

Report 17-18
November 2017

Read to Lead Development Fund Fiscal Year 2016-17

STATE OF WISCONSIN



Legislative Audit Bureau ■

**Report 17-18
November 2017**

Read to Lead Development Fund Fiscal Year 2016-17

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STATE OF WISCONSIN | Legislative Audit Bureau

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Joe Chrisman
State Auditor

November 28, 2017

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 an audit of the Read to Lead Development Fund for fiscal year (FY) 2016-17. The Fund and a related general purpose revenue (GPR) appropriation provide grants to school districts and other entities to support literacy and early childhood development programs. The Read to Lead Development Council is responsible for recommending potential recipients of these grants. 2015 Wisconsin Act 55, the 2015-17 Biennial Budget Act, transferred responsibility for fund management and Council leadership to the Department of Children and Families (DCF).

From the Fund's creation in April 2012 through FY 2016-17, \$496,959 in grant funds was awarded. Through FY 2016-17, a total of \$461,365 was expended. The Council solicited no grant applications for FY 2016-17, but it did issue one award. In response to a scoring error we identified in report 16-9, the Indianhead Community Action Agency was awarded a grant for \$23,600 in FY 2016-17. After all outstanding grant commitments are taken into account, the Fund's available balance totaled \$2,219 on June 30, 2017.

The Fund was statutorily established as two segregated revenue appropriations to include all gifts, grants, bequests, and other contributions made to the Fund. To date, the Council has not solicited funding to help support its grant efforts. Unless additional funding is solicited or appropriated to the Fund, available grant funding will likely be limited to the related GPR appropriation for literacy and early childhood development programs. The decision about whether to solicit funding to support the Fund rests with the Council. The Legislature could also consider making fundraising an explicit statutory requirement for the Council.

During FY 2016-17, the Council met three times. However, the Council did not have a quorum at any of these meetings. Under state law, 12 members of the Council constitute a quorum to conduct business. In October 2017, the Council had 10 members and lacked a sufficient number of members to achieve a quorum. We make recommendations to improve grant management, encourage the Council to develop a formal position on soliciting funds to support future grant awards, recruit additional members to fill vacancies, and report to the Joint Legislative Audit Committee by June 1, 2018.

We appreciate the courtesy and cooperation extended to us by DCF and the Department of Public Instruction in conducting our audit. A response from DCF follows the appendices.

Respectfully submitted,

Joe Chrisman
State Auditor

JC/PS/ss

Introduction ■

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

The Read to Lead Development Fund was created in April 2012 by 2011 Wisconsin Act 166. It provides grants to school districts and other entities to support literacy and early childhood development programs. The Fund includes two segregated revenue 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, which was created by Act 166, is statutorily responsible for recommending grant awards from both the Fund and the related GPR appropriation.

2015 Wisconsin Act 55, the 2015-17 Biennial Budget Act, transferred responsibility for fund management and Council leadership from the Office of the Governor and the Department of Administration to the Department of Children and Families (DCF). Since July 2015, the Secretary of DCF has chaired the Council and has shared responsibility for awarding grants with the State Superintendent of Public Instruction.

In July 2016, DCF assumed sole fiscal responsibility for the Fund and the related GPR appropriation.

In report 16-9, we recommended that one agency be made solely responsible for financial administration. DCF and the Department of Public Instruction (DPI) entered into a memorandum of understanding to place administrative and fiscal responsibility for the Fund and the related GPR appropriation with DCF beginning in July 2016.

As required by s. 13.94 (1) (dL), Wis. Stats., we have completed our fifth annual audit of the Fund by reviewing grant awards and Fund expenditures. 2017 Senate Bill 511 and 2017 Assembly Bill 618 would

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eliminate our requirement to annually audit the Read to Lead Development Fund.

Because the GPR appropriation and the Fund are closely related, and because we identified no differences in grant requirements or award processes based on funding source, we included in our review those grants funded by the related GPR appropriation.

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Financial Status and Council Activity ■

As specified in s. 25.79, Wis. Stats., the Fund consists of all gifts, grants, bequests, and other contributions made to the Fund. In April 2012, the Fund was provided with \$400,000 in initial funding through a transfer from the General Fund. Since that time, the only revenue received by the Fund has been in the form of minimal interest earnings. In fiscal year (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. Through FY 2016-17, 17 grants totaling \$496,959 were awarded, and \$461,365 was expended to reimburse grantees for eligible expenditures. The Council has not attempted to solicit private funding to support the Fund's grants, and it currently lacks a sufficient number of members to achieve the quorum required to conduct its business.

Awarding Grants

In FY 2016-17, a prior applicant was awarded a \$23,600 grant to address a scoring error in the application process.

In FY 2016-17, no new grant applications were solicited and only one grant was awarded. In response to a scoring error we had identified in report 16-9, the Indianhead Community Action Agency was awarded a \$23,600 grant in FY 2016-17 at the request of the Secretary of DCF and with the passive review and approval of the Council.

Based on the scoring error, we recommended DCF perform a secondary review of all key components of the grant awarding process, including compilation of grant application scores. To address this issue, DCF indicated that it plans to follow the standard

grant award procedures it has developed for use in its agency. These procedures were not followed when it awarded a grant to the Indianhead Community Action Agency in FY 2016-17.

Recommendation

We recommend the Department of Children and Families follow its standard grant award procedures in awarding future grant funds from the Read to Lead Development Fund and related GPR appropriation.

Fiscal Condition

**From FY 2013-14,
through FY 2016-17,
17 grants totaling
\$496,959 were awarded.**

Grants were awarded for the first time in FY 2013-14, and the Fund and the related GPR appropriation first incurred expenditures to reimburse grant recipients in FY 2014-15. From FY 2013-14 through FY 2016-17, 17 grants totaling \$496,959 were awarded, and \$461,365 was expended to reimburse grant recipients for eligible costs. A \$40,000 grant made to the Milwaukee Public Library Foundation is excluded from the total. Because award amounts exceeded available funding in FY 2015-16, funding for this award was not provided by the Fund or the related GPR appropriation. Instead, it was funded by the federal Race to the Top—Early Learning Challenge program. Appendix 1 shows the amounts awarded and expended.

As shown in Table 1, the Fund had expenditures of \$370,846 to reimburse grantees and the related GPR appropriation had expenditures of \$90,519. Of the \$496,959 awarded, \$336,926 (67.8 percent) was awarded in the first two years.

Table 1

Grants Awarded and Amounts Expended, by Funding Source
From April 2012 through FY 2016-17

Award Year	Amount Awarded	Segregated Revenue Expended	General Purpose Revenue Expended	Unexpended Amount ¹
2013-14	\$204,926	\$179,842	\$21,116	\$ 3,968 ²
2014-15	132,000	107,450	22,202	2,348 ²
2015-16 ³	136,433	66,626	44,791	25,016
2016-17	23,600	16,928	2,410	4,262
Total	\$496,959	\$370,846	\$90,519	\$35,594

¹ Claims for reimbursement of expenditures must be received no later than 90 days after the end of the contract term.

² The time period available for grant recipients to expend these funds has ended.

³ Excludes one \$40,000 grant made to the Milwaukee Public Library Foundation. Because award amounts exceeded available funding in FY 2015-16, funding was provided by the federal Race to the Top—Early Learning Challenge program.

The Fund's available balance totaled \$2,219 on June 30, 2017.

As shown in Table 2, the balance in the Fund decreased from \$128,832 on July 1, 2016, to \$31,497 on June 30, 2017. After outstanding grant obligations are taken into account, the Fund's available balance was \$2,219 on June 30, 2017. Unless additional revenue is received from private sources or additional state funds are appropriated, the only significant remaining source of funding will be the related GPR appropriation.

Table 2

Read to Lead Development Fund Balance¹
FY 2016-17

	Amount
Beginning Fund Balance	\$128,832
Interest Earnings	528
Expenditures	(97,863)
Ending Fund Balance	31,497
Committed Fund Balance ²	(29,278)
Available Fund Balance	\$ 2,219

¹ Excludes grant amounts funded by the related GPR appropriation.

² Includes grant funds awarded but not expended by the end of FY 2016-17.

A January 2013 letter issued by the Government Accountability Board suggests there are few restrictions on the Council's ability to solicit funding.

DCF staff noted that there is no statutory requirement for the Council to solicit funding to support the grants it makes. They also indicated that the Council has not attempted to solicit funding and does not intend to do so in the future because they believe the Council's ability to solicit funds is restricted by state ethics and lobbying laws. However, a January 2013 letter issued by the Government Accountability Board to the chief legal counsel of the Office of the Governor and the chief legal counsel of DPI suggests there are few restrictions on the Council's ability to solicit funding. Specifically, the letter states that because the Council does not engage in rulemaking, state ethics rules and lobbying laws would generally not prevent it from soliciting funds, as long as:

- funding is solicited in a manner that makes clear the solicitation is on behalf of the Council and not on behalf of a state agency;
- documents soliciting funds are not signed in a manner that makes it appear the solicitation is coming from an individual Council member;
- neither the Council nor its members solicit contributions from those seeking literacy grants;
- members of the Council who hold positions in other agencies do not personally solicit contributions from individuals or entities likely to be materially affected by laws or rules the member's agency is called upon to interpret or apply; and
- members of the Council who are subject to the lobbying law, including legislators and the State Superintendent of Public Instruction, do not personally solicit contributions from lobbyists.

The Fund was statutorily established as two segregated revenue appropriations to include all gifts, grants, bequests, and other contributions made to the Fund, and the legislation creating the Council placed on it three members representing the state's philanthropic community. In addition, documents contained in the bill drafting file indicate that the authors of the legislation intended that the Council would solicit funding to continue to support literacy awards to support grants once the initial \$400,000 in start-up funding was depleted.

***Outcome information
would likely be
important for future
fundraising efforts.***

We also found that reports on the Fund required by s. 48.53 (2), Wis. Stats., and issued by DCF have not always contained information on the outcomes of grant-funded projects. Although not explicitly required by statutes, such outcome information would likely be important for any future fundraising efforts and may also be useful to the Legislature.

DCF noted that any decision about whether to raise funds to support the Fund rests with the Council. Unless the Council decides to solicit funding to support its grant awards, or additional revenues are appropriated for the Fund, future grant funding for literacy and early childhood development programs will likely be limited to the related GPR appropriation. 2017 Wisconsin Act 59, the 2017-19 Biennial Budget Act, provides to the related GPR appropriation \$23,600 for each year of the current biennium. The Legislature could consider making fundraising an explicit statutory requirement for the Council if it believes that soliciting funding should be one of its responsibilities.

Recommendation

We recommend the Department of Children and Families:

- *encourage the Read to Lead Development Council to develop a formal position on soliciting funding to support literacy grants within the parameters of state ethics and lobbying laws, as discussed in the January 2013 letter issued by the Government Accountability Board;*
- *include outcome information on grant-funded projects in each of its statutorily required annual Read to Lead Development Fund reports; and*
- *report to the Joint Legislative Audit Committee by June 1, 2018, on the results of its efforts.*

Achieving a Quorum of Council Members

The Council, which is established under s. 15.207, Wis. Stats., consists of 22 members, including legislators, the Secretary of DCF, a designee of the State Superintendent of Public Instruction, practicing educators, and representatives of literacy organizations, the philanthropic community, and the business community. Members who are not legislators or state officials are appointed by the Secretary of DCF.

In FY 2016-17, the Council did not have a quorum for any of its three meetings.

Section 15.09 (4), Wis. Stats., states that a majority of the membership of a council constitutes a quorum to do business. Therefore, attendance by 12 of the 22 members is required to have a quorum. The Council met three times during FY 2016-17, and it did not have a quorum for any of these meetings because too few members attended the meetings.

The Council does not appear to have taken any formal actions during its three meetings. As noted, no grant applications were solicited in FY 2016-17. During its meetings, the Council engaged in administrative tasks associated with grants that had already been awarded, including collecting information about grant outcomes. Other Council activity included discussion of options for the future of the Fund.

In October 2017, only 10 of the 22 seats on the Council were filled.

In August 2017, three members chose to leave the Council. DCF indicated that four other members were not reappointed to the Council. As shown in Appendix 2, the Council had 10 members in October 2017, fewer than the number needed to establish a quorum. DCF indicated it is currently in the process of recruiting new Council members. Until the Council has at least 12 members, it is not possible to achieve a quorum, and therefore the Council cannot take official action to determine the future of the Fund.

Recommendation

We recommend that the Department of Children and Families:

- *develop and implement a plan to recruit new Read to Lead Development Council members to ensure there is a sufficient number of members to achieve a quorum; and*
- *report to the Joint Legislative Audit Committee by June 1, 2018, on the results of its efforts.*

■ ■ ■

Appendices ■

Appendix 1

Grants Awarded and Amounts Expended

From April 2012 through FY 2016-17

	Amount Awarded	Amount Expended	Unexpended ¹
Awarded in FY 2013-14			
Children's Hospital of Wisconsin	\$ 45,000	\$ 42,091	\$ 2,909 ²
Cooperative Educational Service Agency 8	44,974	44,974	–
Wausau School District's Elementary Schools	44,761	44,761	–
Central City Cyberschool of Milwaukee	40,516	40,516	–
Northeast Wisconsin Technical College	18,675	17,911	764 ²
Winnebago County Literacy Council	7,500	7,500	–
Schreiner Memorial Library	3,500	3,205	295 ²
Subtotal	204,926	200,958	3,968²
Awarded in FY 2014-15			
Children's Dyslexia Center of Upper Wisconsin	30,000	30,000	–
Northern Waters Learning	30,000	29,815	185 ²
Sparta Area School District	30,000	28,635	1,365 ²
Marquette University	20,000	20,000	–
St. Catherine School	19,000	19,000	–
Kettle Moraine Correctional Institution	3,000	2,202	798 ²
Subtotal	132,000	129,652	2,348²
Awarded in FY 2015-16³			
COA Youth and Family Centers	50,000	50,000	–
United Way of Dane County	46,433	21,417	25,016
Cooperative Educational Service Agency 6	40,000	40,000	–
Subtotal	136,433	111,417	25,016
Awarded in FY 2016-17			
Indianhead Community Action Agency	23,600	19,338	4,262
Total	\$496,959	\$461,365	\$35,594

¹ Claims for reimbursement of expenditures must be received no later than 90 days after the end of the contract term.

² The time period available for grant recipients to expend these funds has ended.

³ Excludes one \$40,000 grant made to the Milwaukee Public Library Foundation. Because award amounts exceeded available funding in FY 2015-16, funding was provided by the federal Race to the Top—Early Learning Challenge program.

Appendix 2

Members, Read to Lead Development Council

October 2017

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 Sondy Pope

Practicing Educators¹

Jill Riley

Vacant

Vacant

Philanthropic Community Representatives¹

Vacant

Vacant

Vacant

Business Community Representatives¹

Jeff Roepsch

Vacant

Vacant

Literacy Organization Representatives and Others¹

Kathryn Champeau

Michele Erikson

Vacant

Vacant

Vacant

Vacant

Vacant

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

Response ■



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P.O. Box 8916
Madison, WI 53708-8916
Telephone: 608-267-3905
Fax: 608-261-6972

Governor Scott Walker
Secretary Eloise Anderson

Secretary's Office

November 22, 2017

Joe Chrisman
State Auditor
Legislative Audit Bureau
22 East Mifflin Street, Suite 500
Madison, Wisconsin 53703

Dear Mr. Chrisman,

Thank you for the opportunity to respond to the Legislative Audit Bureau's audit of the Read to Lead Development Fund for fiscal year 2016-17. The Department of Children and Families (DCF) is committed to ensuring the best possible results with the funds available for the Read to Lead program.

The recommendations in the report are consistent with the steps we have already taken to improve administration of the Read to Lead program. DCF agrees with and is already working to comply with the recommendations to:

- Follow our standard grant award procedures in awarding future Read to Lead grants.
- Fill vacancies on the Read to Lead Development Council so that meetings will have a quorum. To this end, DCF has already implemented a process for filling the vacant positions and has a number of qualified applicants in the application process.

DCF appreciates the report's perspective on avenues for fundraising that may be available to the Council. This information will be shared with the Council and will be considered in any future Council discussions surrounding fundraising activities.

This report provides valuable input that will be incorporated into DCF's ongoing efforts to ensure that the Read to Lead program is administered as effectively as possible. DCF appreciates the professionalism of LAB staff and looks forward to keeping the Joint Legislative Audit Committee apprised of progress in implementing recommendations.

Sincerely,



Eloise Anderson
Secretary

A handwritten signature in blue ink, appearing to read "Eloise Anderson". A blue horizontal line extends from the end of the signature across the page.

cc: Tony Evers, State Superintendent of Public Instruction