

W-A-Y Academy

Single Audit Report

June 30, 2015

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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*

Independent Auditors' Report

To the Board of Education
W-A-Y Academy
Detroit, Michigan

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 W-A-Y Academy as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise W-A-Y Academy's basic financial statements, and have issued our report thereon dated October 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered W-A-Y 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of W-A-Y Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of W-A-Y 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 W-A-Y 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.

Yeo & Yeo, P.C.

Flint, Michigan
October 15, 2015

**Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and
Report on Schedule of Expenditures of Federal
Awards Required by OMB Circular A-133**

Independent Auditors' Report

To the Board of Education
W-A-Y Academy
Detroit, Michigan

Report on Compliance for Each Major Federal Program

We have audited W-A-Y Academy's 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 W-A-Y Academy's major federal programs for the year ended June 30, 2015. W-A-Y Academy's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of W-A-Y 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 W-A-Y 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 W-A-Y Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, W-A-Y 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, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which 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 as item 2015-001. Our opinion on each major federal program is not modified with respect to this matter.

W-A-Y Academy's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. W-A-Y Academy's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of W-A-Y 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 W-A-Y 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 W-A-Y 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over

compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency.

W-A-Y Academy's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. W-A-Y Academy's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 W-A-Y Academy as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise W-A-Y Academy's basic financial statements. We issued our report thereon dated October 15, 2015, 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Flint, Michigan
October 15, 2015

W-A-Y Academy
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Award Grant Entitlement Program Amount	Inventory/ Accrued (Unearned) Revenue at July 1, 2014	Prior Year Expenditures	Current Year Expenditures	Current Year Cash Payments/ In Kind Received	Inventory/ Accrued (Unearned) Revenue at June 30, 2015
U.S. DEPARTMENT OF AGRICULTURE							
Child Nutrition Cluster							
Passed through Michigan Department of Education							
Cash Assistance							
School Breakfast Program	10.553						
151970		\$ 21,661	\$ -	\$ -	\$ 21,661	\$ 18,569	\$ 3,092
National School Lunch Program	10.555						
141960		37,392	2,527	33,801	3,591	6,118	-
151960		35,643	-	-	35,643	27,169	8,474
		<u>94,696</u>	<u>2,527</u>	<u>33,801</u>	<u>60,895</u>	<u>51,856</u>	<u>11,566</u>
Total Cash Assistance		<u>94,696</u>	<u>2,527</u>	<u>33,801</u>	<u>60,895</u>	<u>51,856</u>	<u>11,566</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>94,696</u>	<u>2,527</u>	<u>33,801</u>	<u>60,895</u>	<u>51,856</u>	<u>11,566</u>
U.S. DEPARTMENT OF EDUCATION							
Special Education Cluster							
Passed through Wayne RESA							
IDEA Flowthrough	84.027						
140450-1314		118,499	99,854	99,854	18,645	99,854	18,645
150450-1415		139,680	-	-	139,680	-	139,680
Total IDEA Flowthrough		<u>258,179</u>	<u>99,854</u>	<u>99,854</u>	<u>158,325</u>	<u>99,854</u>	<u>158,325</u>
Passed through the Michigan Department of Education							
Title I, Part A - Educationally Deprived	84.010						
141530-1314		465,553	124,397	124,397	277,936	410,333	(8,000)
151520-1415		6,000	-	-	6,000	3,000	3,000
151530-1415		504,009	-	-	185,485	158,215	27,270
Total Title I, Part A		<u>975,562</u>	<u>124,397</u>	<u>124,397</u>	<u>469,421</u>	<u>571,548</u>	<u>22,270</u>
Passed through the Michigan Department of Education							
Charter Schools	84.282						
130610-121312		200,000	99,945	199,945	-	99,945	-

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

W-A-Y Academy
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Award Grant Entitlement Program Amount	Inventory/ Accrued (Unearned) Revenue at July 1, 2014	Prior Year Expenditures	Current Year Expenditures	Current Year Cash Payments/ In Kind Received	Inventory/ Accrued (Unearned) Revenue at June 30, 2015
Passed through the Michigan Department of Education Title IIA - Teacher/Principal Training & Recruiting	84.367						
140520-1314		66,738	33,000	33,000	33,738	66,738	-
150520-1415		64,695	-	-	6,081	5,239	842
Total Title IIA		131,433	33,000	33,000	39,819	71,977	842
TOTAL U.S. DEPARTMENT OF EDUCATION		1,565,174	357,196	457,196	667,565	843,324	181,437
TOTAL FEDERAL AWARDS		<u>\$ 1,659,870</u>	<u>\$ 359,723</u>	<u>\$ 490,997</u>	<u>\$ 728,460</u>	<u>\$ 895,180</u>	<u>\$ 193,003</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

W-A-Y Academy
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2015

1. The Schedule of Expenditures of Federal Awards (SEFA) was prepared using the accrual basis of accounting.
2. Management has reported the expenditures in the SEFA equal to those amounts reported in the annual or final cost reports that have been submitted as of June 30, 2015, except for Title I, Part A grant 141530-1314 which had an adjustment subsequent to the final cost report being filed. Management plans to restate the final cost report for this grant.
3. The federal amounts reported on the *Grant Auditor Report (GAR)* are in agreement with the SEFA.
4. The total expenditures on the SEFA equal federal revenue on the financial statements.
5. Federal expenditures include disbursements to W-A-Y Program, Incorporated (“the Program,” a Michigan non-profit corporation), the management company for the Academy. Substantially all of the payroll-type costs (purchased services) charged to federal programs were paid to the Program. See Note 8 of the financial statements for further information.

W-A-Y Academy
Schedule of Findings and Questioned Costs
June 30, 2015

Section I - Summary of Auditors' Results

Type of auditors' report issued:

Unmodified

Internal control over financial reporting

- | | | | | |
|---|-------|-----|---------------|---------------|
| <ul style="list-style-type: none"> • Material weakness(es) identified? | _____ | Yes | _____ X _____ | No |
| <ul style="list-style-type: none"> • Significant deficiency(ies) identified that are not considered to be material weaknesses? | _____ | Yes | _____ X _____ | None reported |
| <p>Noncompliance material to financial statements noted?</p> | _____ | Yes | _____ X _____ | No |

Federal Awards

Internal control over major programs:

- | | | | | |
|---|---------------|-----|---------------|---------------|
| <ul style="list-style-type: none"> • Material weakness(es) identified? | _____ | Yes | _____ X _____ | No |
| <ul style="list-style-type: none"> • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | _____ X _____ | Yes | _____ _____ | None reported |

Type of auditors' report issued on compliance for major programs:

Unmodified

- | | | | | |
|---|---------------|-----|-------------|----|
| <p>Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?</p> | _____ X _____ | Yes | _____ _____ | No |
|---|---------------|-----|-------------|----|

W-A-Y Academy
Schedule of Findings and Questioned Costs
June 30, 2015

Identification of major programs:

CFDA Numbers

Name of Federal Program

84.010

Title I, Part A

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee:

 Yes X No

W-A-Y Academy
Schedule of Findings and Questioned Costs
June 30, 2015

Section II - Financial Statement Findings

There were no audit findings for the year ended June 30, 2015.

Section III - Federal Award Findings and Questioned Costs

Finding 2015-001 – Significant Deficiency and Noncompliance – Cash Management

Program Information – Title I, Part A; U.S. Department of Education, grants 141530-1314 and 151530-1415, passed through Michigan Department of Education, CFDA #84.010.

Criteria – Federal and state cash management compliance requirements stipulate that the Academy must request grant funds on a reimbursement basis only.

Condition – During the year ended June 30, 2015 the Academy submitted reimbursement requests for funds before the expenditures were actually paid.

Questioned Costs – None

Cause – Management represents that the cause was continuous shortages of available cash on hand during the year to pay expenditures in advance of grant cash draws.

Effect – Cash was requested in advance of payment of expenditures.

Recommendation – The Academy should ensure cash requests are done on a reimbursement basis only. If cash shortages are an issue, the Academy should look at options for improving cash flow such as increasing the amount of the state aid anticipation note or modifying payment terms of significant vendor invoices to ensure federal and state grant requirements are met.

View of Responsible Official – The Academy is in agreement with the finding.

Corrective Action Plan – See page 13.

W-A-Y Academy
Summary Schedule of Prior Audit Findings
June 30, 2015

There were no audit findings for the year ended June 30, 2014.



W-A-Y Academy submits the following corrective action plan regarding finding 2015-001 on the Schedule of Findings and Questioned Costs for the year ended June 30, 2015:

WAY Academy properly submitted reimbursement requests on a reimbursement basis for funds when non-salary expenditures were made. However, the Academy failed to verify contractual employee costs for federally funded staff had also been on a reimbursement basis.

The Academy will ensure all costs are on a reimbursement basis by reviewing bank reconciliations for contractual employee cost transfers and continue to verify other expenditures are also on a reimbursement basis. A copy of the corresponding bank documentation will be kept with the cash draw down paperwork as confirmation.

The above internal control will begin immediately and be completed by the district Accountant & the Director of Finance.

Kelli Glenn,
Director of Finance