

BLANCHE KELSO BRUCE ACADEMY
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2013

BLANCHE KELSO BRUCE ACADEMY
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit Of Financial Statement Performed in Accordance with Government Auditing Standards	1-2
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by 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	8-9
Status of Prior Year Findings and Questioned Costs	10



**GREGORY
TERRELL
& COMPANY**

**INDEPENDENT AUDITOR'S 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
Blanche Kelso Bruce Academy

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Blanche Kelso Bruce Academy (the "Academy") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated January 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

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. 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.

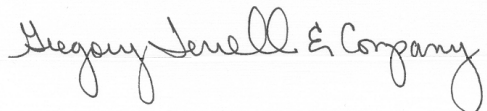
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gregory Terrell & Company". The signature is written in black ink on a white background.

GREGORY TERRELL & COMPANY
Certified Public Accountants

January 17, 2014



**GREGORY
TERRELL
& COMPANY**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors
Blanche Kelso Bruce Academy

Report on Compliance for Each Major Federal Program

We have audited Blanche Kelso Bruce Academy (the "Academy") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended June 30, 2013. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Academy's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the Academy'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, the Academy, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 The Academy'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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

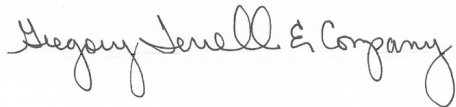
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2013-1. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Academy as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements. We issued our report thereon dated January 17, 2014 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements.

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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

January 17, 2014

BLANCHE KELSO BRUCE ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued or (Deferred) Revenue at July 1, 2012	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued or (Deferred) Revenue at June 30, 2013
U.S. DEPARTMENT OF EDUCATION							
Passed through the Michigan Department of Education Office of Elementary and Secondary Education Program							
Title I, Part D - Neglected or Delinquent Prevention/Intervention	84.010						
Grant # 121700		\$ 1,808,066	\$ 710,728	\$ 270,954	\$ 981,682	\$ -	\$ -
Grant # 111701		394,019	-	-	393,996	393,996	-
Grant # 131700		2,256,903	-	-	1,161,213	1,588,953	427,740
		<u>\$ 4,458,988</u>	<u>\$ 710,728</u>	<u>\$ 270,954</u>	<u>\$ 2,536,891</u>	<u>\$ 1,982,949</u>	<u>\$ 427,740</u>
Title II, Part A - Teacher/Principal Training & Recruiting	84.367A						
Grant # 130520		\$ 18,999	\$ -	\$ -	\$ -	\$ 18,999	\$ 18,999
Passed through Wayne County RESA IDEA Flow through- Special Education Grants to State							
IDEA Regular Flow through 11-12	84.027A	\$ 227,520	\$ 17,380	\$ -	\$ 17,380	\$ -	\$ -
IDEA Regular Flow through 12-13		169,175	-	-	169,175	169,175	-
		<u>\$ 396,695</u>	<u>\$ 17,380</u>	<u>\$ -</u>	<u>\$ 186,555</u>	<u>\$ 169,175</u>	<u>\$ -</u>
TOTAL FEDERAL AWARDS		<u>\$ 4,874,682</u>	<u>\$ 728,108</u>	<u>\$ 270,954</u>	<u>\$ 2,723,446</u>	<u>\$ 2,171,123</u>	<u>\$ 446,739</u>

The accompanying notes are an integral part of this schedule.

BLANCHE KELSO BRUCE ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2013

(1) **SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal financial awards programs of the Academy 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 in the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits 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 presentation of, the basic financial statements.

(2) **BASIS OF ACCOUNTING**

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

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

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

(4) **MAJOR PROGRAMS**

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

BLANCHE KELSO BRUCE ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

SECTION I: SUMMARY OF AUDITORS' RESULTS

- (1) The auditors' report expresses an unmodified opinion on the financial statements of the Academy.
- (2) There were no significant deficiencies disclosed during the audit of the financial statements.
- (3) No instances of noncompliance material to the financial statements of the Academy, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- (4) There were significant deficiencies or material weaknesses in internal control over major federal award programs disclosed during the audit.
- (5) The auditors' report on compliance for the major federal award programs for the Academy expresses an unmodified opinion on all major federal programs.
- (6) There are audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- (7) The program tested as major programs were:

Title I, Part D – Neglected or Delinquent Prevention/Intervention CFDA 84.010
- (8) The threshold used for distinguishing between Type A and B programs was \$300,000.
- (9) The Academy did qualify as a low-risk auditee.

SECTION II: FINANCIAL STATEMENT FINDINGS

There are no financial statement findings for the year ended June 30, 2013.

BLANCHE KELSO BRUCE ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

SECTION III: FEDERAL AWARDS FINDINGS

FINDING 2013-1: Internal Control Condition*

Federal Agency: U. S. Department of Education

Pass-through Agency: Michigan Department of Education

CFDA 84.010, Title I D – Neglected or Delinquent Prevention/Intervention

Contract Number: 131700; Program year July 1, 2012 through June 30, 2013

Criteria: OMB Circular A-133 and the Michigan Department of Education require written procedures that establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements as a precondition to receiving federal funds.

Condition: The Academy does not have written procedures that include all compliance requirements under the federal awards.

Questioned Cost: Not applicable.

Context: The Academy should develop more detailed written procedures that establish and maintain internal controls for all federal programs compliance requirements.

Effect: The Academy does not have the required OMB Circular A-133 written procedures to ensure compliance with Federal laws, regulations, and program compliance requirements. This could jeopardize future funding from federal programs.

Cause: The Academy's written procedures do not address procedures for all compliance requirements under the federal programs.

Recommendation: The Academy should create written internal control procedures that address administrative and financial controls.

Management Response

Management is completing the process of detailing all of the recommended internal control procedures, which will be in use for the 2013-2014 school year.

*Repeat Finding

BLANCHE KELSO BRUCE ACADEMY
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

I. SUMMARY OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Finding #	Description	Status
2012-1	Cash Management - Made a request for cash from a grant without having an immediate cash need.	Yes
2012-2	Internal Control Condition - No written internal control procedures.	No