

THRIVE ACADEMY SPECIAL SCHOOLS AND COMMISSIONS STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

**Procedural Report
Issued March 12, 2025**

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA



Thrive Academy

March 2025

Audit Control # 80240060

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.

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 relating to leave records, contract expenditures, movable property, payroll expenditures, LaCarte purchasing card expenditures, and lease expenditures.

Follow-up on Prior-report Findings

We reviewed the status of the prior-report findings in Thrive's procedural report dated November 21, 2022. We determined that management has resolved the prior-report finding related to Weakness in Controls over Payroll. The prior-report findings related to Inadequate Controls over Leave Records, Noncompliance with Contract Regulations, and Inadequate Controls over Movable Property have not been resolved and are addressed again in this report.

Current-report Findings

Inadequate Controls over Leave Records

For the fourth consecutive engagement, Thrive did not have adequate controls over employee leave records. Inadequate controls increase the risk that employees will

use leave in excess of the maximum amount allowed, incorrect leave balances will be paid to an employee upon separation, and incorrect leave balances will be used when determining retirement.

In a review of leave records for 28 of 82 employees who were eligible to earn leave, one (4%) had an inaccurate beginning vacation leave balance on July 1, 2022, and three (11%) had an inaccurate beginning vacation leave balance on July 1, 2023. The vacation leave balances for two employees were overstated by 3.49 and 9.00 hours, while the vacation leave balances for the other two employees were understated by 2.11 and 9.52 hours.

Thrive management stated that the issues were caused by human error. Good internal controls include adequate procedures to ensure that leave balances entered in the time tracking system align with written policies and are adequately supported.

Thrive management should implement a review process to ensure that leave employees are entitled to is accurately input into the time tracking system each year. Management concurred with the finding and provided a plan of corrective action (see Appendix A, page 1).

Noncompliance with Contract Regulations

For the second consecutive engagement, Thrive failed to obtain proper approval for contracts prior to incurring expenditures and also procured professional and consulting services without the initiation of formal contracts. In addition, Thrive failed to properly monitor contracts, failed to complete vendor performance evaluations in a timely manner, and made payments against current-year contracts for services provided during the prior-year contract period. Failure to obtain proper contract approvals and properly monitor contracts increases the risk for the procurement of fraudulent or unauthorized services. Failure to formalize contracts 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. Inadequate controls over recording contract payments increases the risk of inaccurate accounting records and financial reporting.

A review of 25 active contracts and expenditures, as well as other non-payroll expenditures, for the period July 1, 2022, through May 31, 2024, disclosed the following:

- Thrive incurred expenditures for 18 professional, consulting, personal, and social service contracts prior to obtaining Division of Administration, Office of State Procurement (OSP) approval. OSP approval is needed for contracts that exceed Thrive's delegated purchasing authority (DPA) of \$5,000. Forty-five payments totaling \$119,133 were made to vendors for services that were provided 13 days to 11 months prior to Thrive receiving contract approval from OSP. In addition, expenditures totaling \$928 were incurred for two of these contracts before the contracts were approved by Thrive management. However, payments

were not made until Thrive management and OSP approvals were received.

- Thrive made 13 payments totaling \$15,840 to five vendors for professional and consulting services without initiating a contract, as required by the Louisiana Administrative Code (LAC).
- Thrive made payments totaling \$58,936 to three vendors in fiscal year 2023 for services that were incurred in fiscal year 2022. While these payments were related to fiscal year 2022 activities, Thrive employees coded the payments in the accounting records to fiscal year 2023 contracts.
- Thrive failed to submit the performance evaluations for 11 contracts within 60 days of the contract end date as required by state law. The evaluations were submitted between 75 and 259 days after the contracts ended. In addition, performance evaluations and evidence of their submission to OSP were not provided for eight contracts.
- Thrive did not provide evidence to show that seven (70%) of 10 professional and consulting contracts reviewed were monitored in accordance with the monitoring plan outlined in each contract. In addition, two additional contracts did not include a monitoring plan for the vendor.

The LAC requires a contract for professional, personal, consulting, and social services; approval by OSP for contracts that exceed Thrive's DPA; and that contracts contain a monitoring plan. State law requires that a performance evaluation be completed for professional, personal, consulting, and social service contracts and be submitted to OSP within 60 days after the completion of performance. In addition, good internal controls require that an agreement between parties be executed, all necessary approvals are obtained prior to services being provided, and that payments are recorded to the correct contract and fiscal year in the accounting records. Thrive management indicated that the issues were due to employees having an incomplete understanding of all contract requirements.

Thrive management should ensure state procurement laws and regulations for contracts are followed, ensure that employees responsible for contracting activities are adequately trained, establish timelines to ensure contracts can go through the required approval process prior to the vendor providing services, provide oversight of contracting activities, and ensure contract payments are correctly recorded in the accounting records. Management concurred with the finding and provided a plan of corrective action (see Appendix A, pages 2 - 3).

Inadequate Controls over Movable Property

For the second consecutive engagement, Thrive employees did not accurately report information in the state's movable property system. Failure to accurately report information in the state's movable property system could result in inaccurate financial

reporting and could limit the ability to adequately monitor and safeguard those assets.

Our procedures disclosed that information for three assets with acquisition costs totaling \$10,586 that was cited as incorrect in the prior engagement had still not been corrected in the state's movable property system. In addition, a test of 30 assets with acquisition costs totaling \$145,718 that were acquired between July 1, 2022, and June 30, 2024, disclosed the following:

- 23 (77%) assets with acquisition costs totaling \$46,606 did not have the correct acquisition cost in the state's movable property system. The acquisition costs were understated by a total of \$6,676.
- 23 (77%) assets with acquisition costs totaling \$47,587 had the wrong acquisition date recorded in the state's movable property system. The acquisition dates differed by five to 273 days from the date the assets were received. In addition, 21 of these assets were entered in the state's movable property system 260 days after the required 60-day period.

Thrive management stated that these issues were due to human error caused by a lack of adequate training.

The LAC requires that all movable property having an original acquisition cost of \$1,000 or more be tagged with a uniform state of Louisiana identification tag and all pertinent inventory information be forwarded to the Louisiana Property Assistance Agency within 60 calendar days after receipt of the item.

Thrive management should correct all information that was previously reported incorrectly in the movable property system, ensure that all employees involved with property management activities are properly trained, and provide supervisory oversight to ensure movable property records are accurate and complete. Management concurred with the finding and provided a plan of corrective action (see Appendix A, page 4).

Leave Records

We obtained an understanding of Thrive's controls over leave records for the period July 1, 2022, through June 30, 2024, and performed procedures to evaluate whether leave balances were being recorded and tracked accurately. Based on the results of our procedures, Thrive did not have adequate controls in place over employee leave records (see the Current-report Findings section).

Contract Expenditures

We obtained an understanding of Thrive’s controls over contracts and contract expenditures. We examined all contracts and related expenditures, as well as other non-payroll expenditures, during the period July 1, 2022, through May 31, 2024, to ensure contracts received proper approvals before services were delivered by vendors and to ensure that contracts were initiated when required. We also ensured that contracts contained defined deliverables and monitoring plans, were properly monitored, performance evaluations were prepared and submitted timely, and expenditures were in line with the terms of the contracts and adequately supported. Based on the results of our procedures, Thrive did not comply with state law and did not obtain proper authorizations for contracts (see the Current-report Findings section).

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 and disposals of movable property for the period July 1, 2022, through June 30, 2024, to ensure property was accurately recorded in the property management system within 60 calendar days after receipt of the item as required by the LAC, that information entered was properly supported, and that Thrive properly disposed of assets in accordance with state regulations. Based on the results of our procedures, Thrive did not have adequate controls in place for recording property in the movable property system (see the Current-report Findings section).

Payroll Expenditures

Salaries and related benefits comprise approximately 55% and 57% of Thrive’s expenditures in fiscal years 2023 and 2024, 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, 2022, through April 30, 2024. Based on the results of our procedures, Thrive had adequate controls in place to ensure timely review and approval of employee time statements, and to ensure that employees were paid the amounts authorized.

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 the approval of purchases made with the LaCarte card.

We analyzed LaCarte card transaction listings for the period July 1, 2022, through April 5, 2024. Based on the results of our procedures, Thrive had adequate controls

to ensure that transactions were being electronically approved in accordance with Thrive and state policies.

Lease Expenditures

Thrive currently leases two school buildings and one dormitory. We analyzed lease expenditures for the period July 1, 2022, through June 30, 2024, to ensure compliance with the leases. Based on the results of our procedures, Thrive complied with the lease requirements.

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.

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, appearing to read "Mike Waguespack", with a long horizontal flourish extending to the right.

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

DJD:CRV:RR:BQD:ch

THRIVE 2024

APPENDIX A: MANAGEMENT'S RESPONSES



2585 Brightside Drive
Baton Rouge, LA 70820
Phone: (225) 367-6855
www.thrivebr.org

January 28, 2025

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
1600 North 3rd Street
Baton Rouge, LA 70804

RE: Audit Finding - Inadequate Controls over Leave Records

Dear Mr. Waguespack,

This letter serves as our official response to the above referenced audit finding as it relates to the procedural review engagement of Thrive Academy ("Thrive") for the two fiscal years ending June 30, 2024. Thrive concurs with this finding.

The exceptions noted were caused by human error. Thrive has implemented new procedures that include utilizing a standardized date calculator to quantify the days that should be used in the calculation of an employee's prorated leave balance with direction to retain the calculations in the fiscal year PTO records. Thrive will also perform a secondary review of these calculations and their input into state systems as staffing levels allow. The ongoing monitoring of this procedure will be overseen by our Human Resources Director.

Please let us know if any additional information or clarification can be provided. We wish to thank you and your office for your courtesy and cooperation during this review.

Sincerely,

Paul Sampson,
Superintendent
Thrive Academy



February 24, 2025

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
1600 North 3rd Street
Baton Rouge, LA 70804

RE: Audit Finding - Noncompliance with Contract Regulations

Dear Mr. Waguespack,

This letter serves as our official response to the above referenced audit finding as it relates to the procedural review engagement of Thrive Academy ("Thrive") for the two fiscal years ending June 30, 2024. Thrive concurs with this finding.

As a part of the corrective action plan, Thrive has implemented a new procurement system and operation structure which will require the following:

- All services requiring contracts will be formally initiated and the necessary approvals will be obtained before services and payment processing will begin. All contracts will include monitoring plans agreed to by the contractor/supplier and Thrive management.
- All department heads/contract monitors will be required to conduct ongoing monitoring of services completed by contractors/suppliers while using a new monitoring document which will include the use of a sign-in/out sheet which will also include service details and/or results. Monitors will maintain all sign-in/out sheets and submit them to the Chief Operating Officer as a part of the performance evaluation detailed below.
- All department heads/contract monitors will be required to complete and submit a performance evaluation for services rendered by contractors/suppliers after the completion of the school year. For contracts that conclude before the completion of the school year, a performance evaluation will be required to be submitted within 60 calendar days of the contract end date. Performance evaluations, along with monitoring documents, will be submitted to the Chief Operating Officer.
- The accounts payable team has enacted steps to ensure invoices received during the fiscal year close period are correctly classified to the contract under which services were rendered.
- An annual review of state and internal policies and procedures will be conducted to ensure ongoing compliance with state procurement laws and regulations for contracts.
- Thrive management will seek out detailed training from the Office of State Procurement to ensure all applicable state policy and regulations are currently being followed. The Chief Operating Officer will then conduct an annual training with department heads/contract monitors to serve as a review of existing policies and regulations and advise staff on any changes.

Thrive will complete its initial management training no later than June 30, 2025. All other steps detailed above have been put into place. The ongoing monitoring of these procedures will be overseen by our Chief Operating Officer.

Please let us know if any additional information or clarification can be provided. We wish to thank you and your office for your courtesy and cooperation during this review.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Paul Sampson', with a long horizontal flourish extending to the right.

Paul Sampson,
Superintendent
Thrive Academy



2585 Brightside Drive
Baton Rouge, LA 70820
Phone: (225) 367-6855
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January 28, 2025

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
1600 North 3rd Street
Baton Rouge, LA 70804

RE: Audit Finding - Inadequate Controls over Movable Property

Dear Mr. Waguespack,

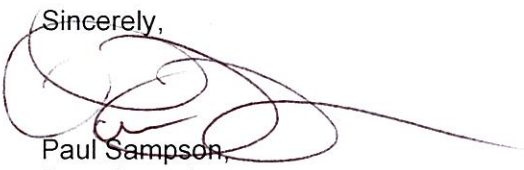
This letter serves as our official response to the above referenced audit finding as it relates to the procedural review engagement of Thrive Academy ("Thrive") for the two fiscal years ending June 30, 2024. Thrive concurs with this finding.

Thrive has terminated the employee responsible for the lack of proper control over moveable property and has hired a candidate with more advanced skill sets and experience to oversee this operation fully. This employee has been fully trained to gain an understanding of the policy and procedures for movable property. Thrive has also implemented a new procurement system to help better monitor and manage moveable property from purchase to tagging of inventory, and all staff members have been trained on the use this system. The ongoing monitoring of these procedures will be overseen by our Chief Operations Officer.

All errors related to the prior engagement have been updated and corrected in the respective system.

Please let us know if any additional information or clarification can be provided. We wish to thank you and your office for your courtesy and cooperation during this review.

Sincerely,



Paul Sampson,
Superintendent
Thrive Academy

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Thrive Academy (Thrive) for the period from July 1, 2022, through June 30, 2024. 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 relating to leave records, contract expenditures, movable property, payroll expenditures, LaCarte purchasing card expenditures, 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.