was accurate.
- Adequate documentation of leave balances was not maintained. Thrive used a spreadsheet to track leave taken. However, the spreadsheet did not include the beginning balance to show the leave each employee was entitled to and leave accrued from prior state service, did not deduct leave as it was taken, and was not periodically reconciled to ensure that no one exceeded their leave balance. In addition, Thrive's practices did not align with its written policy. Written policy states that paid time off (leave) days will be accrued at the rate of .66 days per pay period up to the maximum days allowed for the employee. In practice, all leave days are earned at the beginning of the school year.

Good internal control includes documenting the approved salary or rate of pay amount in employees' personnel folders and maintaining records to account for leave earned and taken by employees. Thrive's payroll policies and procedures require hourly employees to complete a time sheet that includes the signature of the employee and supervisor to certify its accuracy. Instructional staff are required to sign in and out daily as evidence of attendance. Thrive's policies did not address documentation required to be maintained in the personnel folders and its management did not ensure that employees followed established policies and procedures for certifying and approving time sheets or for signing in and out.

Thrive management should ensure that all personnel records are maintained; emphasize compliance with established policies and procedures through employee training, guidance, and oversight; update policies and procedures in a timely manner to reflect current practices; and ensure that leave records are accurately maintained. Management concurred with the finding and provided a plan of corrective action (see Appendix A, pages 1-2).

Services Procured Without a Contract

Thrive procured legal and personal services totaling \$36,957 from two vendors without the initiation of formal contracts. Failure to formalize contracts for legal and personal services that include all provisions required by law increases the risk of misunderstandings and/or nonperformance of needed services without any protection, including remedies for default.

A review of expenditures during the period July 1, 2017, through March 31, 2018, disclosed that Thrive procured legal services totaling \$19,546 from the same vendor seven separate times and personal services totaling \$17,411 from the same vendor seven separate times. Louisiana Administrative Code requires a contract for legal and personal services. In addition, Division of Administration, Office of State Procurement approval is needed for contracts that exceed Thrive's delegated purchase authority of \$2,000. This noncompliance occurred because Thrive did not have written procurement policies and procedures, and employees responsible for procurement activities were not properly trained.

Thrive management should establish written procurement policies and procedures to ensure that state procurement laws and regulations are followed; ensure that employees responsible for procurement activities are properly trained; and provide oversight of procurement activities. Management concurred with the finding and provided a plan of corrective action (see Appendix A, pages 3-4).

Payroll Expenditures

Salaries and related benefits comprised 62% of Thrive's expenditures in fiscal year 2018. We obtained an understanding of Thrive's controls over the time and attendance function and reviewed selected personnel records, employee time statements, and leave records from the period July 1, 2017, through March 31, 2018. Based on the results of our procedures, Thrive did not have adequate controls in place over the time and attendance function (see Current-report Findings).

Non-payroll Expenditures

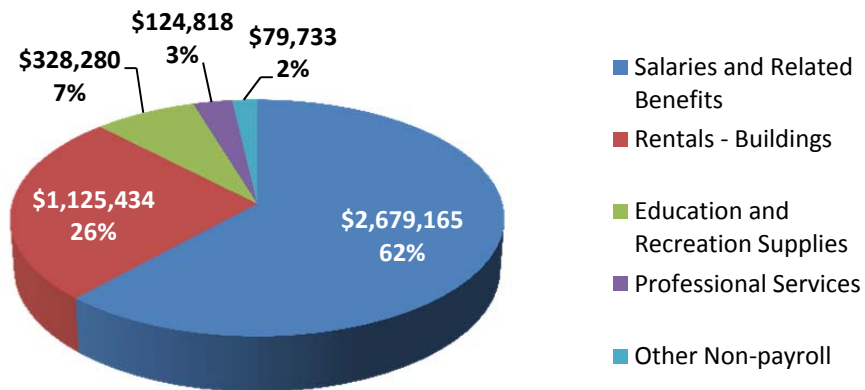
Expenditures for contracts, leases, and other non-payroll expenditures comprised 38% of Thrive's expenditures in fiscal year 2018. We obtained an understanding of Thrive's controls over the procurement function and examined selected transactions. Based on the results of our procedures, except as noted in the Current-report Findings section, Thrive had adequate controls in place to ensure that purchases were properly authorized, made for proper business purposes,

accurately recorded, adequately supported, and in compliance with applicable laws and regulations.

Trend Analysis

We prepared an analysis of Thrive’s expenditures and revenues, by type. As shown in Exhibit 1, Thrive’s expenditures in fiscal year 2018 totaled \$4,337,430, with 62% of those expenditures related to salaries and related benefits.

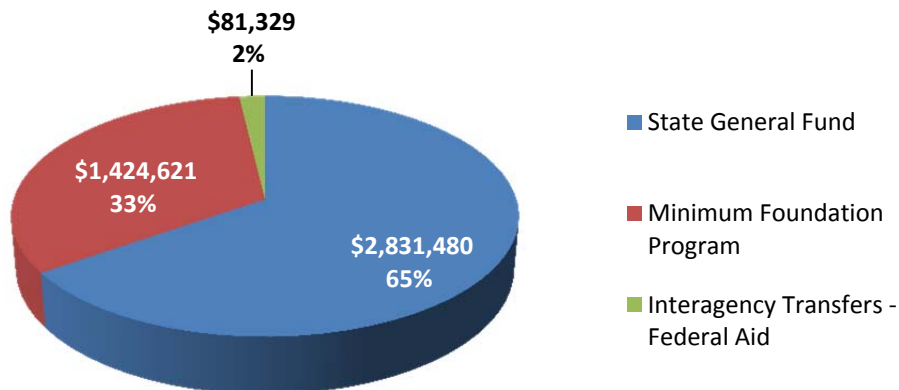
Exhibit 1
Fiscal Year 2018 Expenditures
Total: \$4,337,430



Source: Integrated Statewide Information System

As shown in Exhibit 2, Thrive’s primary source of revenue is state general funds.

Exhibit 2
Fiscal Year 2018 Revenue
Total: \$4,337,430



Source: Integrated Statewide Information System

Under Louisiana Revised Statute 24:513, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Daryl G. Purpera, CPA, CFE
Legislative Auditor

FD:CRV:RR:EFS:aa

THRIVE 2018

APPENDIX A: MANAGEMENT'S RESPONSES



2585 Brightside Drive | Baton Rouge, LA 70820 | (225) 726-3355

October 15th, 2018

Daryl G. Purpera
Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804

Dear Mr. Purpera,

Please accept this letter as the formal response to the 2018 Thrive Academy audit finding of *weakness in controls over payroll*.

Thrive Academy concurs with this finding.

Thrive has taken several steps to correct the weakness in the payroll controls.

1. Policies and procedures around payroll and personnel folders were re-written based on the audit conversations. The staff handbook now specifies what is to be included in each personnel folder and the staff was trained on the new policies during the summer orientation.
2. Thrive will be doing a twice yearly internal audit of personnel folders to ensure they align with what is in policy.
3. New payroll policies include both a time clock system to ensure employees were present and timesheets for part-time employees to ensure the hours worked were those that were supposed to be worked.
4. Supervisors were trained on the new policies during the summer orientation.
5. Thrive Academy purchased a School Check-in system which allows employees to "clock-in/out" using a finger print scan. The staff was trained on the new system and it was fully operational by the end of September 2018.

6. Thrive will do a once yearly internal audit of payroll controls to ensure compliance with the new polices.

The School-Check-in system has proven to have some technical difficulties, however, the newly written policies set forth a way to handle check-in/out issues. We expect the system to be operating without issue by the end of October 2018.

Sincerely,

A handwritten signature in black ink, appearing to be 'S. Broome', with a long horizontal flourish extending to the right.

Sarah Broome
Executive Director



2585 Brightside Drive –|– Baton Rouge, LA 70820 –|– (225) 726-3355

October 15th, 2018

Daryl G. Purpera
Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804

Dear Mr. Purpera,

Please accept this letter as the formal response to the 2018 Thrive Academy audit finding of *services procured without a contract*.

Thrive Academy concurs with this finding.

As a first year agency, we were learning the state's rules and regulations as we worked through individual issues. It was our understanding at the time (which we now understand to be incorrect) that each invoice was to be processed separately if they were sent separately. For this reason, we did not enter into formal contracts approved by the Office of State Procurement for these two vendors.

After being alerted to this issue during the audit, our Operations Director, Mrs. Christie Monroe set-up an individual appointment at the Office of State Procurement to walk through the needed additional training. This individual meeting allowed us to address the issue right away while awaiting a formal OSP training to open up. On September 17th, 2018, she also attended a formal training with OSP.

In addition to the increased training, Thrive Academy revised all procurement policies and procedures to more accurately align with the state process. Mrs. Monroe spent time with the staff at LSDVI learning how they operate and we have worked to get all policies and procedures correctly aligned.

Moving forward, the Executive Director will check all invoices to ensure a contract is not needed.

Sincerely,

A handwritten signature in black ink, consisting of a stylized initial 'S' followed by a long horizontal line.

Sarah Broome
Executive Director

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Thrive Academy (Thrive) for the period from July 1, 2017, through June 30, 2018. Our objective was to evaluate certain controls Thrive uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide accountability over public funds. The scope of our procedures, which are summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit or review Thrive's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. Thrive's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated Thrive's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to Thrive.
- Based on the documentation of Thrive's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to payroll and non-payroll expenditures.
- We prepared an analysis of Thrive's expenditures and revenues using Thrive's system-generated reports.

The purpose of this report is solely to describe the scope of our work at Thrive and not to provide an opinion on the effectiveness of Thrive's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purpose.