

THRIVE ACADEMY SPECIAL SCHOOLS AND COMMISSIONS STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

**Procedural Report
Issued November 21, 2022**

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA



Thrive Academy

November 2022

Audit Control # 80220009

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 payroll expenditures, leave records, contract expenditures, record retention, LaCarte purchasing card expenditures, movable property, 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 25, 2020. We determined that management has resolved the prior-report findings related to Noncompliance with Record Retention Laws and Weaknesses in Controls over LaCarte Expenditures. The prior-report findings related to Weaknesses in Controls over Payroll and Inadequate Controls over Leave Records have not been resolved and are addressed again in this report.

Current-report Findings

Weakness in Controls over Payroll

For the third consecutive engagement, Thrive did not ensure that all payroll records were maintained. This control weakness increases the risk that payroll error and/or fraud could occur and not be detected in a timely manner.

In a test of timesheets for 26 salaried employees and 20 hourly employees, timesheets for one or both weeks in the pay period tested were not provided for seven (27%) salaried employees and one (5%) hourly employee. As a result, we were unable to determine if the timesheets were adequately prepared, certified, and approved in accordance with Thrive policy, or if those timesheets adequately supported amounts paid for time worked and/or postings to leave records. Management indicated that human error was the reason that the payroll documentation was not properly maintained.

Thrive's policies and procedures require that employees complete timesheets with employee and supervisor signatures certifying to their accuracy. Good internal control includes maintaining all payroll records, including timesheets. Thrive management should strengthen internal controls to ensure that all payroll records are maintained. Management concurred with the finding and provided a plan of corrective action (see Appendix A, page 1).

Inadequate Controls over Leave Records

For the third 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.

A review of time and attendance and leave records disclosed the following:

- Thrive did not maintain adequate documentation to support the beginning balances entered in the statewide LaGov Human Capital Management (HCM) time tracking system when it corrected leave balances as part of their corrective action plan for the prior engagement finding.
- In a review of leave balances for 15 of 53 employees who were eligible to earn leave, six (40%) had inaccurate beginning balances on July 1, 2021. Their leave balances were overstated by three to seventeen days.
- In a review of 18 timesheets selected from those with recorded leave for the period covering July 1, 2021, through June 30, 2022, three (17%) had paid time off (PTO) taken during the summer that was not recorded in the time tracking system. Year-round employees receive

ten additional days of PTO to be utilized only during the summer months. Although Thrive personnel used LaGov HCM to track annual leave, sick leave, and leave without pay, PTO taken during the summer was not being tracked at all.

Thrive management stated that the issues were caused by human error and inadequate training on the state's time tracking system. Good internal controls include adequate procedures to ensure that leave records are timely and accurately updated in the time tracking system each pay period, leave balances entered align with written policies, and all supporting documentation is maintained.

Thrive management should establish a process to ensure that leave employees are entitled to is timely input into the time tracking system each year and reviewed for accuracy; ensure that employees are properly trained on how to use the time tracking system; and ensure leave records are adequately maintained 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, page 2).

Noncompliance with Contract Regulations

Thrive failed to obtain proper approval for four contracts prior to incurring expenditures and also procured professional, personal, consulting, and social services without the initiation of formal contracts. Failure to obtain proper contract approvals 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.

A review of active contracts and expenditures for the period July 1, 2020, through June 30, 2022, disclosed the following:

- Thrive executed four contracts for professional, consulting, and personal services without 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. Eight payments totaling \$36,742 were made to the vendors for services provided between July 2021 and May 2022.
- Thrive made 60 payments totaling \$82,681 to 11 vendors for professional, personal, and social services without initiating a contract, as required by the Louisiana Administrative Code.
- In addition to the previously noted exceptions, Thrive made three payments totaling \$5,250 to a vendor for consulting services prior to initiating a contract with the vendor. After the payments were made, Thrive attempted to enter into a contract with the vendor but the contract was never approved by OSP because Thrive did not provide additional documentation requested by OSP for approval. Thrive made

another payment totaling \$3,000 to the vendor after receiving OSP's request for more documentation. Thrive then procured the same services from a second vendor who was a former employee of the initial vendor and made a payment totaling \$3,277 to the second vendor prior to initiating a contract and obtaining OSP approval. Thrive submitted a contract to OSP for approval and continued to receive services from the second vendor while the contract was going through the approval process. After the contract was approved by OSP, Thrive paid the second vendor a total of \$5,800 for service periods included in the contract but the payments were charged to two different purchase orders instead of to the purchase order related to the contract. In addition, a payment of \$2,390 was made for services provided while the contract was going through the approval process that were not included in the approved contract.

The Louisiana Administrative Code requires a contract for professional, personal, consulting, and social services, and OSP approval is needed for contracts that exceed Thrive's DPA. In addition, good accounting controls should ensure that payments are recorded to the correct purchase orders. Thrive management indicated that the issues were due to human error and a lack of understanding of contract requirements.

Thrive management should establish written policies and procedures relating to the contracting process, ensure state procurement laws and regulations for contracts are followed, ensure that employees responsible for contracting activities are adequately trained, and provide oversight of contracting activities. Management concurred with the finding and provided a plan of corrective action (see Appendix A, page 3).

Inadequate Controls over Movable Property

Thrive employees did not accurately report information in the state's movable property system and did not maintain adequate documentation to support the information entered. Failure to accurately report information in the state's movable property system and to maintain the supporting documentation could result in inaccurate financial reporting and could limit the ability to adequately monitor and safeguard those assets.

A test of 24 assets that were active in the state's movable property system between July 1, 2020, and June 30, 2022, disclosed the following:

- Four (17%) assets did not have the correct acquisition cost in the state's movable property system. The acquisition cost for two assets was understated by a total of \$8,326, and the acquisition cost for two assets was overstated by a total of \$50. In addition, no acquisition date was entered for two of the assets.
- One asset had the wrong acquisition date recorded in the state's movable property system. The acquisition date differed by 22 days from the date the asset was received.

- Documentation showing the dates assets were received was not provided for 13 (54%) assets with acquisition costs totaling \$23,079. As a result, we could not determine if the dates reported in the property system were correct.

Thrive management stated that these issues were due to a lack of established procedures and personnel changes within the procurement department.

The Louisiana Administrative Code 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. Good internal controls include maintaining adequate supporting documentation for information input into the state's movable property system.

Management should establish written policies and procedures over property management activities; provide supervisory oversight to ensure that movable property records are accurate and complete; and maintain adequate documentation to support the information reported in the state's movable property system. Management concurred with the finding and provided a plan of corrective action (see Appendix A, page 4).

Payroll Expenditures

Salaries and related benefits comprised approximately 61% and 62% of Thrive's fiscal year 2021 and fiscal year 2022 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, 2020, through May 31, 2022. Based on the results of our procedures, Thrive did not ensure all payroll records were maintained (see the Current-report Findings section).

Leave Records

We obtained an understanding of Thrive's controls over leave records for the period July 1, 2021, through June 30, 2022, 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 during the period

July 1, 2020, through June 30, 2022, for compliance with state law and to ensure that they were properly authorized. 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).

Record Retention

We obtained an understanding of Thrive's student admissions process for the 2021-2022 school year and reviewed admissions documents for selected students to ensure Thrive retained adequate documentation used in determining eligibility of applicants. We also reviewed Thrive's record retention policy and records retention schedule. Based on the results of our procedures, Thrive retained supporting documentation used to determine eligibility of applicants during the 2021-2022 school year.

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 LaCarte purchases.

We analyzed LaCarte card transaction listings for the period July 1, 2020, through May 5, 2022, and reviewed selected transactions to determine whether Thrive obtained prior approval to purchase, purchases were made for proper business purposes, sufficient documentation was maintained to support purchases, and transactions were properly reviewed and recorded. Based on the results of our procedures, Thrive had adequate controls in place over LaCarte expenditures and complied with applicable policies and regulations.

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, 2020, through June 30, 2022, 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, and that information entered was properly supported. Based on the results of our procedures, Thrive did not have adequate controls in place over movable property (see the Current-report Findings section).

Lease Expenditures

Thrive currently leases two school buildings and one dormitory. We analyzed lease expenditures for the period July 1, 2020, through June 30, 2022, to ensure

compliance with the leases. Based on the results of our procedures, Thrive had adequate controls in place over leases and 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:BQD:EFS:aa

THRIVE 2022

APPENDIX A: MANAGEMENT'S RESPONSES



Thrive Academy
2585 Brightside Lane
Baton Rouge, La 70820
(225) 367-6855

November 2nd, 2022

Mr. Michael J. "Mike" Waguespack, CPA
Legislative Auditor
1600 N. Third Street
Baton Rouge, LA 70804

Dear Mr. Waguespack

Please accept this letter as the formal response to the 2022 Thrive Academy audit finding of weakness in controls over payroll.

Thrive Academy concurs with this finding. The findings were the result of human error. We have implemented new procedures which address the findings including transitioning to the CATS employee timekeeping system before December 31st, 2022. The transition and implementation will be overseen by our Human Resources Director.

Sincerely,

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

Paul Sampson
Superintendent
Thrive Academy



Thrive Academy
2585 Brightside Lane
Baton Rouge, La 70820
(225) 367-6855

November 2nd, 2022

Mr. Michael J. "Mike" Waguespack, CPA
Legislative Auditor
1600 N. Third Street
Baton Rouge, LA 70804

Dear Mr. Waguespack

Please accept this letter as the formal response to the 2022 Thrive Academy audit finding of inadequate controls over leave records.

Thrive Academy concurs with this finding. The findings were the result of human error. We have implemented new procedures which address the findings including transitioning to the CATS employee timekeeping system before December 31st, 2022. The transition and implementation will be overseen by our Human Resources Director.

Sincerely,

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

Paul Sampson
Superintendent
Thrive Academy



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2585 Brightside Lane
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November 2nd, 2022

Mr. Michael J. "Mike" Waguespack, CPA
Legislative Auditor
1600 N. Third Street
Baton Rouge, LA 70804

Dear Mr. Waguespack

Please accept this letter as the formal response to the 2022 Thrive Academy audit finding of noncompliance with contract regulations.

Thrive Academy concurs with this finding. We have implemented new procedures which address the findings which were the result of human error and lack of understanding of the contract procedures. We have developed a standard contract/service agreement to use with vendors for services totaling less than \$5,000. The transition and implementation will be overseen by our Chief Operating Officer.

Sincerely,

A handwritten signature in blue ink, appearing to read "Paul Sampson", with a long, sweeping underline.

Paul Sampson
Superintendent
Thrive Academy



Thrive Academy
2585 Brightside Lane
Baton Rouge, La 70820
(225) 367-6855

November 2nd, 2022

Mr. Michael J. "Mike" Waguespack, CPA
Legislative Auditor
1600 N. Third Street
Baton Rouge, LA 70804

Dear Mr. Waguespack

Please accept this letter as the formal response to the 2022 Thrive Academy audit finding of inadequate controls over moveable property.

Thrive Academy concurs with this finding. We have implemented new procedures which address the findings which were the result of human error. Our ERF's (Expenditure Request Forms) now require a signature and date from the person receiving the items. This will correct the action of failure to submit moveable property with the correct received date. The transition and implementation will be overseen by our Chief Operating Officer.

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, 2020, through June 30, 2022. 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 payroll expenditures, leave records, contract expenditures, record retention, 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.