

Steven R. Volz  
Thomas G. Wieland  
David A. Grotkin  
Joel A. Joyce



Brian J. Mechenich  
Carrie A. Gindt  
Patrick G. Hoffert  
Jason J. Wrasse

To the Board of Directors  
Trans Center for Youth, Inc.  
Milwaukee, Wisconsin

In planning and performing our audit of the financial statements of Trans Center for Youth, Inc. (Organization) as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered Trans Center for Youth, Inc.'s internal control over financial reporting (internal control) as a basis for designing auditing 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 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 was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit, we did not identify any deficiencies in the Organization's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

In addition, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated November 26, 2013 on the financial statements of Trans Center for Youth, Inc. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

#### **Segregation of Duties**

The Organization operates its accounting and reporting function with principally two-three individuals, which precludes a proper segregation of duties. This condition is not, however, unusual in entities the size of the Organization. It is important for management to be aware of this condition and to realize that the concentration of duties and responsibilities in one individual is not desirable from a control point of view. Under these conditions, the most effective controls rest in management's knowledge and monitoring of matters relating to the Organization's financial affairs. The Organization's policies and procedures require a second independent review of payroll registers and cancelled checks. We recommend that these reviews continue to be performed on a timely basis.

Reilly, Penner & Benton LLP

1233 N. Mayfair Road Suite #302 • Milwaukee, WI 53226-3255 • 414-271-7800

[www.rpb.biz](http://www.rpb.biz)

**Compliance with MPS Contracts**

During the audit, we tested Shalom High School and Northwest Opportunities Vocational Academy (NOVA)'s compliance with the MPS partnership schools contract. We noted instances of non-compliance that we believe should be brought to the attention of management.

The criteria in part I.D.5.a. on page 6 of the contract states that the schools must "meet Adequate Yearly Progress (AYP) Requirements in reading on the Wisconsin Knowledge and Concepts Exam (WKCE)." We noted that according to the 2012-13 At Risk Annual Pupil Academic Achievement Report, NOVA did not meet this requirement.

The criteria in part I.D.5.b. on page 6 of the contract states that the schools must "meet Adequate Yearly Progress (AYP) Requirements in mathematics on the WKCE." We noted that according to the 2012-13 At Risk Annual Pupil Academic Achievement Report, Shalom High School and NOVA did not meet this requirement.

The criteria in part I.D.5.g. on page 6 of the contract states that the schools must "achieve an average daily attendance rate of middle grade pupils in the Educational Program that meets the state's AYP requirements." We noted that according to the 2012-13 At Risk Annual Pupil Academic Achievement Report, NOVA did not meet this requirement.

The criteria in part I.D.5.h. on page 6 of the contract states that the schools must "achieve a graduation rate in Contractor's School that meets the state's AYP requirements." We noted that according to the 2012-13 At Risk Annual Pupil Academic Achievement Report, NOVA did not meet this requirement.

We have audited the financial statements of Trans Center for Youth, Inc. for the year ended June 30, 2013, and have issued our report thereon dated November 26, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 11, 2013. Professional standards also require that we communicate to you the following information related to our audit.

## **Significant Audit Findings**

### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Trans Center for Youth, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the depreciable lives and methods for property and equipment.
- Management's estimate of the agreed upon return of the security deposit for El Puente High School when the Organization vacates the leased premises.

We evaluated the key factors and assumptions used to develop the aforementioned estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the Organization's financial statements taken as a whole.

### **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Significant Audit Findings (continued)**

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated November 26, 2013.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Information in Documents Containing Audited Financial Statements**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Audit Committee, Board of Directors, and management of Trans Center for Youth, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

*Reilly, Penn + Berto LLP*

November 26, 2013  
Milwaukee, Wisconsin