



Chesterfield County, Virginia Internal Audit

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GREG L. AKERS
Director

DATE: January 19, 2017

TO: Dr. James F. Lane
Superintendent

FROM: Greg L. Akers
Director of Internal Audit

SUBJECT: Lifelong Learning Institute Special Project

CONCLUSION

Internal Audit conducted this project based on a request from the Chesterfield County Public Schools (CCPS) to evaluate their participation with the Lifelong Learning in Chesterfield County, VA (LLI), a non-profit organization independent of Chesterfield County (the County) and CCPS. Our evaluation identified opportunities to strengthen monitoring for community organizations supported by CCPS.

BACKGROUND

On October 25, 2016, an anonymous citizen called the CCPS School Board Attorney with complaints about LLI management. LLI is a 501(c)(3) nonprofit organization designed to meet the educational, fitness, and social enrichment needs of adults age 50 and over. Our audit focused on the relationship between CCPS, the County, and LLI.

As a nonprofit, LLI develops and offers daytime courses, lectures, activities and special events on a wide range of topics. In addition to academic courses, LLI offers fitness opportunities, social activities, lunches, trips, games, and arts. LLI has a board of directors made up of members, faculty, representatives from partner organizations, and community members. LLI's sponsors include the Virginia Center on Aging (VCoA) at Virginia Commonwealth University (VCU), CCPS, and the County.

LLI operates out of a facility at 13801 Westfield Road, Midlothian, Virginia owned by Chesterfield County. LLI shares use of this facility, known by CCPS as the Watkins Annex, with CCPS Connections Academy. The Connections Academy is an alternative learning environment for CCPS students that have been suspended or expelled from school. LLI operates during daytime hours (8:00 AM to 4:00 PM) and Connections Academy operates in the evening (4:30 PM to 8:00 PM).

CCPS has a Memorandum of Understanding (MOU) with LLI outlining their use of this facility at no charge. LLI's use of this property, valued at \$186,000 in their financial statements, represents a significant amount of their FY 2015 total support and revenue of \$622,000.

In addition to CCPS support, LLI has applied for and received \$10,000 in community contract funding from the County's Board of Supervisors each year since FY 2009. LLI has never had an audit of their financial statements and have submitted "reviewed" financial statements with their applications. A review is substantially less in scope than an audit and the accountant does not express an opinion regarding the financial statements as a whole. In the County's most recent funding agreement dated April 21, 2016 with LLI, the County has added the specific requirement that LLI must submit to the County's Budget Department audited financial statements for LLI's fiscal year ending June 30, 2017.

OBJECTIVES, SCOPE & METHODOLOGY

Objectives:

Objectives of the audit were to:

- Determine the relationship and support between the Lifelong Learning Institute (LLI), the County, and CCPS.
- Evaluate performance monitoring of LLI conducted by the County and CCPS.
- Report results and recommendations to the School Superintendent and other management as required.

Scope:

Our audit scope primarily covered the current operating environment.

Methodology:

Our methodology included:

- Review documentation outlining the County's and CCPS's relationship and support of LLI.
- Evaluate LLI's financial statements to determine the significance of County and CCPS support.
- Assess how the County and CCPS monitors LLI's contributions to County residents.

We conducted this special project as a performance audit in accordance with generally accepted government auditing standards, except the risk and internal control assessment was more targeted to the specific allegations versus a comprehensive evaluation of the program. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Christopher Meade, Senior Auditor, performed the audit work. Chesterfield County Internal Audit is a department within the organization of Chesterfield County/Schools.

FINDINGS

CCPS has had an unwritten partnership dating back to 2003 in which CCPS provided LLI with the use and maintenance of the Watkins Annex building at no charge. Since 2003, LLI's programs have grown. The MOU between CCPS and LLI was signed on June 20, 2016 and runs through December 31, 2020, and includes the option of termination with twelve months' notice.

CCPS has policies and procedures to request one-time and recurring use of CCPS facilities through facility use agreements. The MOU with LLI goes beyond a normal facility use agreement, with additional requirements for each party. CCPS has one other MOU with the Chesterfield Education Foundation to use space at the Career and Technical Center at Hull.

The MOU has three basic requirements of LLI. Those requirements include providing lifelong learning

opportunities for midlife and older adults, allowing CCPS a representative on LLI's board of directors, and providing \$1 million of liability insurance. In return, CCPS provides LLI the use, maintenance and custodial support of the Watkins Annex building at no charge.

The MOU does not require LLI to:

- Submit any financial documents (budget, financial statements, etc.) to CCPS.
- Produce any reports outlining the activities and programs and how they benefit the residents of the County.

CCPS does not have documented procedures to:

- Define CCPS personnel responsible for oversight of support provided to LLI.
- Monitor LLI services against performance measures or program goals.
- Compare LLI program outcomes to cost of support provided. It is also difficult for CCPS to illustrate cost of LLI support because costs for LLI's use of the Watkins Annex are not separately identified in financial systems.

RECOMMENDATION(S):

We recommend:

1. CCPS consider amending the MOU with LLI to include requirements that:
 - a. LLI provide audited annual financial statements.
 - b. LLI provide periodic reports on program activities as they relate to County residents.
2. Updating CCPS policies and procedures to clarify when facility use requires an MOU, rather than a facility use agreement, to define items such as: program goals, value of facility use provided, and assigned personnel to monitor MOU compliance.
3. We recommend that CCPS's LLI Board representative share complaints received about LLI management with LLI's Board of Directors.

MANAGEMENT'S RESPONSE(S):

1. *Concur. Wendell Roberts, School Board Attorney is responsible for implementing July 1, 2017. Revise existing MOU to require audited annual financial statements (if available) and periodic program updates.*
2. *Concur. Rusty Fairheart, Chief of Staff and Wendell Roberts, School Board Attorney are responsible for implementing July 1, 2017. Clearly define parameters for requiring MOU.*
3. *Tim Bullis, Director of Community Relations is responsible for implementing January 31, 2017. CCPS Board representative will share complaints received about LLI with the LLI Board Directors.*

CLOSING

We appreciate the cooperation and assistance received from the superintendent and his staff throughout this audit.

cc: Donald Fairheart, Chief of Staff
Chris Sorensen, Assistant Superintendent for Budget and Finance
Nita Mensia Joseph, Chief Operating Officer
Tim Bullis, Director of Community Relations
Matt Harris, Budget Director (County)

January 2017

Highlights

Internal Audit Report to the Board of Supervisors/School Board

Why We Did This Project

Internal Audit conducted this special project based on a request from Chesterfield County Public Schools (CCPS) to evaluate their participation with the Lifelong Learning Institute (LLI), a non-profit organization independent of Chesterfield County (the County) and CCPS.

Our objectives were to:

- Determine the relationship and support between the Lifelong Learning Institute (LLI), the County, and CCPS.
- Evaluate performance monitoring of LLI conducted by the County and CCPS.
- Report results to the School Superintendent and other management as required.

What We Recommend

- CCPS consider amending the MOU to include requirements that LLI provide audited financial statements and periodic reports on program activities.
- CCPS update policies and procedures to clarify when facility use requires an MOU, rather than a facility use agreement, to define items such as: program goals, value of facility use provided, and assigned personnel to monitor MOU compliance.



For more information, please contact
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Lifelong Learning Institute Special Project



What We Found

Background

LLI is a 501(c)(3) non-profit organization designed to meet the educational, fitness and social enrichment needs of adults 50 and over by offering daytime courses, lectures, activities, and special events on a wide range of topics. LLI operates out of the CCPS Watkins Annex Facility.

CCPS has a Memorandum of Understanding (MOU) with LLI outlining their use of this facility at no charge. LLI's use of this property, valued at \$186,000 in their financial statements, represents a significant amount of their FY 2015 total support and revenue of \$622,000.

LLI has applied for and received \$10,000 in Community Agency Funding from the County's Board of Supervisors each year since FY 2009. LLI has submitted reviewed financial statements with their applications. A review is substantially less in scope than an audit and the accountant does not express an opinion regarding the financial statements as a whole. In the County's most recent funding agreement, the Board of Supervisors added the requirement that LLI must submit an annual audit report for LLI's fiscal year ending June 30, 2017.

Our evaluation identified opportunities to strengthen monitoring for community organizations supported by CCPS.

Summary of Findings

CCPS has had an unwritten partnership with LLI dating back to 2003. Since then, LLI's programs have grown. A memorandum of understanding (MOU) between CCPS and LLI was signed in June 2016

The MOU does not require LLI to:

- Submit any financial documents (budget, financial statements, etc.) to CCPS.
- Produce any reports outlining the activities and programs and how they benefit the residents of the County.

CCPS does not have documented procedures to:

- Define CCPS personnel responsible for oversight of support provided to LLI.
- Monitor LLI services against performance measures or program goals.
- Compare program outcomes to cost of support provided.

Management concurred with 3 of 3 recommendations to be implemented by July 1, 2017.

We appreciate the cooperation received from management and staff while conducting this audit.