

# FREEMON, SHAPARD & STORY

*Certified Public Accountants*

## **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***

Board of Directors  
Texas Boys Choir, Inc.  
3901 S. Hulen Street  
Fort Worth, TX 76109

Members of the Board of Directors:

We have audited the financial statements of Texas Boys Choir, Inc. (the Charter Holder) as of and for the year ended August 31, 2012 and 2011, and have issued our report thereon dated January 15, 2013. We conducted our audits 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 Texas Boys Choir, Inc.'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 Texas Boys Choir, Inc.'s internal control over financial reporting.

A deficiency in 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 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 Texas Boys Choir, Inc.'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Questioned Costs as items 2012-1 and 2012-2.

We noted certain matters that we reported to management of Texas Boys Choir, Inc. in a separate letter dated January 15, 2013.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity, and the Texas Education Agency and other 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.

Respectfully submitted,



Freemon, Shapard, & Story  
January 15, 2013

**TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2012**

I. Summary of Auditor's Results

*Financial Statements*

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	___ Yes <u> X </u> No
Significant deficiencies identified that are not considered to be material weaknesses?	___ Yes <u> X </u> No
Noncompliance material to financial statements noted?	___ Yes <u> X </u> No

Under the guidelines of OMB Circular A-133, a Single Audit was not required for the year ended August 31, 2012.

II. Financial Statement Findings

Finding 2012-1

*Criteria*

New board members are required to receive twelve hours of board training their first year of service, and experienced board members are required to receive six hours of board training every year thereafter.

*Condition*

Five experienced board members did not receive the required board training.

*Effect*

These board members may not be aware of new charter school rules and regulations.

*Cause*

These board members did not attend the required board member training seminars.

*Recommendation*

All board members must receive the required board training every year.

*Management Response*

All board members will be required to attend board training every year. The board members who did not receive the training will either receive the training next year or will resign from the Board.

Finding 2012-2

*Criteria*

The Texas Education Codes requires that children who have been identified as gifted and talented receive services exclusively for gifted and talented students.

*Condition*

The students who have been identified as gifted and talented did not receive exclusive services.

*Effect*

The gifted and talented students are receiving the same services as the regular students. They are not receiving any services exclusively designed for gifted and talented students.

*Cause*

Texas Boys Choir did not develop any gifted and talented programs or send their gifted and talented students to any seminars developed for gifted and talented students.

*Recommendation*

Texas Boys Choir needs to spend 55% of their gifted and talented allotment on services exclusively for gifted and talented students.

*Management Response*

Texas Boys Choir will develop a gifted and talented program for its gifted and talented students.

III. Findings and Questioned Costs for State and Federal Awards

None identified.

**TEXAS BOYS CHOIR, INC. (THE CHARTER HOLDER)  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2012**

Finding 2011-1

*Criteria*

The budget should be amended as required in advance of funds being spent for all functional level categories each year.

*Condition*

Fort Worth Academy of Fine Arts expenditures exceeded the final amended budget in eight functional categories for the year as per Exhibit E-1.1. However, only two functional categories exceeded ten percent of the final budgeted amount in Function 34-Student Transportation and Function 41-General Administration. Texas Elementary School of the Arts expenditures exceeded the final amended budget in four functional categories for the year as per Exhibit E-1.2; however, only two functional categories exceeded ten percent of final budgeted amount in Function 31-Guidance, Counseling, & Evaluation Services and Function 36-Cocurricular/Extracurricular Activities.

*Effect*

Expenditures were made without board approval.

*Recommendation*

The budget should be amended as required in advance of funds being spent for all functional level categories each year.

*Management Response*

Fort Worth Academy of Fine Arts and Texas Elementary School of the Arts will monitor the budget more closely including making budget amendments approved by the Board when necessary in advance of spending funds.

*Status*

Although there were still a few functions in Fort Worth Academy of Fine Arts and Texas Elementary School of the Arts where the amount spent was more than the amount budgeted, there were no material overexpenditures.

*Management's Explanation for not implementing the Recommendation*

The charter schools will continue to monitor expenditures and amend the budgets in advance of spending in the 2012-13 year.

Finding 2011-2

*Criteria*

New board members are required to receive twelve hours of board training their first year of service, and experienced board members are required to receive six hours of board training every year thereafter.

*Condition*

One experienced board member did not receive any board training.

*Effect*

This board member may not be aware of new charter school rules and regulations.

*Recommendation*

All board members must receive the required board training every year.

*Management Response*

All board members will be required to attend board training every year. The board member who did not receive the training will either receive the training next year or will resign from the Board.

*Status*

Five experienced board members did not receive the required board training.

*Management's Explanation for not implementing the Recommendation*

Texas Boys Choir will determine if these board members should resign from the Board if they are unwilling or unable to attend board training seminars.

Finding 2011-3

*Criteria*

When an employee is hired, an I-9 should be completed by the employee and employer, and a W-4 should be completed by the employee. An I-9 is required for all employees hired after November 6, 1986, to prove that the employee is authorized to work in the United States.

*Condition*

Of the ten employees sampled for testing, four did not have I-9's on file, and three did not have W-4's on file.

*Effect*

Texas Boys Choir does not have any proof that they are checking the employment eligibility of their employees.

*Recommendation*

Every employee should have a file that contains their contract, I-9, W-4, training, etc. These files should be easily accessible, and Texas Boys Choir should be able to pull them immediately when auditors or grantor agencies ask for them.

*Management Response*

New W-4's and I-9's have been completed for the employees that had missing I-9's and W-4's.

*Status*

All W-4's and I-9's were available and accessible during sampling.

*Management's Explanation for not implementing the Recommendation*

N/A