

# URBAN CHARTER SCHOOLS COLLECTIVE

## CORRECTIVE ACTION PLAN

**YEAR ENDED:** June 30, 2023

**DATE OF SUBMISSION:** December 14, 2023

**FINANCIAL STATEMENT FINDINGS:** 2023-001 FINANCIAL CLOSE – CDDC #30000

**FINDING:** One element of an entity's internal control over financial reporting is the ability to detect misstatement in the financial statements independent of the audit process and produce financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). Adjustments arising from the audit of an organization's financial statements are generally an indication that internal controls over financial reporting are not functioning properly. Adjustments were required related to categorical revenue recognition as a result of identified errors during audit procedures. These adjustments resulted in an increase to deferred revenue and a decrease to revenue of \$301,295.

**CRITERIA:** Accrual based accounting in accordance with GAAP for not-for-profit organizations.

**CAUSE:** Categorical revenue recognition was not sufficiently analyzed and reviewed to ensure proper accounting treatment.

**QUESTIONED COST:** No questioned costs or misstatement of ADA were noted related to this finding and errors identified were corrected by management.

**RECOMMENDATION:** We recommend that UCSC evaluate the financial policies and procedures for monthly and year-end closing processes to ensure the financial records and financial statements are maintained in accordance with GAAP.

**MANAGEMENT'S RESPONSE:** UCSC will implement the recommendation suggested by Gilbert CPAs by developing and implementing an improved fiscal year-end close calendar. The calendar will detail specific timelines and tasks to be completed by staff. Staff will implement the timeline to ensure revenue sources are sufficiently analyzed and adequately recognized.

In addition, UCSC will explore and secure financial and business consulting services with School Services of California or any charter school back-office service provider to support in this area as needed to support staff in their roles. Lastly, UCSC will continue to work closely with its current CPA firm to establish monthly and quarterly reviews of financial transactions, perform soft closes at the end of each quarter, and ensure proper revenues and expense recognition in accordance with GAAP for non-profits..