

UNIVERSITY PREPARATORY ACADEMY

SINGLE AUDIT

JUNE 30, 2008

UNIVERSITY PREPARATORY ACADEMY
SINGLE AUDIT REPORT
JUNE 30, 2008

TABLE OF CONTENTS

| | <u>Page(s)</u> |
|---|----------------|
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance With Government Auditing Standards | 1-2 |
| Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance With OMB Circular A-133 | 3-5 |
| Schedule of Expenditures of Federal Awards | 6 |
| Notes to Schedule of Expenditures of Federal Awards | 7 |
| Supplemental Schedules – Schedule of Findings and Questioned Costs | 8-11 |
| Status of Prior Years Findings and Questioned Costs | 12 |



**GREGORY
TERRELL
& COMPANY**

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
University Preparatory Academy
Detroit, Michigan

We have audited the financial statements of University Preparatory Academy (“UPA”) as of and for the year ended June 30, 2008, and have issued our report thereon dated September 12, 2008. We conducted our audit 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

Internal Control over Financial Reporting

In planning and performing our audit, we considered UPA’s internal control over financial reporting as a basis for designing our auditing procedures 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 UPA’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization’s financial statements that is more than inconsequential will not be prevented or detected by the organization’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization’s internal control.

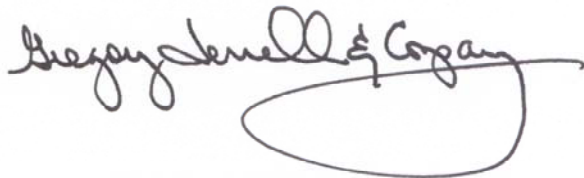
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether UPA' financial statements are free of 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 determination of financial statement amounts. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs under 08-1 and 08-2.

UPA's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit UPA's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the audit committee, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Gregory Terrell & Company". The signature is written in dark ink and includes a large, sweeping underline that loops back under the text.

GREGORY TERRELL & COMPANY
Certified Public Accountants

September 12, 2008



**GREGORY
TERRELL
& COMPANY**

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Trustees of
University Preparatory Academy
Detroit, Michigan

Compliance

We have audited the compliance of University Preparatory Academy (“UPA”) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. UPA’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of UPA’s management. Our responsibility is to express an opinion on UPA’s compliance based on our audit.

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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about UPA’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of UPA’s compliance with those requirements.

In our opinion, UPA complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs under 08-3.

Internal Control Over Compliance

The management of UPA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered UPA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of UPA's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

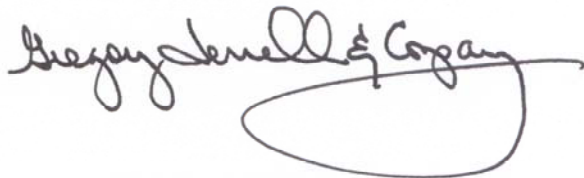
Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

UPA's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit UPA's responses and, accordingly, we express no opinion on them.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of UPA as of and for the year ended June 30, 2008, and have issued our report thereon dated September 12, 2008. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Gregory Terrell & Company". The signature is written in black ink and includes a large, sweeping underline that loops back under the text.

GREGORY TERRELL & COMPANY
Certified Public Accountants

September 12, 2008

UNIVERSITY PREPARATORY ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2008

| <u>Federal Grantor/Pass Through Grantor Program Title</u> | <u>CFDA Number</u> | <u>Grant ID Number</u> | <u>Award Amount</u> | <u>Accrued or (Deferred) Revenue at June 30,2007</u> | <u>Receipts</u> | <u>Current Year Expenditures</u> | <u>Adjustments</u> | <u>Accrued or (Deferred) Revenue at June 30,2008</u> |
|---|--------------------|------------------------|---------------------|--|---------------------|----------------------------------|--------------------|--|
| U.S. Department of Agriculture | | | | | | | | |
| – Passed through the State of Michigan | | | | | | | | |
| National School Lunch Breakfast | 10.553 | 0719701 | \$ 8,922 | \$ - | \$ 8,922 | \$ 8,922 | \$ - | \$ - |
| National School Lunch Program | 10.555 | 071950 | 173,617 | 24,320 | 24,320 | - | - | - |
| National School Lunch Program | 10.555 | 071970 0708 | 153,374 | - | 129,054 | 153,885 | - | 24,831 |
| Total U.S. Department of Agriculture | | | <u>\$ 335,913</u> | <u>\$ 24,320</u> | <u>\$ 162,296</u> | <u>\$ 162,807</u> | <u>\$ -</u> | <u>\$ 24,831</u> |
| U.S. Department of Education | | | | | | | | |
| – Passed through State of Michigan | | | | | | | | |
| Title I, Part A-Improving Basic Programs | 84.010 | 071530 0607 | \$ 443,966 | \$ 124,699 | \$ 124,699 | \$ - | \$ - | \$ - |
| Title I, Part A-Improving Basic Programs | 84.010 | 081530 0708 | 481,837 | - | 445,947 | 481,786 | - | 35,839 |
| Total | | | 925,803 | 124,699 | 570,646 | 481,786 | - | 35,839 |
| Title V-Part A-Innovative Programs | 84.298 | 070250 0607 | 2,588 | 423 | 423 | - | - | - |
| Title V-Part A-Innovative Programs | 84.298 | 080250 0708 | 3,119 | - | 3,119 | 3,119 | - | - |
| Total | | | 5,707 | 423 | 3,542 | 3,119 | - | - |
| Title II, Part D-Enhancing Education with Technology | 84.318 | 074290 0607 | 4,579 | 916 | 916 | - | - | - |
| Title II, Part D-Enhancing Education with Technology | 84.318 | 804290 0708 | 4,529 | - | 4,529 | 4,529 | - | - |
| Total | | | 9,108 | 916 | 5,445 | 4,529 | - | - |
| Title II, Part A-Teacher/Principal Training | 84.367 | 071530 0607 | 32,373 | 8,718 | 8,718 | - | - | - |
| Title II, Part A-Teacher/Principal Training | 84.367 | 071530 0708 | 31,828 | - | 31,828 | 31,828 | - | - |
| Total | | | 64,201 | 8,718 | 40,546 | 31,828 | - | - |
| Service Provider Self Review | 84.282 | 070440 06087 | 4,000 | 2,400 | 2,400 | - | - | - |
| Total | | | 4,000 | 2,400 | 2,400 | - | - | - |
| 21 Century Community Learning Center | 84.287C | 072110 21st03071 | 151,051 | 30,211 | 30,211 | - | - | - |
| 21 Century Community Learning Center | 84.287C | 082110 21st03071 | 151,051 | - | 151,051 | 151,051 | - | - |
| Total | | | 302,102 | 30,211 | 181,262 | 151,051 | - | - |
| Wayne County RESA IDEA | 84.027A | | 44,767 | 11,746 | 11,746 | - | - | - |
| Wayne County RESA IDEA | 84.027A | | 99,632 | - | 73,969 | 99,632 | - | 25,663 |
| Total | | | 144,399 | 11,746 | 85,715 | 99,632 | - | 25,663 |
| Total U.S. Department of Education | | | <u>\$ 1,455,320</u> | <u>\$ 179,113</u> | <u>\$ 889,556</u> | <u>\$ 771,945</u> | <u>\$ -</u> | <u>\$ 61,502</u> |
| TOTAL FEDERAL AWARDS | | | <u>\$ 1,791,233</u> | <u>\$ 203,433</u> | <u>\$ 1,051,852</u> | <u>\$ 934,752</u> | <u>\$ -</u> | <u>\$ 86,333</u> |

The accompanying notes are an integral part of this schedule.

UNIVERSITY PREPARATORY ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2008

(1) **GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activities of federal financial assistance programs of University Preparatory Academy ("UPA"). Federal awards received directly from federal agencies as well as federal awards passed through other agencies are included on the schedule.

(2) **BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

(3) **MAJOR PROGRAMS**

Major programs were determined in accordance with the Office of Management and Budget (OMB) Circular A-133. "Audits of States, Local Governments and Non-Profit Organizations".

UNIVERSITY PREPARATORY ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified not considered to be material weakness(es)? _____ yes X no

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified not considered to be material weakness(es)? _____ yes X no

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? X yes _____ no

Identification of major programs:

CFDA Number

Name of Federal Program

84.010

Title I – Part A

84.287

21st Century Community Learning Center

Dollar threshold used to distinguish between

Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ yes X no

UNIVERSITY PREPARATORY ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

Section II – Financial Statement Findings

| <u>Reference Number</u> | <u>Finding</u> |
|-----------------------------|---|
| 08-1 | <p>Finding – Budget – noncompliance condition</p> <p>Criteria – Michigan law prohibits expenditures in excess of amounts budgeted.</p> <p>Condition - University Preparatory Academy expended amounts over their Final approved budget.</p> <p>Questioned Costs - Not applicable.</p> <p>Description – The budget prepared by University Preparatory Academy was not monitored to ensure that amounts were within the budget.</p> <p>Recommendations – The Academy should establish controls for monitoring expenditures during the year to ensure the approved budget is not exceeded.</p> |

Management's Response

UPA has worked over the course of the past year to keep a watchful eye on the budget to actual results. Total expenditures budgeted were \$11.39 million. Total actual expenditures were \$11.28 million. Total actual expenditures were under budget by \$112,500. Two expenditure line items were over budget by a total of approximately \$16,000 which is inconsequential to the total actual expenditures.

UNIVERSITY PREPARATORY ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

Section II – Financial Statement Findings (con't)

| <u>Reference Number</u> | <u>Finding</u> |
|-----------------------------|---|
| 08-2 | <p>Finding – Budget – noncompliance condition</p> <p>Criteria – Michigan law requires a separate budget for the school service fund.</p> <p>Condition - University Preparatory Academy did not approve a separate budget for its school service fund.</p> <p>Questioned Costs - Not applicable.</p> <p>Description – The Academy did not approve a separate budget for their school service fund.</p> <p>Recommendations - Separate budget for the school service fund should be prepared and approved.</p> |

Management's Response

While UPA did not have a separate School Service Fund budget approved by the board, the school did have the food service budgeted in separate, distinguishable line items. In the future, the school will have a separate budget from the General operations.

UNIVERSITY PREPARATORY ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

Section III – Federal Awards Findings and Questioned Costs

| <u>Reference Number</u> | <u>Finding</u> |
|-----------------------------|--|
| 08-3 | <p>Program Type – Title I</p> <p>Pass-through Entity – Michigan Department of Education</p> <p>Finding Type – Cash Management - noncompliance</p> <p>Criteria – Cash management of federal funds requires federal funds to be expended within 3 days of receipt</p> <p>Condition - University Preparatory Academy did not expend federal funds within the prescribed time period.</p> <p>Questioned Costs - Not applicable.</p> <p>Description – Federal cash draws were compared to dates of the expenditures were incurred, three instances of cash draws in excess of expenditures were noted.</p> <p>Recommendations - Qualified expenditures should be incurred and paid within the prescribed time period.</p> |

Management’s Response

UPA is still learning the requirements of the Federal programs. The school has had substantial turnover in their finance department. A better understanding of the Federal requirements accompanied with the finance department will allow the school to correct the findings in 2009/2010 audit year.

UNIVERSITY PREPARATORY ACADEMY
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

I. SUMMARY OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

| | | |
|--------|---|---------------------------------|
| 2007-1 | The Academy expended funds in excess of amounts approved by the budget. | Finding has not been corrected. |
| 2007-2 | The Academy did not have accurate financial information during the year resulting in expended funds in excess of amounts approved by the budget and an operating loss in excess of projected amounts. | Finding has been corrected. |
| 2007-3 | Separate budgets were not prepared for the food service and debt service funds. | Finding has not been corrected. |
| 2007-4 | The Academy did not expend federal funds within the prescribed time period. | Finding has not been corrected. |
| 2007-5 | Federal cash draws were compared dates expenditures were incurred, eight instances of cash draws in excess of expenditures were noted. | Finding has been corrected. |