

UNIVERSITY PREPARATORY ACADEMY

SINGLE AUDIT

JUNE 30, 2011

UNIVERSITY PREPARATORY ACADEMY
SINGLE AUDIT REPORT
JUNE 30, 2011

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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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of University Preparatory Academy (“UPA”), as of and for the year ended June 30, 2011, which collectively comprise UPA’s basic financial statements and have issued our report thereon dated September 9, 2011. 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of UPA’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the UPA’s internal control over financial reporting.

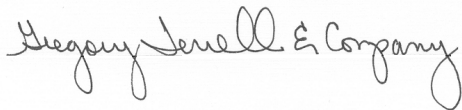
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 instance 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 Board of Directors, others within the entity, 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".

GREGORY TERRELL & COMPANY
Certified Public Accountants

September 9, 2011



**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 Directors of
The Public School Academies of Detroit

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, 2011. 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, 2011.

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 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 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.

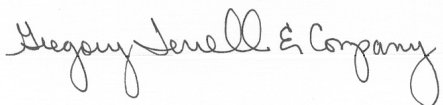
Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We identified a deficiency in internal control over compliance that we consider to be a significant deficiency which is described in the accompanying schedule of findings and questioned costs under 11-1.

The Academy's response to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Academy's response 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, 2011, and have issued our report thereon dated September 9, 2011. 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.



GREGORY TERRELL & COMPANY

Certified Public Accountants

September 9, 2011

UNIVERSITY PREPARATORY ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2011

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued or (Deferred) Revenue at July 1, 2010	Current Year Receipts (Cash Basis)	Current Year Expenditures	Federal Funds/ Payments Received In Kind	Accrued or (Deferred) Revenue at June 30, 2011
U.S. Department of Agriculture							
Passed through the Michigan Dept of Education							
National School Lunch Breakfast							
Project Number 101970 0910	10.553	\$ 48,043	\$ 3,251	\$ 3,251	\$ -	\$ -	\$ -
Project Number 111970 1011	10.553	54,337	-	44,324	54,337	-	10,013
Comodities	10.569	44,686	-	44,687	44,687	-	-
CACFP Meals							
Project Number 101920 0910	10.558	40,018	11,027	11,027	-	-	-
Project Number 101920 1011	10.558	53,402	-	36,699	47,005	-	10,306
National School Lunch Program							
Project Number # 071970 0809	10.555	467,194	26,586	26,586	-	-	-
Project Number # 071970 0910	10.555	434,272	-	352,105	434,272	-	82,167
Total U.S. Department of Agriculture - Passed Through the Michigan Department of Education		1,141,952	40,864	518,679	580,301	-	102,486
U.S. Federal Communications Commission							
E-Rate, Priority #1 1011	32.001	95,753	-	-	97,753	-	97,753
E-Rate, Priority #2 1011	32.001	260,000	-	260,000	260,000	-	-
Total U.S. Federal Communications Commission		355,753	-	260,000	357,753	-	97,753
U.S. DEPARTMENT OF EDUCATION							
Passed through the Michigan Department of Education							
Office of Elementary and Secondary Education Program							
Title I, Part A - Improving Basic Programs							
Project # 101530 0910	84.010	1,100,893	268,936	389,800	120,864	-	-
Project # 111530 1011	84.010	1,114,442	-	867,112	1,024,705	-	157,593
ARRA Title I, Part A, Project #101535 0910	84.389	728,450	52,891	73,087	20,196	-	-
ARRA Title I, Part A, Project #111535 1011	84.389	71,861	-	71,861	71,861	-	-
Total		3,015,646	321,827	1,401,860	1,237,626	-	157,593
Title II, Part A - Teacher/Principal Training							
Project # 090520 0910	84.367	46,616	16,501	23,128	6,627	-	-
Project # 090520 0809	84.367	45,042	-	26,777	50,704	-	23,927
Total		91,658	16,501	49,905	57,331	-	23,927
American Recovery and Reinvestment Act of 2009:							
Education Stabalization 2010, Project #102525 0910	84.394	457,699	79,196	79,196	-	-	-
Education Stabalization 2011, Project #112525 1011	84.394	192,213	-	157,607	192,213	-	34,606
Title II, Part D, Project #104295 0910	84.386	21,592	3,710	17,755	14,045	-	-
IDEA Flowthrough	84.391	208,969	25,509	25,509	-	-	-
Total		880,473	108,415	280,067	206,258	-	34,606
Education Jobs Fund							
Project # 112545 40827	84.410	344,644	-	241,980	298,907	-	56,927
Wayne County RESA IDEA Flowthrough	84.027A	230,105	37,171	249,916	230,105	-	17,360
Total Office of Elementary and Secondary Education Program.		4,562,526	483,914	2,223,728	2,030,227	-	290,413
TOTAL FEDERAL AWARDS		\$ 6,060,231	\$ 524,778	\$ 3,002,407	\$ 2,968,281	\$ -	\$ 490,652

The accompanying notes are an integral part of this schedule.

UNIVERSITY PREPARATORY ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2011

(1) **SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal financial assistance programs of 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, 2011

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)? X yes _____ 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:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.010	Title I – Part A
84.389	ARRA Title I – Part A
84.394	American Recovery and Reinvestment Act of 2011: Education Stabilization 2011

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

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

UNIVERSITY PREPARATORY ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

Section II – Financial Statement Findings and Questioned Costs

There were no financial statement findings

UNIVERSITY PREPARATORY ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

Section III – Federal Awards Findings and Questioned Costs

<u>Reference Number</u>	<u>Finding</u>
11-1	<p>Finding – Written Procedures – internal control condition</p> <p>Criteria – OMB Circular A-133 and the Michigan Department of Education require written procedures that address administrative and financial internal controls as a precondition to receiving federal funds.</p> <p>Condition - University Preparatory Academy does not have written procedures that address compliance requirements as outlined in OMB Circular A-133.</p> <p>Questioned Costs - Not applicable.</p> <p>Description – The Academy should develop written procedures on how federal funds are accounted for and reported. The written procedures should also include provisions for training and consequences for compliance failures.</p> <p>Recommendations – The Academy should create written procedures that address administrative and financial internal controls.</p>

Management's Response

Although the Academy has in place written policies regarding the administration of federal grant funds, the Academy was not aware of the new requirement that specific procedures be documented. The Academy will document its procedures for managing federal grant funds in the coming year.

UNIVERSITY PREPARATORY ACADEMY
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

I. SUMMARY OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs in the 2010 Single Audit.