



Board of Directors and Management
Rocketship Education Retirement Savings Plan
Redwood City, California

Except as discussed in the following paragraph, in planning and performing our audit of the financial statements of Rocketship Education Retirement Savings Plan (the Plan), an employee benefit plan subject to the Employee Retirement Income Security Act of 1974 (ERISA), as of and for the year ended December 31, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Plan'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 issuing our report on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

We were engaged to perform an ERISA Section 103(a)(3)(C) audit of those financial statements as permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. As permitted by ERISA Section 103(a)(3)(C), our audit did not extend to any statements or information related to assets held for investment of the Plan (investment information) by a qualified institution that prepared and certified the investment information in accordance with 29 CFR 2520.103-5 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Our audit also did not include a consideration of internal control relating to the investment information.

Our consideration of internal control was for the limited purpose described in the first two paragraphs 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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to fraud or error may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a significant deficiency.

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 Plan's financial statements will not be prevented, or detected and corrected, on a timely basis.

Significant deficiencies

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. We consider the following deficiency in the Plan's internal control to be a significant deficiency:

Form 5500 Filing Not Complete

During our audit, we discovered that the 2019 and 2021 Form 5500 filings for your employee benefit plan did not include the respective audited financial statements, despite the fact that the audit report was attached. We strongly recommend that you take corrective action immediately to avoid any potential penalties or fines.

It is important to note that the Department of Labor (DOL) requires that audited financial statements be included with the Form 5500 filing. Failure to do so could result in the rejection of the filing or an assessment of penalties. We suggest that you consider filing an amended return to correct the omission.

Since the filing deadline has passed, we recommend that you seek the advice of a qualified ERISA attorney to determine the best course of action to avoid or minimize any penalties. It is crucial to address this issue promptly and proactively in order to avoid potential legal or financial consequences.

We would like to remind you that until the filings are corrected, your employee benefit plan may not be in compliance with the rules and requirements of ERISA. We urge you to take immediate action to rectify this matter and bring your plan into compliance. It is our understanding that management has since amended the 2021 filing to include the audited financial statements and is working with Principal to determine the appropriate action to take regarding the 2019 filing. The identified significant deficiency is not considered to be a material weakness.

Reportable findings

Reportable findings are items that are not in accordance with the criteria specified (for example, not in accordance with the plan instrument). We consider the following matters to be reportable findings.

Payroll Corrections Not Made in the Plan

During our audit, we noted various payroll corrections for employee and employer contributions processed in payroll, but no correction appears to have been made in the Plan. We recommend that the Plan administrator establish a policy and procedure to ensure valid payroll corrections are also corrected in the Plan.

Contribution Calculation – Payroll Error

During our audit, we found an error in the calculation of contributions for one participant due to a payroll system error. We recommend that management review the payroll system to address any potential discrepancies and ensure accurate contributions going forward. It is also advisable to conduct a comprehensive review of all contributions to confirm accuracy and compliance with regulations.

Inaccurate 403(b) contribution calculations can have significant consequences for both the Plan and participants, including penalties, fines, and potential disqualification of the Plan, as well as loss of retirement savings and legal action against the Plan sponsor. Therefore, it is crucial to maintain accurate records, implement procedures to prevent future errors, and take prompt action to address any discrepancies to ensure the ongoing compliance and success of the Plan.

Employer Matching Contribution Calculations – Quarter Versus Pay Period

The Plan provisions allow for the Employer matching contribution to be made at the sponsor's discretion on a quarterly basis. However, we have noted that the matching contribution is currently being calculated and remitted for each pay period without a quarterly "true-up" adjustment. It is essential to follow Plan provisions to avoid potential qualification issues. Therefore, we strongly recommend that you consider amending the Plan to allow for payroll-period basis contribution calculations or calculate and remit a true-up contribution each quarter to ensure compliance with the Plan provisions. By taking corrective action, you can ensure the ongoing success and compliance of your Plan. We urge you to act promptly on this recommendation and communicate any changes to all relevant parties. Failure to comply with Plan provisions introduces the risk of disqualification by the Internal Revenue Service.

Definition of Compensation and Bonus Exclusions

During our audit, we noted that bonus payments were excluded from compensation when calculating employer matching contributions. The Plan currently defines "compensation" as W-2 wages and does not exclude bonuses.

We recommend that the Plan Sponsor consult with your legal counsel as to the proper action to take. If the document is not amended to exclude bonus payments from the definition of compensation, the Plan administrator will need to include bonus compensation in the determination of employer contributions. You should also consider retroactive correction and provide for proper employer contributions in the future on such types of compensation. If the definition of compensation is not adhered to, the Plan is at risk for disqualification.

Timing of Contributions

Department of Labor Regulation (DOL) 2510.3-102 requires that amounts that participants have withheld from their wages by an Employer be contributed to the plan on the earliest date on which such contributions can reasonably be segregated from the Employer's general assets. In any event, employee salary deferrals must be segregated from Employer assets no later than the 15th business day of the month following the month in which they would otherwise have been payable to the participant in cash. If an Employer does not deposit deferrals into the plan as soon as they can be reasonably segregated, they are considered as holding plan assets. This results in a prohibited transaction (a non-exempt extension of credit between the plan and a party in interest).

During our audit, we noted contributions that were not received by the 15th business day of the month following the month in which they would otherwise have been payable to the participant in cash. These contributions are included in the schedule of delinquent participant contributions.

We also noted contributions that were not segregated from the general assets of the Employer and deposited to the trust in a timely manner. Management has taken the position that such remittances were executed as soon as administratively feasible and are not prohibited transactions. These contributions are not included in the schedule of delinquent participant contributions. While management may believe that the remittances were made as soon as administratively feasible, it is important to note that the determination of what constitutes "administratively feasible" is based on the facts and circumstances of each case. Factors that may be considered include the size of the plan, the frequency of contributions, and the availability of resources. The DOL may challenge management's determination that the remittances were made as soon as administratively feasible. The DOL has the authority to investigate and enforce compliance with ERISA, which includes the requirement to timely remit employee contributions to the plan.

If the DOL determines that the contributions were not remitted in a timely manner, it may initiate enforcement actions, which may include civil penalties, interest, and other corrective actions. The DOL may also require the plan to undertake specific corrective actions to ensure future compliance with the law.

Form 5500 Filing Not Complete

The significant deficiency described above is also considered a reportable finding.

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We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Plan personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, Board of Directors, and others within the Plan, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Glendora, California
October 5, 2023