

***The budget does not include evidence of start-up resources, specifically letters confirming funding sources or a contingency plan.***

***The applicant did not provide a sound plan and timeline for securing a facility.***

***The assumptions about facilities in all financial statements provided do not correspond to a conservative facility plan or account for possible contingencies, leading to overarching concerns about the viability of the plan overall.***

***For example, salaries for the chief academic officer and director of finance and operations are stated as \$75,000 – \$90,000 in the application. But, the operating statement of activities shows the chief academic officer salary as \$80,000 in Year 1, rising to \$173,189 in Year 5.***

The operating statement of activities assumes there will be an added position of Academic Coordinator in year 3 to assist the Chief Academic Officer. The \$173,189 mentioned in year 5 will be for two positions.

***The financial readiness plan is unclear or has gaps in several areas. The applicant has not clearly described appropriate segregation of duties or control systems.***

Segregation of duties and systems of control were addressed in the application as follows:

“There will be a segregation of duties to ensure effective internal controls. In general, the approval function, the accounting/reconciling function, and the asset custody function will be separated among the 4<sup>th</sup> Sector finance team members. A specific example of segregation of duties implemented by the school is that the person who approves purchases will not be the person who issues the vendor payments, and the person who issues the payments will not be the person who performs the monthly bank reconciliation. In the unusual situation when there are functions that cannot be separated, a detailed supervisory review of related activities will be required as a compensating control activity.”

***The responsibilities of the administration, board, and financial service provider, and process for developing the annual budget are not clear.***

Responsibilities were outlined in the application as below:

The Board will review and approve The Delores Taylor Arthur School for Young Men’s annual budget each year. In the third fiscal quarter (January-March), the 4<sup>th</sup> Sector finance team will meet with the President/CEO and Director of Finance and Operations to review potential enrollment, staffing, and funding scenarios, and discuss any new educational program initiatives that the school leadership team is considering. The budget model used by 4<sup>th</sup> Sector is extremely comprehensive, allowing for person by person budgeting and detailed other than personnel projections. Based on The Delores Taylor Arthur School for Young Men leadership input, along with historical accounting data, the finance team will prepare draft budgets for review by the President/CEO and Director of Finance and Operations. The finance team will continue to work with The Delores Taylor Arthur School for Young Men leadership team on different scenarios in order to optimize spending on school priorities. The agreed upon budget will be presented to the Finance Committee of the Board for review. The finance team will then make appropriate adjustments based on input from the Finance Committee of the Board, and present a final version to the Board, for the Board’s approval and adoption in May or June. The Board will comply with the Louisiana Local Government Budget Act (Rs. 39:1307) by ensuring that (i) the public has an opportunity to participate in the budgetary process prior to the adoption of the budget, (ii) it publishes a notice stating the proposed budget available for public inspection and stating the date, time and place of public hearing, at least 10 days after the notice, (iii) the budget is adopted after at least one public hearing; and (iv) it has published a notice certifying completion of these

actions. All actions to adopt, finalize, amend and implement the budget will be discussed and approved in Open Meeting.

***The differentiation of responsibilities for the director of finance and 4<sup>th</sup> Sector Solutions is not clear nor is a clear description of how these two entities will work together provided.***

4th Sector Solutions will work in the capacity of consultant and support in the areas of finance, operations and human resources. 4th Sector Solutions will provide support to the Director of Finance by handling the duties of accounts payable, payroll, keeping the accounting books of record and financial report preparation. This will allow the school to meet the standards of segregation of duties and internal control without hiring additional finance staff. The Director of Finance will function as the school's business manager charged with procurement oversight, budget spending management, grants management, fund raising and development, review of financial statements and works closely with the CEO in developing the current budget as well as long-term budget goals. 4th Sector Solutions will train and support the Director of Finance and other future employees of the finance department with the long-term goal of the school growing to a sustainable enrollment level to support the employment of a full finance and operations staff and the eventual transition away from the support of 4th Sector Solutions.