

THRIVE ACADEMY  
SPECIAL SCHOOLS AND COMMISSIONS



FINANCIAL AUDIT SERVICES  
PROCEDURAL REPORT  
ISSUED NOVEMBER 25, 2020

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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



## Thrive Academy

November 2020

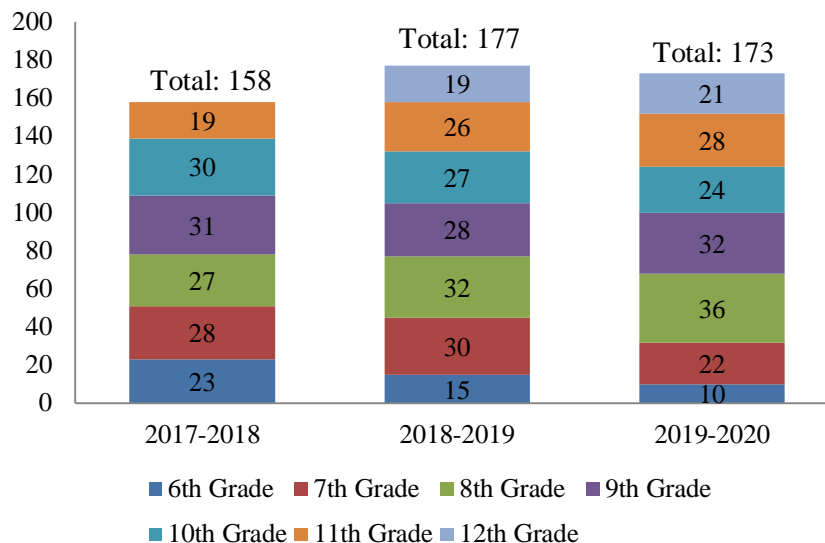
Audit Control # 80200030

## 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 accountability over public funds. In addition, we determined whether management has taken action to correct the findings reported in the prior report.

Thrive, located in Baton Rouge, provides residential and educational services to at-risk students in grades 6 through 12. Exhibit 1 shows student enrollment over the past three school years.

**Exhibit 1**  
**Student Enrollment\* – School Years 2018 through 2020**



**Source:** Prepared by Legislative Auditor's staff using information obtained from Thrive

\*Based on October 1 student counts.

## 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 expenditures, leave records, contract expenditures, school admissions, LaCarte purchasing card expenditures, movable property, and lease expenditures.

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## **Follow-up on Prior-report Findings**

We reviewed the status of the prior-report findings in Thrive's procedural report dated November 14, 2018. The prior-report finding related to *Weaknesses in Controls over Payroll* has not been resolved and is addressed again in this report.

We determined that management has resolved the prior-report finding related to *Services Procured Without a Contract*.

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## **Current-report Findings**

### **Noncompliance with Record Retention Laws**

Thrive did not retain supporting documentation used to determine eligibility of applicants for enrollment and did not submit a record retention schedule to the state archivist in a timely manner. Louisiana Revised Statute (R.S.) 44:412 requires the head of each agency to establish and maintain an active, continuing program for the economical and efficient management of the records of the agency, and R.S. 44:411.A(1) requires that the head of each state agency submit a record retention schedule to the state archivist.

Thrive became a state agency on July 1, 2017, and was created to serve at-risk students. The board of directors for the school establishes criteria to be used in determining the eligibility of applicants for enrollment. A review of the school admissions process disclosed that documentation, such as questionnaires, school records, and scoring rubrics, used to determine student eligibility to attend Thrive for the 2018-2019 and 2019-2020 school years had not been retained. In addition, Thrive did not have a written records retention policy or a record retention schedule approved by the state archivist in effect during our engagement period. Thrive's designated records officer completed State Archives training on records management in June 2018 but the records retention schedule was not approved by State Archives until September 3, 2020. This noncompliance occurred due to a lack of internal controls to ensure that employees are properly trained on all applicable laws, including record retention requirements.

Failure to retain records to support eligibility determinations increases the risk that enrolled students do not meet the criteria for admission. Failure to submit a record retention schedule to the state archivist increases the risk that employees are not aware of records that should be retained and that there are other records that have not been properly retained.

Thrive management should ensure that records are retained in accordance with state laws and the record retention schedule approved by the state archivist, and provide training and oversight to

employees on record retention requirements. Management concurred with the finding and provided a plan of corrective action (see Appendix A, page 1).

### **Weaknesses in Controls over Payroll**

For the second consecutive engagement, Thrive did not ensure that all payroll and personnel records were maintained, time sheets were properly approved, and employees were accurately paid. These control weaknesses increase the risk that payroll error and/or fraud could occur and not be detected in a timely manner.

The exceptions noted were as follows:

- A test of time sheets for 27 salaried employees disclosed the following:
  - The personnel record for one (4%) employee was not provided.
  - The biweekly rate paid for two (7%) employees did not agree with the authorized rate in the personnel records, resulting in an underpayment of \$1,906 for one employee and an overpayment of \$40 for the other employee during our engagement period.
  - One (4%) time sheet was not provided.
- A test of time sheets for 20 hourly employees disclosed the following:
  - One (5%) time sheet lacked evidence of the supervisor's approval.
  - Hours worked on one (5%) time sheet were paid using the incorrect hourly rate, resulting in an overpayment of \$232.
  - Hours paid for one (5%) time sheet did not agree to the hours worked on the time sheet, resulting in an underpayment of \$344.
- In a review of 20 off-cycle payroll payments, documentation was not provided to show the purpose of one (5%) payment totaling \$172.

Good internal control includes maintaining personnel records and ensuring that employees are paid accurately. Thrive's payroll policies and procedures require employees to complete a time sheet that includes the signature or electronic sign-off of the employee and supervisor to certify its accuracy.

Thrive management should emphasize compliance with established policies and procedures through employee training, guidance, and oversight as well as strengthen internal controls to ensure that all personnel records are maintained and employees are accurately paid. In addition, management should identify and correct all inaccurate payments. Management concurred with the finding and provided a plan of corrective action (see Appendix A, pages 2-3).

### **Inadequate Controls over Leave Records**

For the second consecutive engagement, Thrive did not have adequate controls over employee leave records. Thrive did not have an adequate process in place to track the leave each employee was entitled to, leave accrued from prior state service, leave carried over from year to year, or leave taken as it was used.

These control deficiencies increase the risk that employees will use leave in excess of the maximum allowed, incorrect leave balances will be paid to an employee upon separation, and incorrect leave balances are used when determining retirement. Good internal controls include adequate procedures to ensure that leave records are timely and accurately updated each pay period.

Thrive management should establish a process to ensure leave records are adequately maintained on a regular basis to reduce the risk of improper leave use or incorrect leave balances used at separation and retirement. Management concurred with the finding and provided a plan of corrective action (see Appendix A, pages 4-5).

### **Weaknesses in Controls over LaCarte Expenditures**

Thrive employees failed to follow established policies and procedures for purchases made using the LaCarte purchasing card. A review of 35 LaCarte expenditure transactions totaling \$10,353 for the period May 6, 2019, through May 5, 2020 disclosed the following:

- Three (9%) transactions totaling \$1,268 lacked evidence of prior approval to make the purchases.
- One (3%) transaction included items that were not included on the approved authorization to purchase.
- One (3%) transaction for \$629 did not have a detailed receipt or other documentation that showed the items purchased.
- One monthly billing statement was not signed by the cardholder or the approver.

In a review of required reports for 10 months between June 2019 and May 2020, we noted that one of the 10 required reports was not generated for any of the months reviewed. While Thrive did certify to the Division of Administration's Office of State Travel that it was generating all required reports, this one report was not being generated.

Thrive's LaCarte policy requires employees to obtain prior authorization for LaCarte card purchases. State and Thrive policies both require that detailed receipts be maintained for all transactions; monthly billing statements be signed by the cardholder and approver; and required reports be generated and reviewed at least once a month. Failure to obtain prior authorization, to maintain adequate documentation, and to review billing statements and reports increases the risk that unauthorized, unallowed, or fraudulent purchases will be made and not detected in a timely manner.

Thrive management should enforce and monitor established policies and procedures to ensure that purchases are properly authorized, adequately supported, and reviewed. Management concurred with the finding and provided a plan of corrective action (see Appendix A, pages 6-7).

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## **Payroll Expenditures**

Salaries and related benefits comprised approximately 69% and 57% of Thrive's fiscal year 2019 and fiscal year 2020 expenditures, respectively. We obtained an understanding of Thrive's controls over the time and attendance function and reviewed selected personnel records and employee time statements from the period July 1, 2018, through May 31, 2020. Based on the results of our procedures, Thrive had control weaknesses over payroll (see the Current-report Findings section).

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## **Leave Records**

We obtained an understanding of Thrive's controls over leave records for the period July 1, 2018, through June 30, 2020. Based on the results of our procedures, Thrive did not have adequate controls in place over leave records to ensure that leave records were properly maintained and leave taken was properly accounted for (see the Current-report Findings section).

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## **Contract Expenditures**

We obtained an understanding of Thrive's controls over contracts and contract expenditures. We examined selected contracts during the period July 1, 2018, through May 31, 2020, for compliance with state law, and to ensure that they were properly authorized, adequately supported, and for a proper business need. Based on the results of the procedures, Thrive had adequate controls over contract expenditures.

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## **School Admissions**

R.S. 17:1971 authorizes Thrive to provide residential and educational services to certain at-risk students in grades six through twelve. We obtained an understanding of the admissions process and requirements necessary for enrollment but were unable to determine whether students met enrollment criteria because Thrive did not retain the supporting documentation used to determine eligibility (see the Current-report Findings section).

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## **LaCarte Purchasing Card Expenditures**

Thrive participates in the state of Louisiana's LaCarte purchasing card program. We obtained an understanding of Thrive's controls over access to and use of these cards.

We analyzed LaCarte card transaction listings for the period July 1, 2018, through May 5, 2020, and reviewed selected transactions. Based on the results of our procedures, Thrive had control weaknesses related to LaCarte expenditures (see the Current-report Findings section).

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## **Movable Property**

Thrive uses the property management module in the state's LaGov system to record the purchase and disposal of movable property. We reviewed purchases of movable property for the period July 1, 2018, through June 30, 2020, to determine whether Thrive had adequate controls in place to ensure property was accurately recorded in the property management system within 60 calendar days after receipt of the item as required by the Louisiana Administrative Code. Based on the results of our procedures, Thrive had adequate controls in place over movable property and complied with state policies.

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## **Lease Expenditures**

Thrive currently leases two school buildings and one dormitory. We obtained an understanding of Thrive's controls over leases and analyzed expenditure data for the period July 1, 2018, through June 30, 2020, to ensure compliance with the leases. Based on the results of the procedures, Thrive had adequate controls in place over leases and complied with the lease requirements.

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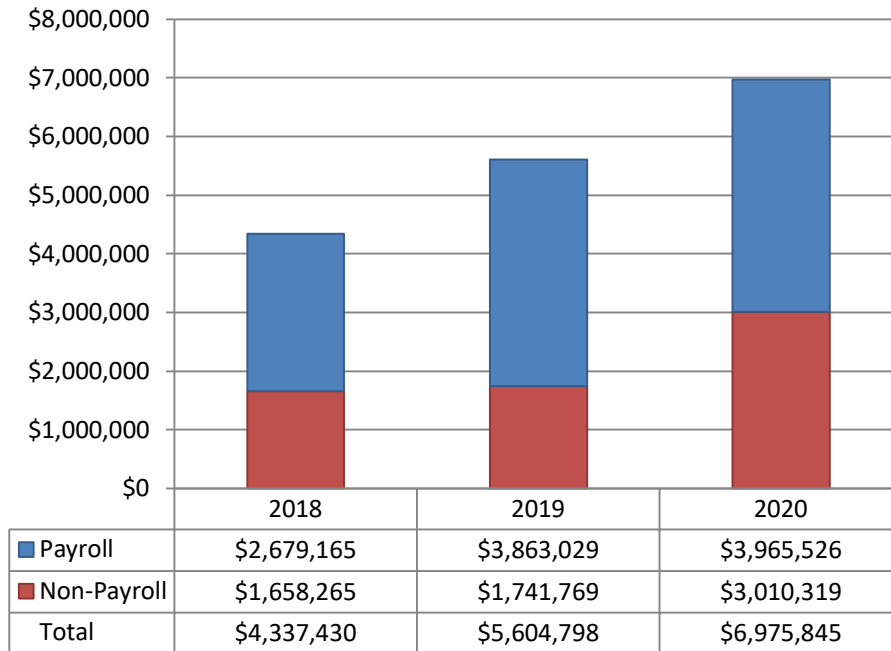
## **Trend Analysis**

We compared the most current and prior-year financial activity using Thrive's Annual Fiscal Reports and/or system-generated reports and obtained explanations from Thrive's management for any significant variances. We also prepared an analysis of Thrive's expenditures and revenues from fiscal year 2018 through fiscal year 2020.

Payroll expenditures accounted for 62%, 69%, and 57% of Thrive's expenditures in fiscal year 2018, fiscal year 2019, and fiscal year 2020, respectively. As shown in Exhibit 2, Thrive's expenditures increased in fiscal year 2020 mainly due to the leasing of a new school facility.



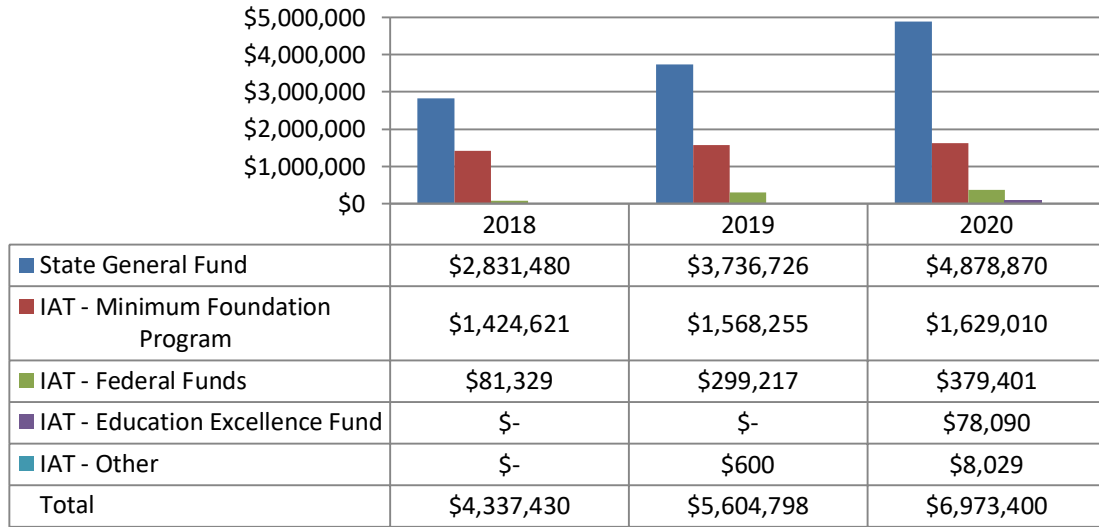
**Exhibit 2  
Expenditures – Fiscal Years 2018 through 2020**



**Source:** Integrated Statewide Information System and LaGov ERP Financial


A majority of Thrive’s revenues come from the State’s General Fund, while the remaining amount is received from other state agencies through Interagency Transfers (IAT). As shown in Exhibit 3, Thrive’s revenues have increased over the past three years, mainly due to an increase in State General Fund appropriations necessary for the additional lease expenditures identified in Exhibit 2 above.

**Exhibit 3**  
**Revenue by Appropriation Type – Fiscal Years 2018 through 2020**



**Source:** Integrated Statewide Information System and LaGov ERP Financial

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

Respectfully submitted,  
  
 Daryl G. Purpera, CPA, CFE  
 Legislative Auditor

DJD:CRV:RR:EFS:aa

## **APPENDIX A: MANAGEMENT'S RESPONSES**





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

October 2<sup>nd</sup>, 2020

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 2020 Thrive Academy audit finding of *noncompliance with records retention laws*.

Thrive Academy concurs with this finding.

The records retention plan was submitted to the state archives in December of 2019 and approved on September 3<sup>rd</sup>, 2020. Training for staff on this policy has been scheduled for October 9<sup>th</sup>, 2020 and will include an in-person training and online quiz to check for understanding. Training will be conducted by Diane Layrisson – the on-site custodian of state records.

Sincerely,

A handwritten signature in cursive script that reads "Sarah Broome".

Sarah Broome  
Executive Director



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

October 16<sup>th</sup>, 2020

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 2020 Thrive Academy audit finding of *Weakness in Controls over Payroll*.

Thrive Academy concurs with this finding.

Most of these are issues resulting from simple human error. In our current staffing model, additional oversight to catch these issues, however, as a result of the findings of this audit, we have added a new position – Chief Operating Officer – to help catch these errors moving forward. All over/under payments have been corrected.

The issue with the offer letters not matching in a few cases is a result of the challenge of the legislative budget process running at conflict with a school calendar. We provide offer letters to returning teachers at the end of the school year (May). If we do not do this, our teachers will be forced to look for employment at other schools. Due to the timing of the budget, we often do not know what we will be able to provide in terms of raises until June/July. For this reason, our teachers receive 2 offer letters – one in May at their current salaries and one in the late summer after session ends which reflects the budget session. For both employees at issue here – the offer letter in the file was the first and not the second – creating the discrepancy. An extra check will be put in place moving forward to ensure the first letter is replaced with the second.

Sincerely,

*Sarah Broome*

Sarah Broome  
Executive Director



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

October 16<sup>th</sup>, 2020

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 2020 Thrive Academy audit finding of *Inadequate controls over Leave Records*.

Thrive Academy concurs with this finding.

This is an issue we have been working to correct since our last audit. When we initially became a state agency – we were set-up incorrectly in the leave system. This was the issue that was caught in the last audit. While trying to fix this issue, we were incorrectly set-up again. In order to fix this issue, each staff member profile in LEO had to be hand corrected – a time consuming and complicated process. While waiting for that to be corrected, we tracked leave on both a spreadsheet. A binder was also used so that there was a visual cue when a staff member was running out of days of leave – but this was not available on the employee profile. When a staff member left, we calculated out any leave to be paid.

As of the writing of this letter, the employee profiles in LEO have been fixed and last years leave has been correctly entered. We are still working on entering prior years, but that project will be complete by the end of the year.

Sincerely,

*Sarah Broome*



Sarah Broome  
Executive Director



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

October 2<sup>nd</sup>, 2020

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 2020 Thrive Academy audit finding of *weaknesses in controls over LaCarte Expenditures*

Thrive Academy concurs with this finding.

These issues are minor clerical ones. They did not result from a lack of procedures, a lack of them generally being followed consistently or any other kind of maleficence - but rather as the result of simple, and ultimately, understandable, human error. The process to purchase any item includes anywhere from 8-10 steps. This finding identifies that one of those steps was missed on an extremely small percentage of transactions. All of these items included review at some point by the Executive Director. The simple fact is that with the comparatively extremely small administrative staff we have – it is nearly impossible to ensure that there won't be a missed step on a small fraction of the transactions – however – because our system has so many steps and checks – even when a step is missed – there is still no opportunity for maleficence.

The corrective steps we have taken include adding a staffing position of Chief Operating officer and reviewing with purchasing staff that they cannot execute purchase requests without checking for all needed signatures.

Although the missing LaCarte report was not included in the 2019 LaCarte audit – it has now been added to the reports Ms. Layrsson runs.

Sincerely,

*Sarah Broome*

Sarah Broome  
Executive Director



## APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Thrive Academy (Thrive) for the period from July 1, 2018, through June 30, 2020. Our objective was to evaluate certain controls Thrive uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. The scope of our procedures, which is 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, and results of our analytical procedures, we performed procedures on selected controls and transactions relating to payroll expenditures, leave records, contract expenditures, school admissions, LaCarte purchasing card expenditures, movable property, and lease expenditures.
- We compared the most current and prior-year financial activity using Thrive's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from Thrive's management for any significant variances that could potentially indicate areas of risk.

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.