

Report 16-9
November 2016

Read to Lead

Development Fund

Fiscal Year 2015-16

STATE OF WISCONSIN



Legislative Audit Bureau ■

Read to Lead Development Fund Fiscal Year 2015-16

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Joe Chrisman
State Auditor

November 22, 2016

Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Cowles and Representative Kerkman:

As required by s. 13.94 (1) (dL), Wis. Stats., we have completed a financial audit of the Read to Lead Development Fund for fiscal year (FY) 2015-16. The Fund and a related general purpose revenue (GPR) appropriation provide grants to school boards and others in support of literacy and early childhood development programs. The Read to Lead Development Council is responsible for recommending potential recipients of these grants.

From the Fund's creation in April 2012 through FY 2015-16, grants totaling \$513,359 were awarded, including \$176,433 in FY 2015-16. The State has expended \$316,302 for these grants through FY 2015-16.

We identified concerns with the process for awarding grants during FY 2015-16. Specifically, inaccurate compilation of grant application scores by staff in the Department of Children and Families (DCF) resulted in one grant applicant not receiving a grant award in FY 2015-16. This applicant was subsequently provided a grant award in FY 2016-17 for the full amount available to be awarded in FY 2016-17, but for less than the amount requested by the applicant in its FY 2015-16 grant application. We recommend improvements to the process for awarding grants.

During FY 2015-16, multiple agencies were involved in the financial administration of these grants. As a result, the amount awarded in FY 2015-16 exceeded the amount actually available by \$39,993. We recommend DCF verify the amount of funding available to award prior to making grant awards in the future, report to the Joint Legislative Audit Committee on its plan for funding the over-awarded amount, and seek statutory changes to make one agency solely responsible for financial administration.

As of the end of the FY 2015-16, funds available in the Fund are fully committed. In addition, the amount appropriated to the related GPR appropriation through FY 2016-17 is fully committed. We recommend that DCF work with the Read to Lead Development Council to include information in the Council's next annual report to the Legislature on the outcomes resulting from grants funded to date, specific strategies for funding future grants, and plans for the Council's future activity.

We appreciate the courtesy and cooperation extended to us by the staff in the departments of Children and Families, Public Instruction, and Administration during our audit.

Respectfully submitted,


Joe Chrisman
State Auditor

JC/KE/ss

Introduction ■

The Read to Lead Development Fund and a related GPR appropriation fund grants in support of literacy and early childhood development programs.

Created in April 2012 by the enactment of 2011 Wisconsin Act 166, the Read to Lead Development Fund provides grants to school boards and others in support of literacy and early childhood development programs. The Fund includes two segregated revenue (SEG) appropriations. In addition to the Fund, a related general purpose revenue (GPR) appropriation, which existed prior to Act 166, is statutorily designated to fund these grants. The Read to Lead Development Council (Council), which was also created by Act 166, is statutorily responsible for recommending the grants to be awarded from both the Fund and the related GPR appropriation.

For grants awarded through fiscal year (FY) 2014-15, the Governor, or his or her designee, served as chairperson of the Council, and the Governor and State Superintendent of Public Instruction were jointly responsible for awarding grants. The Department of Public Instruction (DPI) was responsible for notifying recipients of a grant award, preparing formal agreements with grants recipients, and monitoring payments to grant recipients. DPI was also responsible for processing payments funded by one of the SEG appropriations. On behalf of the Governor's Office, the Department of Administration (DOA) was responsible for processing payments funded by the other SEG appropriation and the related GPR appropriation.

For FY 2015-16, responsibilities related to the Fund and grant funding sources moved from the Governor's Office to DCF.

A number of changes in responsibilities resulted from 2015 Wisconsin Act 55, the 2015-17 Biennial Budget Act, including:

- the chairperson of the Council changed from the Governor, or his or her designee, to the Secretary of the Department of Children and Families (DCF), or his or her designee;
- the authority to appoint certain members of the Council transferred from the Governor to the Secretary of DCF;
- the responsibility for awarding grants shifted from the Governor to the Secretary of DCF, though the State Superintendent of Public Instruction's responsibilities for awarding grants remained unchanged;
- one SEG appropriation in the Fund and the related GPR appropriation transferred from the Governor's Office to DCF;
- the eligibility to receive GPR-funded grants was expanded to include school boards, instead of being limited to persons other than school boards; and
- the responsibility for notifying recipients of grant awards and preparing formal agreements with grant recipients was assumed by DCF beginning with grants awarded in FY 2015-16.

During FY 2015-16, the Council met three times to discuss the vision of the Council and to recommend grants to be awarded. As shown in Appendix 1, the Council consists of 22 members, including 16 appointed members and 6 state officials. As of October 1, 2016, five appointed positions on the Council were vacant.

As required by s. 13.94 (1) (dL), Wis. Stats., we have completed our fourth financial audit of the Fund by reviewing the grants awarded and the expenditures of the Fund during FY 2015-16. Because the GPR appropriation and the Fund are closely related, and because we noted no differences in grant requirements or award processes based on funding source, we also considered grants funded by the related GPR appropriation to be within the scope of our review.

Financial Activity and Fiscal Condition

As specified in s. 25.79, Wis. Stats., the Fund consists of all gifts, grants, bequests, and other contributions made to the Fund. At the end of FY 2011-12, the Fund received \$400,000 in initial funding through a transfer from the General Fund, but has subsequently received additional revenue only in the form of minimal interest earnings. In FY 2011-12, and in each subsequent fiscal year, \$23,600 has been appropriated annually to the related GPR appropriation through the biennial budget process. The amount of grants awarded is limited by the amount available in the Fund and the amount appropriated to the related GPR appropriation.

Grants were awarded for the first time in FY 2013-14 and amounts were first expended by the Fund and the related GPR appropriation to reimburse grant recipients for grant-related costs in FY 2014-15. Prior to FY 2015-16, grants totaling \$336,926 were awarded to 13 applicants and \$138,247 was expended to reimburse grant recipients for grant-related costs. As part of this audit, we considered the process for awarding additional grants during FY 2015-16, the funds awarded during FY 2015-16, and the fiscal condition of the Fund as of the end of FY 2015-16.

Grant-Awarding Process

In FY 2015-16, grants totaling \$176,433 were awarded to four applicants.

For the FY 2015-16 applicant selection process, the Council limited potential applicants to certain past applicants that had not previously received a grant. In response, 11 past applicants submitted applications for FY 2015-16 grants. The Council also approved having two DCF and two DPI staff review and score each application. DCF staff compiled the scores, and the results were provided to the Council. The Council recommended that the four highest-scoring applicants receive grants in FY 2015-16. The Secretary of DCF and State Superintendent of Public Instruction subsequently awarded grants totaling \$176,433 to the applicants DCF staff had identified as receiving the four highest scores.

Grant application scores used by the Council in making grant award recommendations were not accurately compiled.

However, we found the scores for 3 of the 11 applications were not accurately compiled. The compilation of application scores was a manual process and the secondary review performed by DCF staff did not include all key components. When we correctly compiled the scores, we determined that one of those three applicants actually had the second-highest score. If accurately compiled scores had been provided to the Council, a different set of applicants would likely have been recommended for grants, including the one applicant that actually had the second-highest score.

Recommendation

We recommend the Wisconsin Department of Children and Families perform a secondary review of all key components of the grant awarding process, including compilation of grant application scores.

After we notified DCF that the application scores were not accurately compiled, the Secretary of DCF sent a letter in August 2016 to Council members summarizing a plan to award a grant of \$23,600 in FY 2016-17 to the applicant that actually had the second-highest score. This grant award was for the full \$23,600 available to be awarded in FY 2016-17. However, the amount was \$11,338 less than requested in the applicant's original FY 2015-16 grant application. DCF staff told us that no Council member responded to DCF with concerns about the proposed plan and, after the applicant submitted a revised application for a FY 2016-17 grant, DCF executed a contract with this applicant in October 2016. We note that, if the scores of the FY 2015-16 grant applications had been accurately compiled, this applicant may have received a larger grant award.

Funding Grant Awards

In report 15-15, we reported that the funding available as of the end of FY 2014-15 was \$109,408. After adjusting for the amount appropriated to the related GPR appropriation in FY 2015-16,

interest earned by the Fund from July 2015 through April 2016, and prior-year awards funded by the Fund that were not fully expended, the amount of funding available to award was \$136,440 in May 2016 when the Council made its recommendations for FY 2015-16 grants.

The FY 2015-16 grant awards exceeded the amount actually available by \$39,993.

However, as noted, the Council recommended FY 2015-16 grant awards totaling \$176,433, which exceeded the amount actually available at that time by \$39,993. This discrepancy occurred because DCF staff relied on an amount indicated in a March 2016 memorandum from DOA as the available amount to award. Although DPI and DOA staff had worked together to approximate the funding available to award during FY 2015-16, the amount indicated in the DOA memorandum was overstated because a payment to a prior grant recipient had not yet been processed by DOA.

That payment was processed by DOA in April 2016, which was the month after DOA sent the memorandum to DCF. DPI staff and DOA staff each told us that they did not communicate to DCF a revised amount of funding available to award. If communication to DCF had occurred in a timely manner or if DCF had independently verified the amount of funding available, the over-awarding of FY 2015-16 grants would likely have been prevented. To fully fund the grants awarded in FY 2015-16, DCF anticipates using available unexpended amounts associated with prior grant awards and identifying other funding sources.

Recommendation

We recommend the Wisconsin Department of Children and Families:

- *verify the funds available to award prior to making future grant awards; and*
- *report to the Joint Legislative Audit Committee by February 1, 2017, on its plan for funding the over-awarded amount of \$39,993 for FY 2015-16, including the identification of the specific sources of funding that will be used for this purpose and assurance that the use of the identified sources is allowable.*

Since the creation of the Fund, multiple agencies have been involved in the administration of grants funded by the Fund and the related GPR appropriation. To effectively and efficiently administer these grants, appropriate and timely communication between the involved agencies is important. For instance, the involved agencies need to communicate about the application and awarding process, the funding available to award, and the approval and processing of payments.

Miscommunication contributed to the over-awarding of FY 2015-16 grants.

As noted, miscommunications between the involved agencies contributed to over-awarding of FY 2015-16 grants by \$39,993. If one agency had been responsible for all aspects of financial administration, the amount of funding available for FY 2015-16 may have been determined appropriately and grants may not have been awarded in excess of this amount.

Recommendation

We recommend the Department of Children and Families seek statutory changes to make one agency solely responsible for the financial administration of these grants and their funding sources.

Fiscal Condition

From the creation of the Fund in April 2012 through FY 2015-16, grants totaling \$513,359 were awarded to 17 grant recipients. Appendix 2 details the amount awarded to each of the 17 grant recipients. Through FY 2015-16, the State expended \$316,302 for these grants. As shown in the table below, the two SEG appropriations funded expenditures totaling \$272,984, and the related GPR appropriation funded expenditures totaling \$43,318.

Grants Awarded and Expended, by Funding Source
From April 2012 through FY 2015-16¹

	Amount Awarded ²	Segregated Revenue Expended as of the End of FY 2015-16	General Purpose Revenue Expended as of the End of FY 2015-16	Unexpended Amount
Grants Awarded in FY 2013-14	\$204,926	\$179,842	\$21,116	\$ 3,968 ³
Grants Awarded in FY 2014-15	132,000	93,142	22,202	16,656
Grants Awarded in FY 2015-16	176,433	0	0	176,433
Total	\$513,359	\$272,984	\$43,318	\$197,057

¹ Prior to FY 2014-15, no amounts were expended by the State to reimburse grant recipients for grant-related costs.

² Excludes a \$23,600 grant awarded in FY 2016-17 to address the error in the grant awarding process during FY 2015-16.

³ The time period available for grant recipients to expend these funds has ended.

As of the end of FY 2015-16, the amounts available in the Fund and the related GPR appropriation are fully committed.

As of the end of the FY 2015-16 awarding process, the Fund is fully committed and no additional amounts have been appropriated to the Fund in FY 2016-17. Amounts appropriated to the related GPR appropriation are also fully committed through FY 2016-17. Absent additional amounts appropriated to the Fund or the related GPR appropriation and absent funds received from private sources, amounts available to award in the future would be limited to unspent funds from prior year grant awards funded by the Fund and minimal interest earnings on unexpended balances.

Since all funds, including the GPR appropriation for FY 2016-17, have been now been fully committed, certain additional information related to this grant program will help the Legislature consider any requested funding or other changes during the 2017-19 biennial budget process. The Council is required under s. 48.53 (2), Wis. Stats., to submit an annual report on its operations to the appropriate standing committees of the Legislature. For its next annual report, the Council should include information regarding, at a minimum, outcomes resulting from grants funded to date, specific strategies for funding future grants, and plans for the Council’s future activity.

Recommendation

We recommend the Department of Children and Families work with the Read to Lead Development Council to:

- *include in the Council’s next annual report required under s. 48.53 (2), Wis. Stats., information regarding outcomes resulting from grants funded to date, specific strategies for funding future grants, and plans for the Council’s future activity; and*
- *submit a copy of the report to the Joint Legislative Audit Committee by February 1, 2017.*

■ ■ ■ ■

Appendices ■

Appendix 1

Members, Read to Lead Development Council

October 1, 2016

Secretary of the Department of Children and Families

Eloise Anderson

Designee of the State Superintendent of Public Instruction

Barbara Novak

Chair, Senate Committee on Education

Senator Luther Olsen

Chair, Assembly Committee on Education

Representative Jeremy Thiesfeldt

Ranking Minority Member, Senate Committee on Education

Senator Chris Larson

Ranking Minority Member, Assembly Committee on Education

Representative Sony Pope

Practicing Educators¹

Donna Hejtmanek

Jill Riley

Henry Tyson

Philanthropic Community Representatives¹

Steven Sorenson

Vacant

Vacant

Business Community Representatives¹

Jeff Roepsch

Vacant

Vacant

Literacy Organization Representatives and Others¹

Kathryn Champeau

Steven Dykstra

Michele Erikson

Pamela Heyde

Rachel Lander

Janis Serak

Vacant

¹ Appointed by the Secretary of the Department of Children and Families for three-year terms.

Appendix 2

Grants Awarded and Expended

From April 2012 through FY 2015-16¹

	Amount Awarded ²	Amount Expended through FY 2015-16	Unexpended ³
Awarded in FY 2013-14			
Children's Hospital of Wisconsin	\$ 45,000	\$ 42,091	\$ 2,909
Cooperative Educational Service Agency (CESA) 8	44,974	44,974	0
Wausau School District Elementary Schools	44,761	44,761	0
Central City Cyberschool of Milwaukee	40,516	40,516	0
Northeast Wisconsin Technical College	18,675	17,911	764
Winnebago County Literacy Council	7,500	7,500	0
Schreiner Memorial Library	3,500	3,205	295
Subtotal	204,926	200,958	3,968
Awarded in FY 2014-15			
Children's Dyslexia Center of Upper Wisconsin	30,000	30,000	0
Northern Waters Literacy	30,000	29,815	185
Sparta Area School District	30,000	14,327	15,673
Marquette University	20,000	20,000	0
St. Catherine School	19,000	19,000	0
Kettle Moraine Correctional Institution	3,000	2,202	798
Subtotal	132,000	115,344	16,656
Awarded in FY 2015-16			
COA Youth and Family Centers	50,000	0	50,000
United Way of Dane County	46,433	0	46,433
Cooperative Educational Service Agency (CESA) 6	40,000	0	40,000
Milwaukee Public Library Foundation	40,000	0	40,000
Subtotal	176,433	0	176,433
Total	\$513,359	\$316,302	\$197,057

¹ Prior to FY 2014-15, no amounts were expended by the State to reimburse grant recipients for grant-related costs.

² Excludes a \$23,600 grant awarded in FY 2016-17 to address the error in the grant awarding process during FY 2015-16.

³ Recipients of awards made in FY 2013-14 and FY 2014-15 have a grace period of 90 days after their grants' respective fiscal year ends to make claims for reimbursement. Awards made in FY 2015-16 have a grace period of 20 days after fiscal year end to make claims for reimbursement.