

IDEA Public Schools

Compliance Report
for the year ended June 30, 2024

IDEA Public Schools

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**Independent Auditors' Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

To the Board of Directors of
IDEA Public Schools:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of IDEA Public Schools (the School), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, of cash flows, and of functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated **DATE OPEN**.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items #2024-001 through #2024-004 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item #2024-002.

The School's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DATE OPEN PENDING MANAGEMENT REVIEW AND APPROVAL

**Independent Auditors' Report on Compliance for Each Major
Federal Program; Report on Internal Control Over
Compliance; and Report on Schedule of Expenditures of
Federal Awards Required by the Uniform Guidance**

To the Board of Directors of
IDEA Public Schools:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited IDEA Public Schools' (the School) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2024. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the School, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance

and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items #2024-005 and #2024-007. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a

timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items #2024-005 through #2024-007 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The School's response was not subject to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the School as of and for the year ended June 30, 2024, and have issued our report thereon dated **DATE OPEN**, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

DATE OPEN PENDING MANAGEMENT REVIEW AND APPROVAL

IDEA Public Schools

Schedule of Expenditures of Federal Awards for the year ended June 30, 2024

| <u>FEDERAL GRANTOR</u> <u>Pass-through Grantor</u> <u>Program Title</u> | <u>Assistance</u> <u>Listing</u> <u>Number</u> | <u>Pass-through</u> <u>Entity Identifying</u> <u>Number</u> | <u>Federal</u> <u>Expenditures</u> |
|---|--|---|---------------------------------------|
| U. S. DEPARTMENT OF AGRICULTURE | | | |
| Passed through Texas Department of Agriculture: | | | |
| <i>Child Nutrition Cluster</i> | | | |
| #1 School Breakfast Program | 10.553 | 202323N109946 | \$ 8,419,662 |
| #2 School Breakfast Program | 10.553 | 202424N109946 | <u>23,867,728</u> |
| Total School Breakfast Program | | | <u>32,287,390</u> |
| #3 National School Lunch Program | 10.555 | 202323N109946 | 15,987,910 |
| #4 National School Lunch Program | 10.555 | 202424N109946 | 32,123,840 |
| #5 National School Lunch Program – Commodities (Note 2) | 10.555 | N/A | <u>970,998</u> |
| Total National School Lunch Program | | | <u>49,082,748</u> |
| Total Child Nutrition Cluster | | | <u>81,370,138</u> |
| #6 Child and Adult Care Food Program | 10.558 | N/A | <u>7,066,466</u> |
| Total U. S. Department of Agriculture | | | <u>88,436,604</u> |
| U. S. DEPARTMENT OF ENERGY | | | |
| Direct Federal Funding: | | | |
| #7 2024 Renew America's Schools | 81.XXX | DE-FOA-0003325 | <u>82,877</u> |
| U. S. DEPARTMENT OF EDUCATION | | | |
| Passed through Texas Education Agency: | | | |
| #8 Title I Grants to Local Educational Agencies | 84.010A | 23610101108807 | 9,994,733 |
| #9 Title I Grants to Local Educational Agencies | 84.010A | 24610101108807 | <u>40,963,616</u> |
| Total Title I Grants to Local Educational Agencies | | | <u>50,958,349</u> |
| <i>Special Education Cluster (IDEA)</i> | | | |
| #10 Special Education Grants to States | 84.027X | 225350021088075000 | 1,872,853 |
| #11 Special Education Grants to States | 84.027A | 236600011088076000 | 946,577 |
| #12 Special Education Grants to States | 84.027A | 246600011088076000 | <u>9,754,832</u> |
| Total Special Education Grants to States | | | <u>12,574,262</u> |
| #13 Special Education Preschool Grants | 84.173A | 246610011088076000 | <u>34,008</u> |
| Total Special Education Preschool Grants | | | <u>34,008</u> |
| Total Special Education Cluster (IDEA) | | | <u>12,608,270</u> |

(continued)

IDEA Public Schools

Schedule of Expenditures of Federal Awards for the year ended June 30, 2024 *(continued)*

| <u>FEDERAL GRANTOR</u> <u>Pass-through Grantor</u> <u>Program Title</u> | <u>Assistance</u> <u>Listing</u> <u>Number</u> | <u>Pass-through</u> <u>Entity Identifying</u> <u>Number</u> | <u>Federal</u> <u>Expenditures</u> |
|--|--|---|---------------------------------------|
| U. S. DEPARTMENT OF EDUCATION <i>(continued)</i> | | | |
| Passed through Texas Department of Education: | | | |
| #14 School Safely National Activities Mental Health Service Professional Demonstration Program | 84.184X | S184X230163 | <u>412,500</u> |
| Direct Federal Funding: | | | |
| #15 Charter Schools | 84.282 | U282M190022 | 9,265,815 |
| #16 Charter Schools | 84.282 | S282M200009 | <u>840,026</u> |
| Total Charter Schools | | | <u>10,105,841</u> |
| Passed through Texas Education Agency: | | | |
| #17 Twenty-First Century Community Learning Centers | 84.287C | 236950267110025 | 51,299 |
| #18 Twenty-First Century Community Learning Centers | 84.287C | 246950337110021 | <u>1,676,177</u> |
| Total Twenty-First Century Community Learning Centers | | | <u>1,727,476</u> |
| #19 English Language Acquisition State Grants | 84.365A | 23671001108807 | 1,420,250 |
| #20 English Language Acquisition State Grants | 84.365A | 24671001108807 | <u>575,352</u> |
| Total English Language Acquisition State Grants | | | <u>1,995,602</u> |
| #21 Supporting Effective Instruction State Grants | 84.367A | 23694501108807 | 3,836,321 |
| #22 Supporting Effective Instruction State Grants | 84.367A | 24694501108807 | <u>1,931,153</u> |
| Total Supporting Effective Instruction State Grants | | | <u>5,767,474</u> |
| Direct Federal Funding: | | | |
| #23 Teacher and School Leader Incentive Grants | 84.374 | S374A200045 | <u>355,541</u> |
| #24 Educational Innovation and Research | 84.411 | U411C190117 | <u>562,171</u> |
| Passed through Texas Department of Education: | | | |
| #25 Student Support and Academic Enrichment Program | 84.424A | 24680101108807 | <u>49,709</u> |
| #26 Education Stabilization Fund ESSER Grant II | 84.425D | 21521001108807 | 23,924 |

(continued)

IDEA Public Schools

Schedule of Expenditures of Federal Awards for the year ended June 30, 2024 *(continued)*

| <u>FEDERAL GRANTOR</u> <u>Pass-through Grantor</u> <u>Program Title</u> | <u>Assistance</u> <u>Listing</u> <u>Number</u> | <u>Pass-through</u> <u>Entity Identifying</u> <u>Number</u> | <u>Federal</u> <u>Expenditures</u> |
|---|--|---|---------------------------------------|
| U. S. DEPARTMENT OF EDUCATION <i>(continued)</i> | | | |
| Passed through Texas Department of Education: | | | |
| #27 Education Stabilization Fund ESSER Grant III | 84.425U | 21528001108807 | 87,927,297 |
| #28 Education Stabilization Fund ESSER-TCLAS High-Quality After-School | 84.425U | 215280587110071 | 515,615 |
| #29 Education Stabilization Fund ARP Homeless II | 84.425W | 21533002108807 | <u>22,601</u> |
| Total ESSER Grant Cluster | | | <u>88,489,437</u> |
| Total U. S. Department of Education | | | <u>173,032,370</u> |

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Passed through Texas Department of Education:

| | | | |
|---|--------|----------|-----------------------|
| #30 Epidemiology and Laboratory Capacity for Infectious Diseases | 93.323 | 39352201 | <u>(64,673)</u> |
| TOTAL FEDERAL AWARDS | | | <u>\$ 261,487,178</u> |

Federal funds expended by IDEA, by Assistance Listing Number, are summarized as follows:

U. S. Department of Agriculture

| | | |
|--|-------------------|-------------------|
| 10.553 School Breakfast Program | 32,287,390 | |
| 10.555 National School Lunch Program | <u>49,082,748</u> | |
| Total Child Nutrition Cluster | | \$ 81,370,138 |
| 10.558 Child and Adult Care Food Program | | <u>7,066,466</u> |
| Total U. S. Department of Agriculture | | <u>88,436,604</u> |

U. S. Department of Energy

| | | |
|-------------------------------------|--|---------------|
| 81.XXX 2024 Renew America's Schools | | <u>82,877</u> |
|-------------------------------------|--|---------------|

(continued)

IDEA Public Schools

Schedule of Expenditures of Federal Awards for the year ended June 30, 2024

(continued)

FEDERAL GRANTOR

Assistance Listing Number and Program Title

Expenditures

U. S. Department of Education

| | | | |
|--------|---|---------------|--------------------|
| 84.010 | Title I Grants to Local Educational Agencies | | 50,958,349 |
| 84.027 | Special Education Grants to States | 12,574,261 | |
| 84.173 | Special Education Preschool Grants | <u>34,008</u> | |
| | Special Education Cluster (IDEA) | | 12,608,270 |
| 84.184 | School Safely National Activities | | 412,500 |
| 84.282 | Charter Schools | | 10,105,841 |
| 84.287 | Twenty-First Century Community Learning Centers | | 1,727,477 |
| 84.365 | English Language Acquisition State Grants | | 1,995,602 |
| 84.367 | Supporting Effective Instruction State Grants | | 5,767,474 |
| 84.374 | Teacher and School Leader Incentive Grants | | 355,541 |
| 84.411 | Educational Innovation and Research | | 562,171 |
| 84.424 | Student Support and Academic Enrichment Program | | 49,709 |
| 84.425 | Education Stabilization Fund | | <u>88,489,436</u> |
| | Total U.S. Department of Education | | <u>173,032,370</u> |

U. S. Department of Health and Human Services

| | | | |
|--------|--|--|-----------------|
| 93.323 | Epidemiology and Laboratory Capacity for Infectious Diseases | | <u>(64,673)</u> |
|--------|--|--|-----------------|

TOTAL FEDERAL AWARDS

\$ 261,487,178

See accompanying notes to schedule of expenditures of federal awards.

IDEA Public Schools

Notes to Schedule of Expenditures of Federal Awards for the year ended June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The schedule of expenditures of federal awards (the schedule) is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U. S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Federal expenditures include allowable costs funded by federal awards. Allowable costs are subject to the cost principles of the Uniform Guidance and include both costs that are capitalized and costs that are recognized as expenses in the School's financial statements in conformity with generally accepted accounting principles. The School has elected not to use the 10% de minimus rate for indirect costs and does not have any subrecipients.

Because the schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

NOTE 2 – FOOD COMMODITIES

Food commodities are recognized as federal expenditures when distributed. Distributed food is reported in the schedule of expenditures of federal awards under the National School Lunch Program and is valued based on amounts reported to the School by the Texas Department of Agriculture in the statements of commodities shipped at the time the items are received. These amounts are considered to be non-cash assistance to the School.

The School received \$970,998 of commodities during the year ended June 30, 2024, which is reported as non-cash assistance in the schedule of expenditures of federal awards.

Condition and context: During our testing of the reconciliation of contributions recorded in the donor database to the general ledger system, we noted they were not being reconciled on a routine basis.

Cause and effect: As a result of turnover in staff and reassignment of duties, the donor database reconciliation was not being performed in accordance with IDEA's accounting policies and procedures.

Recommendation: Reemphasize current policies and procedures to require reconciliation of the donor database to the general ledger system on a routine basis.

View of responsible officials and planned corrective actions: Management agrees with the finding. See Corrective Action Plan.

Finding #2024-002 – Significant Deficiency and Other Non-Compliance

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting in order to prepare financial statements in accordance with generally accepted accounting principles (GAAP) and the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG). FASRG requires nonprofit charter schools' fiscal accounting system to track expenses utilizing prescribed functions for reporting in the Public Education Information Management System (PEIMS), as well as in the supplemental schedules required by the TEA.

Condition and context: During our testing of proper GAAP and FASRG coding, we identified 4 of 200 payroll transactions coded to the incorrect function code, and 3 of 120 non-payroll transactions were coded to the incorrect object code. Additionally, during our testing of non-payroll transactions for proper coding, 3 of 120 non-payroll transactions were coded to the incorrect fiscal year.

Cause and effect: The School's employees failed to follow policies and procedures for coding of disbursements based on its chart of accounts and the FASRG, *Nonprofit Charter School Chart of Accounts*. A lack of effective internal control over the reporting of expenses could result in errors in the financial statements, PEIMS reporting and in the TEA supplemental schedules.

Recommendation: Reemphasize current policies and procedures to ensure proper coding of disbursements and payroll based on the organization's chart of accounts and FASRG codes.

View of responsible officials and planned corrective actions: Management agrees with the finding. See Corrective Action Plan.

Finding #2024-003 – Significant Deficiency

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over payroll reviews and approvals.

Condition and context: During our testing of the payroll control reviews by the accounting, compensation, and benefits departments, we identified 1 of 40 payroll cycles tested was not reviewed by the compensation and benefits departments. The payroll cycle was reviewed by the accounting department.

Cause and effect: The compensation and benefits department failed to follow policies and procedures for review of the payroll as it was the last payroll of December, and they were on holiday break. A lack of effective internal control over the review of payroll could result in errors in the financial statements or amounts charged to federal grants not being identified in a timely manner.

Recommendation: Reemphasize current policies and procedures to ensure proper review of the payroll by compensation and benefits departments, including subsequent review if out on holiday to ensure that errors are identified in a timely manner.

Review of responsible officials and planned corrective actions: Management agrees with the finding. See Corrective Action Plan.

Finding #2024-004 – Significant Deficiency

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over capitalization of fixed assets, assigning asset lives, and computing depreciation expense upon being placed into service.

Condition and context: During our testing of 26 fixed asset additions, we identified 2 additions that were improperly included in construction in progress and therefore were not properly depreciated. Upon further investigation, management determined that depreciation expense was understated by approximately \$4.1 million for assets improperly included in construction in progress.

Cause and effect: Fixed asset additions were being included in construction in progress as a suspense account until entered into the fixed asset subledger. As a result of the assets not being cleared out of construction in progress in a timely manner and included in the fixed asset subledger, depreciation expense was understated.

Recommendation: Reemphasize current policies and procedures to ensure timely entry of new fixed assets in the fixed asset subledger.

Review of responsible officials and planned corrective actions: Management agrees with the finding. See Corrective Action Plan.

Section III – Federal Award Findings and Questioned Costs

Finding #2024-005 – Significant Deficiency and Other Non-Compliance

Federal programs:

| | |
|---------------|--|
| 10.553/10.555 | School Breakfast/National School Lunch Program |
| 84.010 | Title I Grants to Local Educational Agencies |
| 84.367 | Supporting Effective Instruction State Grants |

Criteria: Same as Finding #2024-002.

Condition and context: Same as Finding #2024-002.

Cause and effect: Same as Finding #2024-002.

Recommendation: Same as Finding #2024-002.

View of responsible officials and planned corrective actions: Management agrees with the finding. See Corrective Action Plan.

Finding #2024-006 – Significant Deficiency

Federal programs:

| | |
|---------------|--|
| 10.553/10.555 | School Breakfast/National School Lunch Program |
| 84.010 | Title I Grants to Local Educational Agencies |
| 84.367 | Supporting Effective Instruction State Grants |

Criteria: Same as Finding #2024-003.

Condition and context: Same as Finding #2024-003.

Cause and effect: Same as Finding #2024-003.

Recommendation: Same as Finding #2024-003.

View of responsible officials and planned corrective actions: Management agrees with the finding. See Corrective Action Plan.

Finding #2024-007 – Significant Deficiency and Other Non-Compliance – Reporting

Applicable federal programs: All Programs

Criteria: Schedule of Expenditures of Federal Awards – In accordance with the Uniform Guidance §200.508 and §200.510, management is to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee’s financial statements which must include the total federal awards expended.

Condition and context: The School did not include the Supply Chain Assistance Grant on the SEFA for fiscal year 2024.

Cause: The School failed to have procedures in place to identify and reflect all federal grants on the SEFA.

Effect: A federal program with approximately \$3 million of expenditures was omitted from the SEFA.

Recommendation: Develop policies and procedures to identify and reflect all federal programs on the SEFA.

View of responsible officials and planned correction actions: Management agrees with the finding. See Corrective Action Plan.

CORRECTIVE ACTION PLAN

DATE OPEN

U. S. DEPARTMENT OF EDUCATION

IDEA Public Schools (the School) provides its Corrective Action Plan for the fiscal year ended June 30, 2024.

The findings disclosed in the June 30, 2024 Schedule of Findings and Questioned Costs for the year ended June 30, 2024 are partially restated below. The findings are numbered consistently with the numbers assigned in the schedule.

Financial Statement Findings and Federal Award Findings and Questioned Costs

Finding #2024-001 – Significant Deficiency

Condition and context: During our testing of the reconciliation of contributions recorded in the donor data base to the general ledger system we noted it was not being reconciled on a routine basis.

Recommendation: Reemphasize current policies and procedures to require reconciliation of the donor database to the general ledger system on a routine basis.

Planned corrective action: IDEA uses a third-party system to track donor activities. Re-implemented in fiscal year 2025, Accounting and Advancement retrained staff to ensure reconciliations are completed monthly, ensuring any historical changes made to the third-party system are captured.

Client's response: IDEA uses a third-party system to track donor activities. Re-implemented in fiscal year 2025, Accounting and Advancement departments, including the Advancement Operations Manager, Gift Processing Specialist, and Accounting Clerk, will undergo training to ensure reconciliations are completed monthly and that any historical changes made to the third-party system are captured.

Responsible officers: Sonya Wilson, VP of Accounting and James Dworkin, VP of Accounting (Interim)

Estimated completion date: January 31, 2025

Findings #2024-002 and #2024-005 – Significant Deficiency and Other Non-Compliance

Condition and context: During our testing of proper GAAP and FASRG coding, we identified 4 of 200 payroll transactions coded to the incorrect function code and 3 of 120 non-payroll transactions were coded to the incorrect object code. Additionally, during our testing of non-payroll transactions for proper coding, 3 of 120 nonpayroll transactions were coded to the incorrect fiscal year.

Recommendation: Reemphasize current policies and procedures to ensure proper coding of disbursements and payroll based on the organization's chart of accounts and FASRG codes.

Planned corrective action: IDEA will provide FASRG training to all staff with purchasing and payroll coding authority to minimize coding errors.

Client's response: IDEA will provide FASRG training to all staff with purchasing and payroll coding authority to minimize coding errors. This training will be conducted from January to May 2025.

Responsible officers: Sonya Wilson, VP of Accounting and James Dworkin, VP of Accounting (Interim)

Estimated completion date: March 1, 2025

Findings #2024-003 and #2024-006 – Significant Deficiency

Condition and context: During our testing of the payroll control reviews by the accounting, compensation, and benefits departments, we identified 1 of 40 payroll cycles tested was not reviewed by the compensation and benefits departments. The payroll cycle was reviewed by the accounting department.

Recommendation: Reemphasize current policies and procedures to ensure proper review of the payroll by compensation and benefits departments, including subsequent review if out on holiday to ensure that errors are identified in a timely manner.

Planned corrective action: IDEA requires review of each payroll by the Compensation and Benefits team without regard to school holidays. In fiscal year 2025, Payroll implemented the procedure requiring review from compensation and benefits immediately following a school holiday where payroll could not be approved in advance.

Client's response: IDEA requires review of each payroll by the Compensation and Benefits team without regard to school holidays. In fiscal year 2025, Payroll implemented the procedure requiring review from Compensation and Benefits immediately following a school holiday where payroll could not be approved in advance.

Responsible officers: Sonya Wilson, VP of Accounting and James Dworkin, VP of Accounting (Interim)

Estimated completion date: January 31, 2025

Finding #2024-004 – Significant Deficiency

Condition and context: During our testing of 26 fixed asset additions, we identified 2 additions that were improperly included in construction in progress and therefore were not properly depreciated. Upon further investigation, management determined that depreciation expense was understated by approximately \$4.1 million for assets improperly included in construction in progress.

Recommendation: Reemphasize current policies and procedures to ensure timely entry of new fixed assets in the fixed asset subledger.

Planned corrective action: Through fiscal year 2025, the Accounting department will update processes across the accounting organization. Updated procedures shall include processes and timing to move projects from Construction-in-Progress in the month following activation of the asset. Procedures will additionally allow for project additions for final construction costs after the asset is activated.



Client's response: Through fiscal year 2025, the Accounting department will update processes across the accounting organization. Updated procedures shall include processes and timing to move projects from Construction-in-Progress in the month following activation of the asset. Procedures will additionally allow for project additions for final construction costs after the asset is activated.

Responsible officers: Sonya Wilson, VP of Accounting and James Dworkin, VP of Accounting (Interim)

Estimated completion date: May 31, 2025

Finding #2024-007 – Significant Deficiency and Other Non-Compliance – Reporting

Applicable federal programs: All Programs

Condition and context: The School did not include the Supply Chain Assistance Grant on the SEFA for fiscal year.

Recommendation: Develop policies and procedures to identify and reflect all federal programs on the SEFA.

Planned corrective action: Accounting, Federal Grants, Child Nutrition, and all other departments receiving grants reported on the SEFA will redouble efforts to coordinate in preparing the SEFA and review it before final submission to the auditor.

Client's response: Accounting, Federal Grants, Child Nutrition, and all other departments receiving grants reported on the SEFA will redouble efforts to coordinate in preparing the SEFA and review it before final submission to the auditor. The Managing Director of Grants will conduct a thorough review to ensure completeness before the SEFA is presented to the auditor.

Responsible officers: Sonya Wilson, VP of Accounting and James Dworkin, VP of Accounting (Interim)

Estimated completion date: January 31, 2025

If the U. S. Department of Education has any questions regarding this plan, please call Kathleen Zimmerman at (214) 908-5188.

Sincerely,

Kathleen Zimmermann
Chief Financial Officer

Summary Schedule of Prior Audit Findings

The following audit findings for the year ended June 30, 2023 are required to be reported in accordance with 2 CFR §200.511.

Section II – Financial Statement Finding

#2023-001 and #2023-003 – Significant Deficiency and Other Non-Compliance

Condition and context: Sampling of internal controls over payroll revealed 7 of the 240 transactions did not have timesheets approved by the employee’s supervisor, and for 2 of the 240 transactions, the employee was paid the incorrect amount.

Recommendation: Reemphasize current policies and procedures to review timesheets, and payroll transactions.

Planned corrective action: Current policies and procedures will be reviewed, and alternative approval procedures will be identified for instances when the employee’s direct supervisor is unavailable for timely approval. Implement additional audits during rollover process to correct administrative gap, which resulted in 2 payment amount errors.

Management’s 2024 follow-up response: We investigated timesheet processing and determined a consolidated timesheet approval report was not available to decision makers across the organization. The report was created and is now shared with CNP and VP Finance weekly. Business Office and CNP are reviewing unapproved timecards and communicating with the managers who are not properly approving. CNP and Finance are final approvers for time-cards not approved by direct managers.

Finding #2023-002 – Significant Deficiency and Other Non-Compliance

Condition and context: During our testing of proper FASRG function coding, we identified that 3 out of 175 non-payroll transactions and 9 out of 200 payroll transactions were coded to the incorrect function code. Additionally, during our testing of payroll transactions for proper coding, 6 out of 175 non-payroll transactions were coded to the incorrect object code and 1 out of 175 payroll transactions were coded to the incorrect program intent code.

Recommendation: Reemphasize current policies and procedures to ensure proper coding of disbursements and payroll based on FASRG codes.

Planned corrective action: Position control management and function coding alignment will be reviewed. FASRG coding compliance and regular review will be emphasized to responsible personnel.

Management’s 2024 follow-up response: Position Control, now managed by the VP Finance, reviewed and improved the process for classifying and coding payroll. Results have shown significantly improved alignment for financial coding.

Finding #2023-004 – Significant Deficiency and Other Non-Compliance

Condition and context: During our testing of 60 transactions subject to procurement, we noted three instances where the School failed to procure three vendors for the Child and Adult Care Food Program in accordance with its policies and procedures.

Recommendation: Management should provide additional training on the procurement policy to staff with purchasing authority.

Planned corrective action: Review internal and external documentation to verify procedures are aligned with statutory requirements. Engage employees with additional training and support.

Management's 2024 follow-up response: Through the year, CNP procurement reviewed procurement procedures and discussed potential procurement risks during staff training.