

UNIVERSITY PREPARATORY ACADEMY

SINGLE AUDIT

JUNE 30, 2009

UNIVERSITY PREPARATORY ACADEMY
SINGLE AUDIT REPORT
JUNE 30, 2009

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**GREGORY
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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
The Public School Academies of Detroit
Detroit, Michigan

We have audited the financial statements of University Preparatory Academy (“UPA”) as of and for the year ended June 30, 2009, and have issued our report thereon dated September 14, 2009. 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.

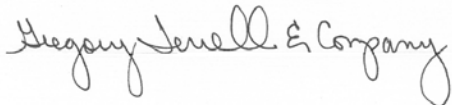
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization’s internal control.

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's 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.



GREGORY TERRELL & COMPANY
Certified Public Accountants

September 14, 2009



**GREGORY
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& 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 Directors of
The Public School Academies of Detroit
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, 2009. 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, 2009.

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.

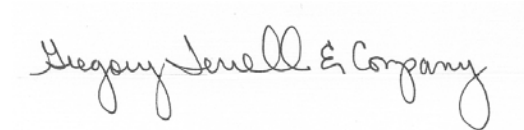
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of UPA as of and for the year ended June 30, 2009, and have issued our report thereon dated September 14, 2009. 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 on a light-colored background.

GREGORY TERRELL & COMPANY
Certified Public Accountants

September 14, 2009

UNIVERSITY PREPARATORY ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2009

| <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 30,2008</u> | <u>Receipts</u> | <u>Current Year Expenditures</u> | <u>Adjustments</u> | <u>Accrued or (Deferred) Revenue at June 30,2009</u> |
|---|--------------------|------------------------|---------------------|--|---------------------|----------------------------------|--------------------|--|
| U.S. Department of Agriculture | | | | | | | | |
| -- Passed through the State of Michigan | | | | | | | | |
| National School Lunch Breakfast | 10.553 | 071970 | \$ 36,864 | \$ - | \$ 36,864 | \$ 38,651 | \$ - | \$ 1,787 |
| Commodities | 10.550 | | - | - | 27,368 | 27,368 | - | - |
| National School Lunch Program | 10.555 | 071970 0708 | 153,374 | 24,831 | 24,831 | - | - | - |
| National School Lunch Program | 10.555 | 071970 0809 | <u>334,761</u> | <u>-</u> | <u>319,030</u> | <u>332,975</u> | <u>-</u> | <u>13,945</u> |
| Total U.S. Department of Agriculture | | | <u>\$ 524,999</u> | <u>\$ 24,831</u> | <u>\$ 408,093</u> | <u>\$ 398,994</u> | <u>\$ -</u> | <u>\$ 15,732</u> |
| U.S. Department of Education | | | | | | | | |
| -- Passed through State of Michigan | | | | | | | | |
| Title I, Part A-Improving Basic Programs | 84.010 | 081530 0708 | \$ 481,837 | \$ 35,839 | \$ 35,839 | \$ - | \$ - | \$ - |
| Title I, Part A-Improving Basic Programs | 84.010 | 091530 0809 | <u>834,064</u> | <u>-</u> | <u>473,232</u> | <u>585,230</u> | <u>-</u> | <u>111,998</u> |
| Total | | | 1,315,901 | 35,839 | 509,071 | 585,230 | - | 111,998 |
| Title II, Part D-Enhancing Education with Technology | 84.318 | 094290 0809 | <u>7,245</u> | <u>-</u> | <u>7,245</u> | <u>7,245</u> | <u>-</u> | <u>-</u> |
| Total | | | 7,245 | - | 7,245 | 7,245 | - | - |
| Title II, Part A-Teacher/Principal Training | 84.367 | 090520 0809 | <u>45,619</u> | <u>-</u> | <u>41,965</u> | <u>43,604</u> | <u>-</u> | <u>1,639</u> |
| Total | | | 45,619 | - | 41,965 | 43,604 | - | 1,639 |
| American Recovery and Reinvestment Act of 2009 | | | | | | | | |
| Education Stabilization 2009 | 84.394 | | <u>606,962</u> | <u>-</u> | <u>-</u> | <u>606,962</u> | <u>-</u> | <u>606,962</u> |
| Total | | | 606,962 | - | - | 606,962 | - | 606,962 |
| Wayne County RESA IDEA | 84.027A | | 99,632 | 25,663 | 25,663 | - | - | - |
| Wayne County RESA IDEA | 84.027A | | <u>128,783</u> | <u>-</u> | <u>128,783</u> | <u>128,783</u> | <u>-</u> | <u>-</u> |
| Total | | | <u>228,415</u> | <u>25,663</u> | <u>154,446</u> | <u>128,783</u> | <u>-</u> | <u>-</u> |
| Total U.S. Department of Education | | | <u>\$ 2,204,142</u> | <u>\$ 61,502</u> | <u>\$ 712,727</u> | <u>\$ 1,371,824</u> | <u>\$ -</u> | <u>\$ 720,599</u> |
| TOTAL FEDERAL AWARDS | | | <u>\$ 2,729,141</u> | <u>\$ 86,333</u> | <u>\$ 1,120,820</u> | <u>\$ 1,770,818</u> | <u>\$ -</u> | <u>\$ 736,331</u> |

The accompanying notes are an integral part of this schedule.

UNIVERSITY PREPARATORY ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2009

(1) **SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal financial assistance programs of the University Preparatory Academy ("UPA"), and is presented on the same basis of accounting as the basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other agencies are included on the schedule. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) **GRANT SECTION AUDITOR'S REPORT**

The Academy utilized the Grants Section Auditors Report (Form R-7120) and CMS Grant Auditor Report (GAR) in preparing the Schedule of Expenditures of Federal Awards.

(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, 2009

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)? _____ yes X no

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program</u> |
|--------------------|---|
| 84.010 | Title I – Part A |
| 84.394 | American Recovery and Reinvestment Act of 2009: Education Stabilization 2009 |

Dollar threshold used to distinguish between
 Type A and Type B programs: \$300,000

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

Section II – Financial Statement Findings

There were no financial statement findings

Section III – Federal Awards Findings

There were no federal award findings

UNIVERSITY PREPARATORY ACADEMY
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2009

I. SUMMARY OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

| | | |
|------|---|-----------------------------|
| 08-1 | The Academy expended funds in excess of amounts approved by the budget. | Finding has been corrected. |
| 08-2 | Separate budgets were not prepared for the food service and debt service funds. | Finding has been corrected. |
| 08-3 | The Academy did not expend federal funds within the prescribed time period. | Finding has been corrected. |