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READ TO ACHIEVE GRANT PROGRAM

PERFORMANCE AUDIT
JULY 2006

Submitted to the Office of the State Auditor

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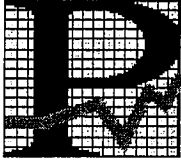*Senator Stephanie Takis*
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July 31, 2006

Members of the Legislative Audit Committee:

This report contains the results of a performance audit of the Read to Achieve Grant Program within the Department of Education. The Office of the State Auditor contracted with Pacey Economics Group to conduct this audit. The audit was conducted pursuant to Section 2-3-113, C.R.S., which requires the State Auditor to conduct or cause to be conducted program reviews and evaluations of the performance of each tobacco settlement program to determine if that program is effectively and efficiently meeting its stated goals. The report presents our findings, conclusions, and recommendations, and the responses of the Department of Education.

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Performance Audit
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Authority, Purpose, and Scope

This performance audit of the Read to Achieve Grant Program (Program) was conducted under the authority of Section 2-3-113, C.R.S., which requires the State Auditor to conduct or cause to be conducted program reviews and evaluations of the performance of each tobacco settlement program to determine if it is effectively and efficiently meeting its stated goals. The Office of the State Auditor contracted with Pacey Economics Group to perform this audit. The audit was conducted in accordance with generally accepted government auditing standards. The audit work was performed between July 2005 and July 2006, and included gathering information through document review, interviews, and analysis of data. We evaluated the overall administration of the Program, the grant application and award process, and Program oversight and assessment.

We would like to acknowledge the efforts and assistance extended by the Department of Education, the Read to Achieve Board members, and grant recipients.

Overview

In 2000, the General Assembly created the Read to Achieve Program within the Colorado Department of Education (Department) to fund intensive reading programs for students whose literacy and reading comprehension skills are below levels established by the State Board of Education and who are in second or third grade or are between third and fourth grades. The Program is funded with a portion of the monies the State receives under the 1998 Tobacco Master Settlement Agreement.

According to statute [Section 22-7-506, C.R.S], any public school in Colorado may apply for Read to Achieve grants for programs such as reading academies, after school literacy programs, summer school clinics, tutoring services, or extended-day reading programs, lasting up to three years. Statute also created an 11-member Read to Achieve Board to collect and review grant applications and recommend grant funding to the State Board of Education. In making funding decisions, statute requires the Read to Achieve Board to consider the number of second- and third-grade pupils in the school that have below grade level reading skills; whether the proposed program is based on a research model that has proven successful in other schools; and the per-pupil cost of the program. Statute

also requires the Read to Achieve Board to ensure, to the extent possible, that grants are awarded to schools in a variety of geographic areas of the State.

From Fiscal Year 2001 through Fiscal Year 2005, statute authorized the Read to Achieve Program to receive 19 percent of the total amount of tobacco settlement funds received by the State each year, not to exceed $19 million annually. Beginning in Fiscal Year 2006, the statute reduced the amount to 5 percent of tobacco settlement funds, not to exceed $8 million annually. Statute [Section 22-7-506(4), C.R.S.], also allows the Read to Achieve Board to retain up to one percent of the Read to Achieve cash fund for administrative expenses. Between Fiscal Years 2001 and 2006 the Department distributed over $97 million in grant funding to schools and spent about $712,000 to administer the Program. An average of 515 schools received grant funds each year during the first grant cycle (January 2001 through June 2004) and served between 22,000 and 28,000 students annually. An average of about 360 schools have received funding in the first two years of the second grant cycle (which will extend from July 2004 through June 2007) and have served between 15,000 and 17,000 students annually.

Key Findings

Student Needs

A primary goal of the Read to Achieve grant program is for all Colorado students to read at grade level by the third grade. We found that although schools served about 58 percent of eligible students through the Program between Fiscal Years 2003 and 2005, the percent of all students in second through fourth grade who read below grade level has not changed substantially since the Read to Achieve Program began in Fiscal Year 2001. Specifically, in Fiscal Year 2000, about 26 percent of all students in grades two through four were reading below their grade levels and in Fiscal Years 2001 through 2005, after the Program began, about 27 percent of second through fourth graders were reading below grade level. In total, the Department has distributed about $97 million in Read to Achieve grants since the Program's inception, but does not target grant monies toward those schools with the highest percentage of students reading below grade level. We identified several problems that prevent the Department from directing funds where they are most needed, including:

- **Grant reviewers and the Read to Achieve Board do not have comprehensive information on applicants.** Specifically, information on student attributes, such as the percentage of English Language Learners, are not compiled from grant applications or used by grant reviewers or the Read to Achieve Board in making funding decisions. In addition, the current reading level of each student to be served by the Program, which indicates the relative need of the schools applying for grants, is not included in the applications.

- **Geographic distribution is not specifically considered in the grant application review process.** Although statute requires the Read to Achieve Board to "ensure that grants are awarded to schools in a variety of geographic areas of the state,"

we found that in Fiscal Years 2003 through 2005, over 70 percent of eligible students in the Northeast Region were served while in the Southwest Region between 33 and 58 percent were served.

Performance Measurement

Data provided by the Department indicate that about half the students who completed a Read to Achieve program in Fiscal Years 2003 through 2005 improved their reading skills to grade level. This statistic indicates that the Read to Achieve Program is helping some students improve their reading skills as intended. However, we found that the Department does not collect or compile certain important information to comprehensively evaluate the Program, including the following:

- **The Department has not historically collected data to individually identify all students who read below grade level.** As a result, the Department cannot determine the long-term effects of the Program. The Department only began collecting information to individually identify students who read below grade level, including those in the Program, in the Spring of 2005. To date, the Department has not analyzed these data to isolate the effect of Read to Achieve on students' reading skills.

- **The Department does not compile key data to track information about grant recipients.** The Department does not compile information on the types of literacy programs schools plan to offer or breakdowns of their program budgets. Further, the Department does not compare planned to actual data such as the number of students eligible to participate in Read to Achieve programs, the number of students schools plan to serve, and the number actually served. Analyzing these types of data would allow the Department to evaluate the effectiveness and cost-efficiency of the programs funded with Read to Achieve monies.

- **Program data assembled by the Department contain numerous errors.** We found Program data lacked achievement results for some schools; contained errors related to numbers of students funded and amounts awarded; and included calculations (e.g., funding per student) that were inaccurate.

Program Outcomes

Statute [Section 22-7-506(3)(e), C.R.S.], states that schools may not receive continued Read to Achieve funding unless at least 25 percent of participating students from the prior year improved their reading skills to at least grade level, or were "proficient" on the state assessment (CSAP). Department data for Fiscal Years 2003 through 2005 indicate that, statewide, about half of Program participants improved their reading skills to grade level each year. However, over the same period, between 4 and 11 percent of individual schools did not achieve the 25 percent standard. We evaluated Department processes related to the 25 percent standard and found problems in several areas:

- **The Department awarded additional grant funds to schools that did not meet the 25 percent statutory standard.** We found the Department funded 15 schools in Fiscal Year 2003; 10 schools in Fiscal Year 2004; and 10 schools in Fiscal Year 2005 that did not meet the statutory standard at the end of the prior year.

- **The Department does not have information on students who do not complete their Read to Achieve programs.** Students who drop out of the Read to Achieve Program are not included in the 25 percent statutory standard. For Fiscal Years 2003 through 2005, some schools had high numbers of students dropping out of the Program, with between 5 and 24 schools having at least half their students drop out before completing the Program. The Department does not require schools to report why or when students dropped out and schools receive full payment for all students, including those who drop out.

Program Funding and Cost

We reviewed the methods used by the Department to evaluate and hold schools accountable for controlling costs and identified a number of problems:

- **The Department lacks an empirical basis for its standard per-pupil grant funding rates of about $1,000 per pupil per year.** The Department did not evaluate cost data from successful programs or compare costs among the different program structures to arrive at its standard per-pupil rate. For Fiscal Year 2005 we found no clear correlation between the amount of per pupil Read to Achieve funding provided and the percentage of students improving to grade level. Overall, about half of the students in the Program improved their reading to grade level regardless of the amount of per pupil Read to Achieve funding the schools received.

- **The Department does not have criteria to determine when grant monies should be refunded for serving substantially fewer students than planned.** We found that of the 309 grantees for Fiscal Year 2005 (schools in a consortium are identified as one grantee), about half served fewer students than were funded and almost one-quarter served less than 80 percent of the students for whom they received funding. During Fiscal Year 2005, grantees served a total of about 700 fewer students than funded and we estimate the Department ultimately distributed about $686,000 to fund students that were not served.

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Program Administration and Monitoring

As discussed throughout the report, Program administration and oversight need to be strengthened. Currently, the Department is not appropriated any FTE specifically for Read to Achieve but has assigned one staff member who spends an estimated one-third of her time overseeing the Program's administration. To implement our recommendations, the Department should establish an oversight and monitoring function to verify data provided by schools; compile and analyze Program data over time; and prepare quantitative data for the Read to Achieve Board and review teams. The Department could consider reallocating its resources to accomplish our recommendations or requesting additional resources from the General Assembly.

A summary of the recommendations and the Department's responses can be found in the Recommendation Locator. Our complete audit findings and recommendations and the responses of the Department of Education can be found in the body of the audit report.

RECOMMEDATION LOCATOR
Agency Addressed: Department of Education

Rec. No.	Page No.	Recommendation Summary	Agency Response	Implementation Date
1	21	Ensure that Read to Achieve funds are directed toward schools and students with the greatest needs for intensive literacy services and consider the geographic distribution of funds in awarding grants.	Agree	July 2007
2	26	Improve data for assessing Read to Achieve Program performance and strengthen methods for evaluating and disseminating the results of the Program.	Agree	September 2006
3	30	Improve accountability for the Program and comply with statute by ensuring that only schools that improve at least 25 percent of their participants' reading skills to grade level receive continuation funding.	Agree	July 2006
4	32	Improve oversight of schools with participants who do not complete the full instructional cycle by collecting, verifying, and analyzing data on dates of service and assessment scores.	Agree	July 2007
5	37	Improve accountability for Program costs by considering alternatives to the per pupil funding standards; obtaining and verifying additional cost information from schools; and establishing written agreements to hold schools accountable for serving the students identified in their applications.	Agree	July 2007
6	40	Establish a monitoring process to ensure the Program is effectively administered and evaluated and consider reallocating existing resources or requesting additional resources as appropriate.	Agree	July 2006

Description of the Read to Achieve Grant Program

In 2000, the Colorado General Assembly passed Senate Bills 71 and 124, creating the Read to Achieve Grant Program (Program) to fund intensive reading programs for students whose literacy and reading comprehension skills are below levels established by the State Board of Education and who are in second or third grade or between third and fourth grade. The Program is funded with a portion of the monies the State receives under the 1998 Master Settlement Agreement (Agreement) between the tobacco industry and 46 states, 5 commonwealths and territories, and the District of Columbia. The Agreement was established to resolve all past, present, and future tobacco-related health claims at the state level. Colorado is scheduled to receive annual tobacco settlement monies for an estimated period of 25 years or more.

According to statute, any public school in Colorado may apply for a Read to Achieve grant to fund programs such as reading academies, after school literacy programs, summer school clinics, tutoring services, or extended-day reading programs [Section 22-7-506, C.R.S]. Statute also provides that, for a school to be eligible for continued funding, at least 25 percent of the pupils enrolled in the program in the prior year must have improved their reading skills to grade level. For purposes of the Read to Achieve Grant Program, schools use two measures to evaluate whether students are reading at their grade level. First, students in third grade and higher take an annual standardized exam through the Colorado Student Assessment Program (CSAP). Students who score "proficient" on the reading portion of the exam are considered to be reading at their grade level. Second, schools evaluate students in Kindergarten through third grade on their reading skills using assessments developed under the Colorado Basic Literacy Act (CBLA). The CBLA requires schools to identify students in Kindergarten through grade three who read below their grade levels, establish Individual Literacy Plans (ILPs) for each such student, and provide them with the necessary reading interventions.

A number of entities are involved in the administration of the Read to Achieve Grant Program, as described below.

State Board of Education

The State Board of Education (State Board) is composed of eight elected officials—seven representing Colorado's congressional districts plus one member-at-large. The State Board is responsible for promulgating rules for administration of the Read to Achieve

Grant Program with regard to application procedures, criteria for school selection and determination of amount to be granted to each school, and procedures for reviewing the success of the literacy programs operated by schools that receive grants. In addition, the State Board gives final approval for all grant awards [Section 22-7-506(3), C.R.S.].

Read to Achieve Board

Statute created an 11-member Read to Achieve Board (Board) comprised as follows:

- The Commissioner of Education.
- One member of the State Board of Education selected by the State Board of Education.
- Two members of the General Assembly−one from the Senate and one from the House of Representatives−each selected by their respective house.
- Seven members appointed by the Governor with the consent of the Senate, including two second or third grade teachers, one of whom works in a rural school district; two elementary school principals, one of whom works in a rural school district; one individual with knowledge of and experience in elementary public education; one individual with knowledge of best practices in reading and reading instruction; and one member who is a parent of a child in second or third grade.

The Read to Achieve Board is charged with soliciting and reviewing grant applications and recommending grant recipients and award amounts to the State Board of Education [Section 22-7-506, C.R.S.].

Department of Education

The Department of Education (Department) manages the Read to Achieve Program. This responsibility includes developing the Request for Proposal for applications and providing training regarding the competitive grant process, distributing the grant awards to the schools, collecting student data for evaluation, and determining continued funding. The Department also prepares an annual report regarding the Program summarizing Program funding, number of students funded, and accomplishments.   Further, in accordance with State Board of Education rules, the Department contracts with an independent evaluator to conduct an annual evaluation of the Program. The external evaluation process is discussed in greater detail later in the report.

Department of Public Health and Environment

By statute, the Colorado Department of Public Health and Environment is required to monitor the operation and effectiveness of the tobacco settlement programs. Accordingly, each program funded with tobacco settlement monies is required to submit

an annual report to the Department of Public Health and Environment describing the amount of tobacco settlement money received for the fiscal year, the program's goals, the number of persons served by the program, the services the program provided, and information on the effectiveness of the program in achieving its stated goals [Section 25-1-108.5(3), C.R.S.]. The Department of Public Health and Environment then submits a combined annual report on all tobacco settlement programs to the General Assembly, the Attorney General, and the Governor.

Program Funding

Statute sets forth the funding formula that is used to determine annual appropriation amounts for all tobacco settlement programs, including Read to Achieve. From its inception in Fiscal Year 2001 through Fiscal Year 2005, the Read to Achieve Program was authorized in statute to receive 19 percent of the total amount of tobacco settlement funds received by the State each year, not to exceed $19 million annually. Beginning in Fiscal Year 2006, the statutes reduced the amount of tobacco settlement monies allocated to the Program to 5 percent of the tobacco settlement funds the State receives each year, not to exceed $8 million annually [Section 24-75-1104.5, C.R.S.]. Read to Achieve funding is deposited into a cash fund each year. All interest earned as well as any monies not expended at year end remain in the fund. By statute, the Read to Achieve Board is allowed to retain up to 1 percent of the Read to Achieve cash fund for administrative expenses [Section 22-7-506(4), C.R.S.].

The following table shows Read to Achieve Program revenue and expenditures from Fiscal Year 2001 through Fiscal Year 2006.

Read to Achieve Grant Program Revenues and Expenditures (In Thousands) Fiscal Years 2001 Through 2006							
	2001	**2002**	**2003**	**2004**	**2005**	**2006**	**Total**
Beginning Fund Balance	**$7,000**	**$4,065**	**$1,321**	**$300**	**$565**	**$1,008**	
Revenue[1]	**$16,048**	**$16,617**	**$16,603**	**$14,884**	**$16,733**	**$17,995**[2]	**$98,880**
Expenditures							
Grant Distributions	$18,850	$17,305	$15,983	$13,373	$16,153	$15,875	$97,539
Department Administration	$133	$109	$171	$139	$129	$31	$712
Other Expenditures[3]	$0	$1,947	$1,470	$1,107	$8	$8	$4,540
Total Expenditures	**$18,983**	**$19,361**	**$17,624**	**$14,619**	**$16,290**	**$15,914**	**$102,791**
Ending Fund Balance	**$4,065**	**$1,321**	**$300**	**$565**	**$1,008**	**$3,089**	
Source: Data from the Colorado Financial Reporting System. **Notes:** [1] Revenue includes appropriations, interest earnings, and special transfers authorized by the General Assembly. [2] For Fiscal Year 2006, the General Assembly appropriated $11.6 million in general funds for the Read to Achieve Grant Program in addition to the $4.3 million in tobacco settlement funds appropriated to the Program. [3] Other Expenditures include transfers to the Department of Public Health and Environment (CDPHE) to cover oversight costs and transfers to the General Fund, the Department of Public Safety, and the Department of Education's library system program as authorized by the General Assembly.							

As the table shows, over $97 million in grant funding was disbursed to schools and about $712,000 was spent to administer the Program since its inception. In accordance with changes in the tobacco settlement statute noted above, future appropriations for the Read to Achieve Program may be reduced significantly.

Program Statistics

Read to Achieve allows schools to apply for funding for programs that will last up to three years. Each three-year period is referred to as a grant cycle. The first Read to Achieve grant cycle was actually longer than three years because Program funding first became available in November 2000 and the Department allowed schools to apply for grants for a period that extended from January 2001 through June 2004. Thus, the first grant cycle covered part of Fiscal Year 2001 as well as all of Fiscal Years 2002 through 2004. The second grant cycle covers Fiscal Years 2005 through 2007. The following table shows the number of schools that received grants each year and the number of students to be served by the grants for grant cycles I and II, to date.

Read to Achieve Grant Program Number of Schools Receiving Grants and Students Funded Fiscal Years 2001 Through 2006					
	Grant Cycle I			Grant Cycle II	
	2001/2002	2003[1]	2004[1]	2005	2006[1]
Schools Receiving Grants	553	508	483	374	350
Students Funded[2]	27,900	24,600	22,300	16,600	15,000
Source: Information provided by the Department of Education. **Notes:** [1] The number of schools receiving grants in subsequent years in each grant cycle decreased because some schools did not request funding for the full 3-year period and others did not meet the statutory requirement to improve the reading skills of 25 percent of the program participants to grade level. Schools must meet this requirement to receive continued funding as discussed later in the report. [2] The number of students funded represents the numbers included in schools' grant applications. The numbers of students actually served each year may be different, as discussed later in the report. Numbers of students funded are rounded to the nearest 100.					

Audit Scope and Methodology

The purpose of this audit was to evaluate the efficiency and effectiveness of Colorado's Read to Achieve Grant Program in meeting its stated goals as required in Section 2-3-113, C.R.S., and to follow up on prior audit recommendations from the 2001 performance audit. The implementation status of prior audit recommendations for the Read to Achieve Grant Program is summarized in Appendix A.

To conduct the audit, we reviewed documentation and interviewed personnel at the Department of Education with respect to Program policies, procedures, operations, and

oversight. In addition, we attended Read to Achieve Board meetings, reviewed a sample of the Department's files and contacted individuals from a sample of the schools that received grants. We reviewed the overall administration of the Program, the application process, budgeting procedures, and reporting requirements.

Statute includes a "sunset provision" which requires the Colorado Department of Regulatory Agencies to review the Program. The sunset provision repeals the enacting statute effective July 1, 2007 unless the statute is re-enacted by the General Assembly. The Department of Regulatory Agencies indicated that its report is scheduled to be completed in October 2006.

Read to Achieve Grant Program

In 1997 the General Assembly enacted the Colorado Basic Literacy Act (CBLA) setting forth its intent that all students read at grade level by the end of third grade. The Act states that "in no case shall a school district permit a pupil to pass from the third grade to the fourth grade for reading classes unless the pupil is assessed as reading at or above the reading comprehension level established by the state board." [Section 22-7-504(5)(a), C.R.S.]

In 2000, the General Assembly established the Read to Achieve Grant Program within the CBLA to assist with the goal that all students read at grade level by the end of third grade [Section 22-7-506, C.R.S., et seq.]. The Program provides grant funds to schools for intensive reading programs targeting second and third graders, and students between the third and fourth grades, who are not yet reading at their grade level and are therefore on Individual Literacy Plans (ILPs).

At the beginning of each three-year grant cycle, the Department issues a Request for Proposal (RFP) that includes a standard application form for schools to use in applying for Read to Achieve grants. Schools (or collaborative groups of schools referred to as consortia) seeking grant funds submit their applications to the Department. The applications include a description of the school's proposed Read to Achieve Program, information on the students to be served, and a program budget. Teams of literacy experts use a scoring rubric developed by the Read to Achieve Board to evaluate the grant applications and develop a list of schools recommended to receive grant awards. In particular, the review teams are required to assess whether the proposed program is based on a proven research model and the likelihood that the school's approach will achieve improved literacy outcomes. The teams submit their recommendations to the Read to Achieve Board for consideration. The Read to Achieve Board reviews the list and the applications and provides the State Board of Education with a final list of schools recommended for funding. Statute [Section 22-7-506(3)(c), C.R.S.] provides that the Read to Achieve Board should consider specific criteria when recommending schools for funding, including:

- The number of second and third grade pupils enrolled at the school or consortium that have below grade level literacy and reading comprehension skills;

- Whether the proposed program is based on a research model that has been proven to be successful in other public or charter schools across the nation; and

- The per pupil cost of the program.

In addition, statute requires the Read to Achieve Board to ensure, to the extent possible, that grants are awarded to schools in a variety of geographic areas of the State.

We evaluated the efficiency and effectiveness of the Read to Achieve Grant Program in awarding grants, meeting statutory goals, and overseeing and evaluating Program results. We found that the Department could target funding to students and schools with the greatest needs, improve the data for measuring Program performance and assessing progress toward achieving literacy goals, and improve controls to ensure fiscal accountability. We discuss these issues in the remainder of this chapter.

Student Needs

According to the Department's Request for Proposals for grant applications, the primary goal of the Program is for all Colorado students to be proficient readers by the end of the third grade. To assess the Department's progress in accomplishing this goal, we compiled data on the percent of third grade students on Individual Literacy Plans (ILPs) in Fiscal Years 2000 through 2005. In accordance with CBLA, schools prepare ILPs for every student in Kindergarten through third grade who, on the basis of assessment, is reading below grade level. ILPs are also required for students in fourth grade and higher who were not reading at their grade level by the end of the third grade and are optional for other students in higher grades who read below grade level. We used the data to determine the proportion of third grade students who were reading below grade level both before the Program began and since the Program has been in existence. We also reviewed the percent of second and fourth grade students on ILPs over these years to determine if there had been any general improvement in reading skills of students in grades two, three, or four. The following table displays these data.

Colorado Second, Third, and Fourth Graders Reading Below Grade Level Fiscal Years 2000 Through 2005			
	Second Grade	**Third Grade**	**Fourth Grade**
Fiscal Year 2000			
Total Students	55,900	55,900	56,200
Students on ILPs[1]	13,800	14,800	14,600
Percent on ILPs[1]	25%	26%	26%
Fiscal Year 2001			
Total Students	55,700	57,000	57,100
Students on ILPs[1]	14,900	15,900	13,900
Percent on ILPs[1]	27%	28%	24%
Fiscal Year 2002			
Total Students	55,700	56,500	58,000
Students on ILPs[1]	16,200	16,300	13,000
Percent on ILPs[1]	29%	29%	22%
Fiscal Year 2003			
Total Students	55,700	56,000	57,300
Students on ILPs[1]	15,600	15,900	13,600
Percent on ILPs[1]	28%	28%	24%
Fiscal Year 2004			
Total Students	56,200	55,800	56,400
Students on ILPs[1]	15,900	15,500	13,300
Percent on ILPs[1]	28%	28%	24%
Fiscal Year 2005			
Total Students	56,400	56,200	56,100
Students on ILPs[1]	16,200	16,800	13,200
Percent on ILPs[1]	29%	30%	24%

Source: Information provided by the Department of Education.
Notes:
[1] ILPs are Individual Literacy Plans which are prepared for students in Kindergarten through third grade who are reading below grade level. ILPs are also required for fourth grade students and higher who were not reading at grade level at the end of third grade and are optional for other fourth graders and students in higher grades who read below grade level.

Not all second, third, and fourth grade students on ILPs participate in the Read to Achieve Program. However, the data in the table provides some indication of whether progress is being made in accomplishing the goal of all Colorado students being proficient readers by the end of the third grade. The table shows that the percent of students in second, third, and fourth grade who were reading below grade level did not substantially change after the Program began in Fiscal Year 2001. These statistics illustrate that the primary goal of Read to Achieve has not been met and may indicate that the Program is not having a substantial impact on student reading skills despite the more than $97 million in grant funds awarded to schools since it began.

Targeting Grants

One reason the Read to Achieve Program may not be substantially affecting the reading skills of all of Colorado's second, third, and fourth graders is that many of them are not served by the Program. Between Fiscal Years 2003 and 2005, only about 58 percent of eligible second and third grade students participated in the Read to Achieve Program. The following table shows the number of students eligible to participate in the Program between Fiscal Years 2003 and 2005 and the number and percentage served.

Read to Achieve Grant Program Number of Eligible Students and Students Served Fiscal Years 2003 Through 2005[1]						
	2003		**2004**		**2005**	
	#	**%**	**#**	**%**	**#**	**%**
Eligible Students[2]	31,500	100%	31,400	100%	33,000	100%
Students Served[3]	22,100	70%	18,100	58%	15,900	48%
Students Not Served	9,400	30%	13,300	42%	17,100	52%
Source: Information from the Department of Education. **Notes:** [1] This table and those in the remainder of the report cover Fiscal Years 2003 through 2005 because the Department of Education had comparable Program data for these years. [2] Numbers of eligible students reflect the numbers of second and third grade students on ILPs each year. [3] Students Served reflects figures reported by grantees at the end of each year. The number of students served may be different than the number funded, as discussed later in the report.						

As the table shows, while the number of eligible students has increased over the period, the number and percentage of eligible students served through the Read to Achieve Program has decreased.

We reviewed the Department's processes for awarding grants and found that the Department has not determined the number or percent of eligible students that should be served through the Read to Achieve Grant Program. As a result, the grant application and review process does not occur within the framework of a larger goal for the Program. The Department does not target Read to Achieve grants toward those schools or school districts with the highest percentage of second and third grade students who are not reading at grade level. Statute states: "In selecting the recommended schools [to receive grants], the Read to Achieve Board … shall take into account … the number of second and third grade pupils enrolled at the school … who have below grade level literacy and reading comprehension skills." However, the Department's RFP specifically states that, "Serving small or large numbers of students is not part of the evaluative criteria." We

identified a number of problems with the grant application requirements and review process that inhibit the Department's ability to target funds where they are most needed.

First, there is no requirement for review teams to consider comparative information on applicants to help assess the schools' need for the Program when scoring proposals. Similarly, the Read to Achieve Board does not have information on the relative needs of the schools to review when making funding decisions. Schools report student attributes, such as the percentage of English Language Learners and students with special needs, in their applications. However, this information is not compiled or used by grant reviewers or the Read to Achieve Board in making funding decisions. In addition, the key factor that illustrates the need for intensive literacy services is not reported by schools—the current reading level of each student to be served by the Program (or the number of grades each student is below grade level). This information is not requested by the Department in the RFP but would indicate the relative need of the schools applying for grants. If Department staff requested and compiled key data into a summary, it would enable the review teams and Read to Achieve Board to easily compare the proposals. For example, a listing of applicants, the amount requested, the number of students to be served, the current reading levels of the students to be served, student demographic information, and budget information, could be used by the reviewers to assess which schools have the greatest need for grant monies. According to the Department, there are currently insufficient staff resources to prepare this type of summary.

Second, the geographic distribution of grants is not specifically considered during the grant application review process although statute requires the Read to Achieve Board to "ensure that grants are awarded to schools in a variety of geographic areas of the state." [Section 22-7-506(3)(d), C.R.S.] We compared the number of second and third grade students eligible for Read to Achieve grants in Fiscal Years 2003 through 2005 with the number of second and third grade students actually served, by region, and found eligible students in all regions are not being equally served. These data are shown in the following table.

Read to Achieve Grant Program Number of Eligible Students and Percent Served By Region* For Fiscal Years 2003 through 2005						
	Fiscal Year 2003		**Fiscal Year 2004**		**Fiscal Year 2005**	
Region	**# Eligible**	**% Served**	**# Eligible**	**% Served**	**# Eligible**	**% Served**
Metro	16,700	76%	17,500	60%	18,800	45%
North Central	3,900	69%	3,600	67%	4,200	58%
Northeast	500	82%	300	82%	400	71%
Northwest	1,400	67%	1,300	42%	1,300	36%
Pikes Peak	6,200	61%	6,000	52%	5,300	53%
Southeast	600	63%	500	61%	500	55%
Southwest	800	57%	700	58%	800	33%
West Central	1,400	57%	1,500	40%	1,700	47%
Total	31,500		31,400		33,000	
Source: Data provided by the Department of Education. * A map of the regions is shown in Appendix B.						

The table shows that the percentage of eligible second and third grade students served through Read to Achieve grants varies considerably by region. For example, in the Northeast Region, over 70 percent of eligible students were served in Fiscal Years 2003 through 2005 while in the Southwest Region between 33 and 58 percent were served.

We also found that information about the distribution of eligible students and the students served by the Read to Achieve Program is not accurately reported by the Department in its annual reports. Specifically, the Department uses the number of students to be served with Read to Achieve monies (according to the applications of schools that received grants) as the number of eligible students. This methodology does not account for eligible students (second and third graders on ILPs) in schools that do not apply for grants or that apply but do not receive grants. Therefore, this reporting overstates the percent of eligible students being served through Read to Achieve programs in each geographic region.

Third, school size is not one of the criteria considered during the application review process nor does the Department report on the distribution of grants among schools of different sizes. We reviewed the grant applications and grant awards for the beginning of the second grant cycle (Fiscal Year 2005) and found that the smallest schools are the least likely to be funded. Specifically, about 53 percent of schools with fewer than 200 students that applied for funding at the beginning of the second grant cycle were approved for funding while about 70 percent of schools with more than 200 students (including consortia) were funded.

In the 2001 performance audit of the Department, alternatives were recommended for administering the Read to Achieve Program including:

- Designating a portion of grant monies to certain categories, such as small or rural schools, and allowing schools within the categories to apply for funds.

- Offering a base amount of funding to all schools with eligible students and allowing schools to apply for additional funds beyond the base amount.

- Allocating funds on a formula basis.

These recommendations were intended to address the same issues discussed in this report—increasing the number of eligible students being served, improving the geographic distribution of grants, and ensuring small schools had equal access to grant funds. The Department did not agree that any type of formula-based distribution would be effective. In response to the audit recommendations, the Department streamlined the grant application, provided additional training and outreach, and met with rural superintendents to address their specific needs in the grant process. These efforts have not fully addressed the problems.

It is disappointing that the expenditure of over $97 million in Read to Achieve grants has not resulted in a discernible improvement in the percentage of third graders reading at grade level. The Department and Read to Achieve Board must develop criteria and effective strategies for targeting funds to make sure intensive literacy services are directed to those students and schools most in need and that proficiency goals are met. This is especially important because future funding for the Read to Achieve Grant Program has been reduced from 19 percent of total tobacco funds (up to a maximum of $19 million per year) to 5 percent of total tobacco funds (up to a maximum of $8 million per year).

Recommendation No. 1:

The Department of Education should ensure that Read to Achieve grant funds are directed toward schools and students with the greatest needs for intensive literacy services by:

a. Requiring schools to include in their applications information on the current reading levels of students to be served as well as any other factors that might indicate need for Read to Achieve funding.

b. Improving the grant evaluation process by compiling key comparative data on student needs (such as the number and location of eligible students and the current

reading levels of students to be served) along with the grant applications. This comparative information should be provided to the review teams for consideration in their evaluation of proposals and to the Read to Achieve Board for making final funding decisions.

c. Considering the geographic distribution of grant awards in the application review and funding process. The Department should also report both the actual number of eligible students in each region as reflected by the number of second and third graders on Individual Literacy Plans and the number served.

Department of Education Response:

Agree. Implementation Date: July 1, 2007 pending continuation of program funding.

In the third funding cycle of Read to Achieve (Fiscal Years 2008-2010), schools will be required to include data on the current reading levels of students in order to identify the relative need of each school applying for the grant. The Department will continue to streamline and strengthen the Read to Achieve application review process by compiling key comparative data on student needs (e.g., current reading levels, whether students receive special education services, and percentage of English Language Learners). A summary of application data will also be provided to both the Read to Achieve Board and grant reviewers to aid in their review process. This application data will include: a listing of the applicants, amount requested, number of students to be served, the current reading levels of the students to be served, and student demographic information. Read to Achieve will work with the Assessment Unit to begin to report actual numbers of eligible students in each region. This information will aid reviewers in determining proportionate funding in each of the eight educational regions.

Performance Measurement

Since the inception of the Read to Achieve Program, over $97 million in grants has been awarded to schools to offer intensive reading programs. As part of the audit, we attempted to evaluate the effect of these grants on the reading skills of Colorado's second, third, and fourth grade students. Data provided by the Department indicate that about half the students who completed a Read to Achieve program in Fiscal Years 2003 through 2005 improved their reading skills to grade level at the end of the school year in which they participated in the Program. This statistic indicates that the Read to Achieve Program is helping some students improve their reading skills as intended.

We also attempted to analyze a variety of other data to isolate the effect of the Read to Achieve Program and to evaluate the cost-benefit of the Program. However, we found that no further analysis is currently possible because the Department does not collect or compile critical information needed to assess the Program in depth. The problems we found with lack of data, lack of evaluation, and minimal assessment efforts are described below.

Critical Data

At the end of each school year, the Department requires schools with Read to Achieve grants to report certain data on their programs, including expenditures by type, total number of students served, and assessment results for students served. The Department uses the information on students primarily to determine which schools reached the statutory requirement of improving the reading skills of at least 25 percent of the students in the Program to grade level. This is one measure of the results of the Program. However, we found that, in the past, the Department did not collect other information to more comprehensively evaluate the success of the Program, such as information to individually identify and assess all students on ILPs. As a result, the Department does not currently have information to evaluate the long-term reading skills of students who were in the Program.

According to the Department, no identifying information was collected on students with ILPs until Spring 2005, when the Department began requiring schools to report the 10-digit state-assigned student identification number for each student with an ILP, including those in the Read to Achieve Program. This identification number allows the Department to access other data associated with the student, such as CSAP scores. With these individual student identifiers, the Department now has the ability to track the reading proficiency of individual Read to Achieve participants over time to assess the long-term effects of the Program. In addition, the Department can compare the reading proficiency levels of students on ILPs who participate in the Read to Achieve Program with those who do not. This type of analysis could assist the Department in isolating the effect of the Program and determining whether some students on ILPs are raising their reading skills to grade level without Read to Achieve monies. (Students may improve their reading skills without Read to Achieve for a variety of reasons, including attending another year of classes, receiving additional reading participation by a parent, or participating in other reading-based initiatives within schools/districts).

Data Tracking

We also found the Department does not compile key data to track information about schools that (1) apply for and receive grants, (2) apply for but do not receive grants, or (3) do not apply for grants at all, as follows:

- **Grant applicants and recipients.** The Department does not compile some specific data on schools that receive grants, such as the types of programs schools planned to offer or breakdowns of their program budgets. These data are valuable in comparing the total and per-student costs of programs, identifying the types of programs that are most successful, and assessing the cost-effectiveness of various program models. This information is also useful for providing training and technical assistance on the grant application process to prospective grant applicants. In addition, the Department did not maintain a list of all grant applicants for the first grant cycle along with the amounts requested and the number of students the applicants intended to serve. This information is useful in analyzing the grant award process to identify whether some schools never apply for grants and the characteristics of successful and unsuccessful applications.

- **Eligible students.** The Department does not assemble comparative data on the number of students eligible to participate in Read to Achieve programs and the number actually served. This information would help the Department determine the overall availability of Read to Achieve programs to eligible students. By compiling and analyzing these data in different ways, such as by geographic region or school size, the Department would also be able to evaluate whether grants are being awarded to all regions in accordance with statute.

- **Actual versus planned data.** The Department does not compare actual program data with proposed or estimated information set forth in the grant applications. For example, the Department does not compare the number of students schools plan to serve, according to the grant applications, with those reported as actually being served. The Department also does not conduct a thorough comparison of proposed grant budgets to actual reported expenditures. These types of comparisons would help the Department evaluate the effectiveness and cost-efficiency of the programs funded with Read to Achieve monies.

- **Data accuracy.** The Department does assemble information, such as the names of schools that were awarded grants, the amounts awarded, and the number of students who improved their reading skills to grade level, in electronic spreadsheets. However, we found numerous errors in the spreadsheets. Specifically, we found that achievement results were not entered for some schools; the number of students funded and amounts awarded for some schools were incorrect; and calculations made on the basis of these data (e.g., funding per

students and achievement results) were not consistently accurate. These spreadsheets are used by the Department to prepare its annual report to the Department of Public Health and Environment and to determine if schools met the 25 percent standard and are eligible for funding in future years. Department staff enter data into the spreadsheets manually and believe the inaccuracies are due to entry errors as well as some schools not providing achievement results.

External Evaluations

In accordance with State Board rules, the Department has annually contracted with an external evaluator to review certain elements of the Read to Achieve Program. Between Fiscal Years 2003 and 2005 the Department spent a total of about $94,000 for these external evaluations. We reviewed the annual reports the evaluators prepared and found that they were typically limited to descriptions of the schools' Read to Achieve programs, reporting of the percentage of students improving their reading to grade level for each school, and narratives on the extent to which the schools believe they accomplished other goals set forth in their grant applications. However, we found that the reports do not typically address other important aspects of the Program, such as:

- The cost of the programs or whether increases or decreases in per pupil funding substantially impact student reading outcomes.

- The relative effectiveness or cost efficiency of the different types of intensive reading programs allowed by statute (e.g., reading academies, after school literacy programs, summer school clinics, tutoring services, or extended-day reading programs). One external evaluation report (January 2004) did assess the effectiveness of different program structures and found that there was not a strong correlation between program structure and results. However, none of the reports has addressed cost efficiency.

- The progress of students in Read to Achieve programs compared with students in other literacy programs or who did not participate in any literacy program. The January 2004 External Evaluation Report recommended that in the future, consideration be made to fund additional evaluations to answer questions such as "To what degree did Read to Achieve-funded schools increase the percent of students reading at or above CSAP levels beyond that of non-Read to Achieve schools during the same period?" To date, the Department has not implemented this suggestion.

The Department is currently allowed by statute to spend no more than 1 percent of the monies in the Read to Achieve cash fund to administer the Program. Given this constraint on the amount available to operate and oversee the Program, we believe the Department should consider whether hiring an outside entity to conduct a limited review

is the best use of Program funds. Covering the costs of other activities, such as compiling and analyzing basic information on Program performance and cost, as we did during this audit, may be a better use of the Program's limited administrative funds.

We also found that the external evaluator's reports are not readily available to school districts and other interested parties and that reports are not posted on the Department's website. For schools to improve or modify their programs on the basis of evaluation results, schools need access to these reports. We brought this to the Department's attention during the audit, and it has now placed all past external evaluator reports on its web page. To make the results of the annual evaluations easily accessible to schools and other interested parties, the Department should continue to post reports on its website and inform school districts of the location on the Internet where the reports can be accessed.

Improvements

Statute [Section 22-7-506(3)(g), C.R.S.], states that the State Board of Education shall promulgate rules for the Read to Achieve Program that include procedures for reviewing the success of the intensive literacy programs operated by schools that receive grants. In addition, State Board rules state that the Department of Education will contract with an independent evaluator to conduct an annual evaluation of the Program. However, due to the lack of data collected and analyzed by the Department and the limited focus of the external evaluations, the Department has not fully complied with these requirements. Considering the more limited appropriations in the future, having information regarding the effect of cost and program type on student achievement would assist the Department in maximizing the number of students that could be served with Read to Achieve monies and the best use of the funds. Therefore, the Department should improve its data collection as discussed above and modify the role of the external evaluator to include assessments of issues such as cost effectiveness and isolated results of the Program.

Recommendation No. 2:

The Department of Education should improve data for assessing Program performance and strengthen methods for evaluating and disseminating the results of the Read to Achieve Program by:

a. Using student-specific data on students with Individual Literacy Plans to assess the changes in reading skills of those students in the Program compared to students who were not in the Program.

b. Compiling additional information including details on all applicants and specific budget and actual data for each school receiving a grant.

c. Modifying the external evaluations to include assessment of cost issues and analyses that will isolate the effects of the Read to Achieve Program and identify the benefits of different types of programs.

d. Posting all external evaluation reports on its website and informing schools and districts of the location of the reports.

Department of Education Response:

Agree. Implementation Date: September 1, 2006.

The Department will continue to improve its collection of data for assessing Program performance and strengthen evaluation methods. Read to Achieve will now be able to work with the Student Assessment Unit in obtaining individual student identifiers for all ILP students. To strengthen evaluation methods, the Department will compile additional information on all applicants, including specific budget and actual data for each school receiving a grant. Read to Achieve will work with key offices within the agency (e.g., Student Assessment and Accounting) to ensure all grant data collected is accurately reported. Future external evaluations will be streamlined to include: assessment of cost issues, specific budget information, analyses that will isolate the effects of the Read to Achieve Program and identify the benefits of different types of programs. In addition, the Department has already placed all past external evaluation reports on the Read to Achieve website and all future reports (as well as past external evaluation reports) will be posted on the website. All schools will receive notification of the postings of these reports.

Program Outcomes

Statute requires schools to measure, and the Department to report, the number of students who improve their reading to grade level after participating in the Read to Achieve Grant Program. Statute provides that schools awarded grants for more than one year within a grant cycle may not receive continued Read to Achieve funding unless at least 25 percent of participating students from the prior year improve their reading skills to at least grade level, or were "proficient" as defined by the state assessment [Section 22-7-506(3)(e)(I), C.R.S.]. Statute also provides that schools awarded Read to Achieve grants during one grant cycle may not receive funds in a subsequent grant cycle unless the school can demonstrate that at least 25 percent of participating students are reading at grade level [Section 22-7-506(3)(e)(II), C.R.S.].

The Department calculates whether schools are meeting the 25 percent statutory goal by comparing the number of Read to Achieve participants reading at grade level with the number of participants who completed a full instructional cycle in the Program. The Department's calculation does not include participants who left before completing their Read to Achieve programs and thus, did not complete a full instructional cycle. (We discuss this issue in more detail later in this chapter).   Department data for Fiscal Years 2003 through 2005 indicate that statewide, an average of about 51 percent of participants improved their reading skills to grade level, although the percentage of students achieving the standard declined in Fiscal Year 2005. We display this information, by fiscal year, in the table below.

Read to Achieve Grant Program Number and Percent of Participants Who Met Statutory Goal (i.e., improved reading skills to grade level) For Fiscal Years 2003 Through 2005				
	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	3-Year Total
Number of Participants Completing a Full Instructional Cycle	18,100	15,400	14,400	47,900
Number of Participants Meeting Goal	9,700	8,300	6,600	24,600
Percent of Participants Meeting Goal	54%	54%	46%	51%
Source: Pacey Economic Group analysis of data provided by the Department of Education.				

We evaluated data used by the Department to calculate the 25 percent standard and found problems in several areas. First, we found that, while the Department is achieving the 25 percent standard on a statewide basis, not all schools are successful at achieving this standard. The following table shows the total number of schools that received Read to Achieve funding during the same three fiscal years and the number and percent of schools that were not successful at improving the reading skills of 25 percent of participants to grade level.

Read to Achieve Grant Program **Number and Percent of Schools That Did Not Meet Statutory Goal** **(i.e., did not improve reading skills of 25 percent of participants to grade level)** **For Fiscal Years 2003 Through 2005**			
	Fiscal Year 2003	**Fiscal Year 2004**	**Fiscal Year 2005**
Number of Schools Receiving Read to Achieve Grants	508	483	374
Number of Schools Not Meeting Statutory Goal (Includes Schools That Did Not Report Achievement Data)	19	54	43*
Percent of Schools Not Meeting Statutory Goal	4%	11%	11%
Source: Pacey Economic Group analysis of data provided by the Department of Education. * Includes 11 schools that did not receive funding until January 2005. The Department initially anticipated having about $7.5 million available for grants in Fiscal Year 2005. However, late in Fiscal Year 2005, several bills passed affecting the Program's funding. The Department was ultimately appropriated about $16.3 million for Fiscal Year 2005 and opened a second grant round to award the additional funds. The Read to Achieve Board allowed the schools funded in January to receive continued funding in Fiscal Year 2006 even if they did not meet the statutory requirement.			

The table shows that the percentage of schools not achieving the statutory standard has increased during the three-year period, with 11 percent of Read to Achieve schools not achieving the 25 percent standard in Fiscal Years 2004 and 2005.

Second, the Department awarded additional grant funds to schools that did not meet the 25 percent statutory standard. As stated previously, statute prohibits schools that do not meet the 25 percent standard from either receiving (1) continuation funding for subsequent years within the grant cycle or (2) additional Read to Achieve grants in the subsequent grant cycle. Specifically, we found that the Department awarded funding to:

- 15 schools in Fiscal Year 2003 that did not meet the statutory standard at the end of Fiscal Years 2001/2002, representing 3 percent of the schools that received grants in the 2001/2002 grant round.

- 10 schools in Fiscal Year 2004 that did not meet the statutory standard at the end of Fiscal Year 2003, representing 2 percent of the schools that received grants in 2003.

- 10 schools in Fiscal Year 2005 that did not meet the statutory standard at the end of Fiscal Year 2004, representing about 2 percent of the schools that received grants in 2004.

Department staff report that the Read to Achieve Board allowed schools to continue to receive funding if they met other criteria (e.g., students moved up a large number of levels, other goals were achieved, one-time extenuating circumstances outside the school's control, student achievement was close to the 25 percent goal). For the second

grant cycle, which began in Fiscal Year 2005, the Department reported that application review teams received information on whether the schools met the 25 percent standard during the first grant cycle but were not precluded from recommending grant funding for schools that did not meet the standard.

To improve accountability for the Read to Achieve Grant Program and to comply with statute, the Department needs to ensure that schools do not receive continued funding when they do not achieve the 25 percent standard. Additionally, the Department needs to ensure that schools that do not meet the 25 percent standard during one grant cycle are precluded from receiving Read to Achieve grants in the subsequent grant cycle.

Recommendation No. 3:

The Department of Education should improve accountability for the Read to Achieve Grant Program and comply with statute by ensuring that only schools that achieve the statutory standard (i.e., 25 percent of participants improve their reading skills to grade level) receive continuation funding under the existing grant cycle or a new grant award under the subsequent grant cycle.

Department of Education Response:

Agree. Implementation Date: July 1, 2006.

For the second funding cycle of Read to Achieve (which began July 1, 2004 and will end June 30, 2007) the Read to Achieve Board developed and streamlined the Request for Proposal (RFP) as well as the process for schools to be funded in subsequent years. Schools participating in the second funding cycle will be eligible to receive continued funding only if the statutory requirement of demonstrating that 25 percent of participating students improved their reading skills to grade level has been met. Schools that do not meet the 25 percent statutory goal in the second funding cycle will not be eligible to participate in the third funding cycle, which will begin July 1, 2007. In the future, the Board will fund only those schools that have met the statutory goal.

Program Completion

State Board of Education rules stipulate that only students who receive intensive literacy services through the Read to Achieve Grant Program for a full instructional cycle are evaluated against the 25 percent statutory standard. In other words, students who drop

out or discontinue participating in the Read to Achieve Program before completing the full program are not counted in the participant base or in the number of students reading/ not reading at grade level.

We compared the number of students who completed their full instructional cycle with the total number of students served for Fiscal Years 2003 through 2005. We found that, on a statewide basis, about 85 percent of students participating in the Read to Achieve Program received intensive literacy services for the full instructional cycle and about 15 percent of students did not. However, there were some schools that had a substantially higher percentage of students who did not complete their full instructional cycle. We show the number of these schools in Fiscal Years 2003, 2004, and 2005 in the table below.

Read to Achieve Grant Program **Schools with Students Leaving the Program Before Completion** **Fiscal Years 2003, 2004, and 2005**			
Percent of Students Not Completing Program	**Fiscal Year 2003**	**Fiscal Year 2004**	**Fiscal Year 2005**
20 Percent or More	159	120	52
50 Percent or More	24	17	5
Total Schools Funded	**508**	**483**	**374**
Source: Pacey Economics Group analysis of information from the Department of Education.			

Although the number of schools with significant numbers of students not completing the Read to Achieve Program is declining, students who drop out may not have an opportunity to receive intensive services to improve their reading skills. Additionally, schools currently retain their full funding, regardless of whether a high or low percentage of their participants actually complete the program. Depending on the type of intensive literacy program offered by a school and the timing of students dropping out, costs may not decrease in proportion to a reduction in the number of students served. For example, if a school hires a literacy teacher to teach students on ILPs, the school may retain the teacher throughout the course of the program even if a large number of students drop out. As a result, the school would not see a reduction in its program costs. However, if the school hired several tutors to assist students, a significant reduction in the number of students served should reduce the school's costs because fewer tutors would be needed. Some savings would be expected even if the students dropped out relatively late in the program. Therefore, in some cases, the Department should be able to require monies to be refunded when a school serves significantly fewer students than planned.

The Department does not require schools to report the reasons why students do not complete their full instructional cycles. Students may drop out because they moved from the district or for other reasons (for example, the teacher, parent or student may believe

that the program does not address the student's needs). Additionally, although schools report dates of service for each of their Read to Achieve participants, the Department does not compile or analyze these data and does not know whether, on average, students are dropping out early or late in the instructional cycle. Finally, although in Fiscal Year 2005 the Department began collecting student-specific achievement data for all Read to Achieve participants, the Department has not analyzed this information to determine the extent to which students who did not complete the full instructional cycle have improved their reading skills.

Since only full cycle students are included in calculating the 25 percent achievement standard, schools may have an incentive to reduce the number of full cycle students reported to produce a higher success rate for the school as a whole. Additionally, as noted above, schools receive full payment for all students, including those who do not complete the full instructional cycle. Since Read to Achieve funds are limited and not all students are being served, the Department needs to collect and analyze information on students who do not complete the full instructional cycle. This information is necessary for the Department to target schools for technical assistance and to help address the reasons why some students do not complete the full instructional cycle.

Additionally, the Department or the Read to Achieve Board should establish criteria to define the circumstances under which a school will be allowed to retain all its Read to Achieve funding or will be required to refund a portion. Finally, the Department needs to analyze length of participation and achievement data for students who do not complete the full cycle to determine whether it is appropriate to exclude all of them from the 25 percent calculation. Alternatively, the Department could establish a requirement that students who participate for most of the program, such as 75 or 80 percent of the cycle, should be included when calculating the 25 percent statutory standard.

Recommendation No. 4:

The Department of Education should improve oversight of schools with Read to Achieve participants who do not complete the full instructional cycle by collecting, verifying, and analyzing complete data on dates of service and assessment scores. This should include:

a. Determining why a high percentage of students at some schools are not completing the instructional cycle and providing technical assistance as appropriate.

b. Defining and applying criteria for those circumstances under which a school will be allowed to retain all its Read to Achieve funding or will be required to refund a portion.

c. Reevaluating the decision to exclude students who complete less than a full instructional cycle from the 25 percent calculation and considering whether students who complete most of the instructional cycle should be included.

d. Evaluating achievement data for partial year students to determine whether students who complete various amounts of the instructional cycle make improvement in their reading skills, and thus, have benefited from the Program.

Department of Education Response:

Agree. Implementation Date: July 1, 2007 pending continuation of program funding.

The Department agrees that oversight of the Read to Achieve program needs to improve. The Department will develop evaluation forms that will track what portion of an instructional cycle a student has completed and why students are not completing the instructional cycle. Technical assistance will be provided when appropriate. The Read to Achieve Board will use this information to develop criteria for those circumstances under which a school will be able to maintain the total amount of Read to Achieve monies and when schools will be required to refund monies. At that time, the Read to Achieve Board will decide what portion of an instructional cycle must be completed by the student to be included in full cycle data. Available data for all students participating in the Read to Achieve grant program (full cycle and partial) will be evaluated to determine improvement in reading skills.

Program Funding and Cost

To assist schools with developing budgets for their grant applications and review teams in evaluating the budgets, the Department established recommended per-pupil rates for each of the two grant cycles. Specifically, the Department suggested in its RFP that schools apply a cost of $1,100 per pupil per year for the first funding cycle (Fiscal Years 2001 through 2004) and $1,000 per pupil per year for the second funding cycle (Fiscal Years 2005 through 2007). The Department does not have data on the number of grantees actually funded at $1,100 per pupil in the first grant cycle. However, for the second grant cycle, we found that 82 percent of the 309 grantees were awarded grant budgets funded at about $1,000 per student (between $900 and $1,190). The 309 grantees includes 286 individual schools and 23 consortia; the Department funds each consortium in one lump sum covering all schools in that consortium.

We reviewed the methods used by the Department to evaluate and hold schools accountable for controlling costs. We identified a number of problems:

- **Per pupil cost standards lack a reasonable basis.** According to the Department, the Read to Achieve Board established the per pupil funding rates of $1,100 (for Fiscal Years 2001 through 2004) and $1,000 (for Fiscal Years 2005 through 2007) by considering the total funds available and using their professional expertise as reading and education professionals to determine the amount schools would need to operate beneficial programs. However, we found the Department and the Read to Achieve Board did not have an empirical basis for these per pupil standards. Specifically, to determine the per pupil rates, the Department did not evaluate cost data from successful programs or compare costs among the different program structures (such as reading academies during school hours, after school programs, summer school clinics, one-on-one or group tutoring, and extended-day programs) nor did the Department consider economies of scale or cost variations for different sizes of programs.

  We analyzed the percent of students improving their reading skills to grade level for schools funded in Fiscal Year 2005 to determine if higher per-pupil funding correlated to a larger percent of students attaining grade level. As the following table shows, we found no clear correlation between the actual amount of Read to Achieve funding provided per pupil and the percentage of students improving to grade level.

Read to Achieve Grant Program Student Outcomes by Actual Per Pupil Funding Level Fiscal Year 2005*			
Per Pupil Funding	Less than $500	$500 to $1,000	More than $1,000
% of Students Attaining Grade Level	46%	52%	46%
Source: Pacey Economics Group analysis of data provided by the Department of Education. * Excludes schools that received their funding in January 2005 since students in these programs would have received only about 5 months of intensive literacy services before being assessed.			

  These data indicate that higher per pupil funding may not lead to improved results.

- **Actual funding per pupil can vary significantly among schools.** We compared the number of students actually served with the number of students funded for Fiscal Year 2005 and found that of the 309 grantees (schools in a consortium are identified as one grantee), about 157 (51 percent) served fewer students than they had been funded for and of these, 69 grantees (22 percent) served less than 80

percent of the students for whom they received funding. The Department does not require schools to refund grant monies when they serve fewer students than funded. Consequently, for some schools that served fewer students than they were initially funded for, the actual funding per pupil exceeded the $1,000 standard substantially. In total, we identified 28 grantees with actual funding per pupil ranging from $1,500 to over $2,000. The Department's funding practices resulted in the Department paying these 28 grantees a combined total of about $853,100 more than the $1,000 per student standard. Department staff do not regularly compare the number of students actually served with the number funded and were unaware that some schools were serving substantially fewer students than funded.

- **The Department does not require schools to include total costs and all funding sources in proposed program budgets.** Schools are required to report in their applications whether they have additional funding from other local, state, and federal sources to support their Read to Achieve programs. However, schools are not required to detail the amount of these other funding sources or how the funds will be used in their program budgets. In addition, the Department does not require schools to state how their Read to Achieve programs will be coordinated with other programs that provide literacy services, such as the 21st Century Community Learning Center or Reading First grants. As a result, the Department lacks complete information on the total costs of operating the schools' Read to Achieve programs and cannot assess whether schools are effectively coordinating different programs with similar goals. For example, for Fiscal Year 2005 the majority of schools that were awarded Read to Achieve grants (82 percent) received amounts close to the $1,000 per pupil rate established by the Read to Achieve Board (specifically, 55 percent of schools received $1,000 or more per pupil and another 27 percent received $900 to $999 per pupil). The remaining 18 percent of grantees received less than $900 per student. Some of these programs may have had funding from other sources to supplement their Read to Achieve grants. However, without complete information on all costs and funding sources, the Department cannot determine the true cost of the programs.

- **The Department does not verify students served or program expenditures.** As mentioned previously, the Department requires schools to report data on their programs at the end of each school year. However, the Department does not verify any of the reported data for accuracy. The Department could strengthen accountability for the Program by establishing a process to require a sample of schools to provide supporting documentation for their reported data each year. Department staff could review the documentation to obtain assurance that reported data are accurate and complete. Additionally, statute provides that any Read to Achieve grant "be used to supplement and not supplant any moneys currently being used on such programs." The Department does not require

schools applying for funds to certify or attest that grant funds will not be used to supplant existing programs.

Although the grant applications state the number of students the applying school intends to serve, the Department does not require schools that serve substantially fewer students than planned to refund any monies. In some cases, schools may serve fewer students than planned but still spend all their funds because their program costs were higher than expected. We reviewed a sample of 15 grants awarded in Fiscal Year 2005. The schools in the sample initially received per pupil funding from the Program ranging from about $970 to about $1,000. We found that some of the schools had spent all of their monies but served fewer students than they had applied and been funded for. The 15 schools sampled had received a combined total of $956,400 in grant funds to serve about 960 students. At the end of the fiscal year, the schools reported that they served about 860 students and spent $863,200. Although in total, the schools served about 90 percent of students they had been funded for and spent about 90 percent of their grant awards, we found wide variations in students served and spending by school.

Of the 15 schools we reviewed, 7 served the number of students they had identified in their applications or more, while 8 served fewer. Details for the 8 schools that served fewer students than funded are displayed in the following table.

			Read to Achieve Grant Program	
			Schools in Sample of 15 That Served Fewer Students Than Funded	
			Percent of Grant Spent, Per Pupil Funding, and Per Pupil Expenditures	
School	**Percent of Funded Students Served**	**Percent of Grant Funds Spent**	**Per Pupil Amount Funded (Total Grant Award ÷ Number of Students Funded)**	**Per Pupil Amount Spent (Total Expenditures ÷ Number of Students Served)**
1	89%	100%	$983	$1,109
2	80%	99%	$1,000	$1,241
3	80%	63%	$1,000	$788
4	68%	100%	$1,000	$1,460
5	67%	96%	$1,000	$1,442
6	57%	100%	$1,000	$1,766
7	43%	62%	$997	$1,429
8	0%[1]	100%	$1,000	$15,000[2]
Source: Pacey Economics Group analysis of data from sample of 15 grant files.				
Notes:				
[1] This school reported that it had difficulties getting its program started and therefore did not report serving any students.				
[2] The per pupil amount spent actually reflects the full grant amount awarded.				

The Department did not require any of these schools to return any funds, even if they served no students or had unexpended grant monies at the end of the year. The school that served no students was denied continuation funding for Fiscal Year 2006.

Although the grant application anticipates the possibility that a school may need to modify its program or budget, and requires schools to request approval from the Department for such modifications before they occur, for the sample we reviewed, no requests were submitted or approved by the Department for changes in the number of students to be served.

The Department does not establish contracts with the schools that receive Read to Achieve grants. According to Department staff, the grant award letters and the applications themselves are intended to hold the schools accountable for spending their grants in accordance with their proposals. However, neither of these documents clearly stipulates that the schools should serve all or at least a minimum percent of the students identified in their applications. For Fiscal Year 2005, the Department distributed about $16.2 million in Read to Achieve grants which was intended to provide intensive reading services to about 16,600 students, for an average award per student of about $980. However, in total the schools reported actually serving only about 15,900 students, or about 700 fewer than planned. Therefore, the Department awarded schools about $686,000 (700 students X $980 per student) to fund students that were not served.

The Department needs to improve accountability for Read to Achieve Program costs. This should include requiring schools to report total program costs and funding from all sources in budget worksheets as well as how the Read to Achieve Program will be coordinated with other literacy programs, developing contracts or agreements that include targets for the number of students to be served, and stating the criteria for when schools must refund monies if they do not serve the number of students agreed to. Additionally, the Department should eliminate per pupil funding standards and consider establishing ranges or maximums for standard budget items to ensure costs for various categories are reasonable. The Department could also require schools to estimate in their applications the minimum and maximum number of students that can be served by the particular program model (e.g., an after school program could serve 10 to 15 students and the school plans to serve 13). Finally, the Department should conduct periodic audits of a sample of school records to ensure information reported by schools can be verified and is accurate.

Recommendation No. 5:

The Department of Education should improve accountability for Read to Achieve costs by:

  a. Discontinuing per pupil funding standards and considering alternatives, such as maximums or cost ranges for standard budget items, to evaluate the reasonableness of costs.

b. Requiring schools to report total program costs and sources of funds in budget worksheets.

c. Establishing grant agreements or contract provisions that require schools to set targets for students served, state the criteria for refunding monies when targets are not met, and certify that grant funds are not supplanting existing programs.

d. Establishing a process to verify data reported by grantees.

Department of Education Response:

Agree. Implementation Date: July 1, 2007 pending continuation of program funding.

The Department will improve accountability for Read to Achieve costs by considering an alternative to the per-pupil award system. Schools will be required to report total program costs and sources of funds. An agreement will be added to the application process, requiring that schools delineate the number of students to be served, refund monies (if appropriate) if the number of students served is less than the number of students identified, and certify that grant funds are not supplanting existing programs. The Department will also work closely with the Grants Fiscal Management and School Finance units to establish a process to verify data reported by grantees.

Program Administration and Monitoring

Statute allows up to 1 percent of the monies in the Read to Achieve cash fund to be used for expenses incurred by the Read to Achieve Board in administering the Program. The Department has spent a total of about $712,000 to administer the Program since it began in Fiscal Year 2001. These administrative costs include copying and postage for various grant materials, hiring of temporary staff to assist with compiling grant materials and data, carrying out the application review process, contracting with the external evaluator, providing training and technical assistance to schools, and Board expenses for meetings and travel. Statute also states that if the Board is unable to administer the Program with existing personnel, it may contract with private sources for such services. The statute does not provide FTE to support the Program and the annual appropriation bills have not appropriated specific FTE for the Read to Achieve Program.

In addition to the administrative costs paid for using Read to Achieve administrative funds, the Department has assigned one staff member who is paid through other sources to oversee the Program's administration.   This individual is responsible for

communicating with grant applicants and recipients, coordinating the grant application review process, and organizing Read to Achieve Board meetings, among other Program duties. The Department roughly estimates that this staff member spends about one-third of her time on the Read to Achieve Program. Due to the statutory provision stating the Board may contract for services if existing personnel are insufficient, the Department believes that Read to Achieve monies may not be used to pay any Department staff costs to administer the Program.

Throughout this report we have identified areas in which administration and oversight of the Program should be strengthened. Our findings illustrate a need for improved organization and analysis of grant application data so that funds may be targeted to areas of need, expanded data collection and tracking to evaluate the effects of the Program, stricter compliance with statutory requirements, and better monitoring of Program costs including methods to verify data reported by grantees. To implement these improvements, the Department should establish a Program oversight and monitoring function. This function should include verifying data provided by schools and compiling and analyzing statewide, school-specific, and student data over time as discussed in the report. Additionally, the process should include preparing quantitative data for the Read to Achieve Board and review teams to use in the grant application and award process.

The Department has indicated that current resources are insufficient to allow adequate administration, oversight, and evaluation of the Program in accordance with the recommendations in this report. We believe the Department could consider using its resources differently to accomplish our recommendations. For example, over the past three years, the Department has spent about $30,000 per year of Read to Achieve funds to hire an external evaluator. Earlier in the report, we discussed our concerns regarding whether the external evaluation is the best use of the Program's limited resources. The Department could use these funds to contract for assistance in performing some of the administrative and monitoring tasks discussed throughout the report. In addition, the Department should evaluate whether some of the additional oversight duties we recommend could be assigned to existing Departmental resources. Alternatively, the Department could request additional resources from the General Assembly to increase oversight of the Read to Achieve Program.

Due to the importance of improving student literacy, the lack of information on Program effectiveness, and the potential for reduced funding for Read to Achieve in the future, the Department needs to strengthen its oversight of the Program. In particular, the Department needs to establish effective practices to identify needs, award grant monies, oversee grants, and demonstrate to the General Assembly and the public that Read to Achieve funds have been used effectively.

Recommendation No. 6:

The Department of Education should establish a monitoring process for the Read to Achieve Program to ensure the Program is effectively administered, overseen, and evaluated as discussed throughout the report. The Department should consider the need to reallocate existing resources or request statutory changes for additional resources as appropriate.

Department of Education Response:

Agree. Implementation Date: July 7, 2006.

The Department is in agreement that it would like to monitor and oversee the Read to Achieve Program more closely. Program administration was very difficult to manage because appropriated funds could not be spent on FTE. In the past, the Department has explored various avenues for funding FTE for administration of Read to Achieve. The Department will continue to consider options for reallocation; however, it is unlikely that funding will be available to support the position. A Decision Item was submitted to the Office of State Planning and Budgeting in July 2006 to request a statutory change of appropriating FTE funding for program administration. A final decision will be made in spring 2007.

Appendix A

Summary of Audit Recommendations and Responses for the Read to Achieve Program
(Department of Education Performance Audit, June 2001)
And Disposition of Each Recommendation as of July 2006

Summary of Prior Audit Recommendation	Agency Response	Auditor Assessment of Disposition
Recommendation No. 5: Pursue alternatives for administering the Read to Achieve Program to ensure distribution of funds to a greater number of eligible students. Consider designating a certain portion of funds to various categories of schools, offering minimal amount of funding to each school, or allocating funds on a formula-driven basis.	Partially Agree	**Partially Implemented.** The structure of the Read to Achieve grants has not been altered. As such, not all eligible students are being served with Read to Achieve monies. Since the 2001 performance audit of the Department of Education, the Department formed a Grants Advisory Council whose membership was primarily from small, rural districts to address their access needs. In addition, the Department conducted phone surveys with schools that never applied for funds or were never funded to collect information on how to better support these schools. This information was used to implement a refined application process for the second funding cycle. As discussed in the July 2006 audit, given the decrease in future appropriations resulting from statutory changes, the Department needs to ensure that grant funds are directed toward schools and students with the greatest needs. **See Recommendation No. 1 of the July 2006 audit report.**
Recommendation No. 6: Improve the application process for consortium applicants by developing a definition of a consortium and allowing schools within a consortium to submit one joint application rather than individual applications.	Agree	**Implemented.** A consortium is now defined in the Read to Achieve Request for Proposals. The Department encouraged schools to apply as consortia, where appropriate, to leverage resources. In addition, a review of a sample of files showed that each consortium submitted a joint application for the second grant cycle.

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Appendix A
Summary of Audit Recommendations and Responses for the Read to Achieve Program
(Department of Education Performance Audit, June 2001)
And Disposition of Each Recommendation as of July 2006

Summary of Prior Audit Recommendation	Agency Response	Auditor Assessment of Disposition
Recommendation No. 7: Improve communication with Read to Achieve applicants through individualized letters regarding grant awards and expanded written feedback.	Agree	**Implemented.** Beginning with the second grant cycle, each applicant received a "Grant Application Review Comments" form which included the funding recommendations, strengths of the application (including detailed comments from reviewers), and any required changes. In addition, the form lists expectations from the grant scoring rubric and notes whether the application met each expectation.
Recommendation No. 8: Improve administration of the Read to Achieve Program by establishing and communicating a standard process. This should include the development of an appeals process, if appropriate, which is communicated to all potential applicants before the beginning of any grant period.	Agree	**Implemented.** The Department has established a process with standardized time lines and reporting requirements which is described on its website. Procedures now include an appeals process which is described in letters sent to each school denied grant funding.

Appendix B – Education Regions (Map and Listing of School Districts)
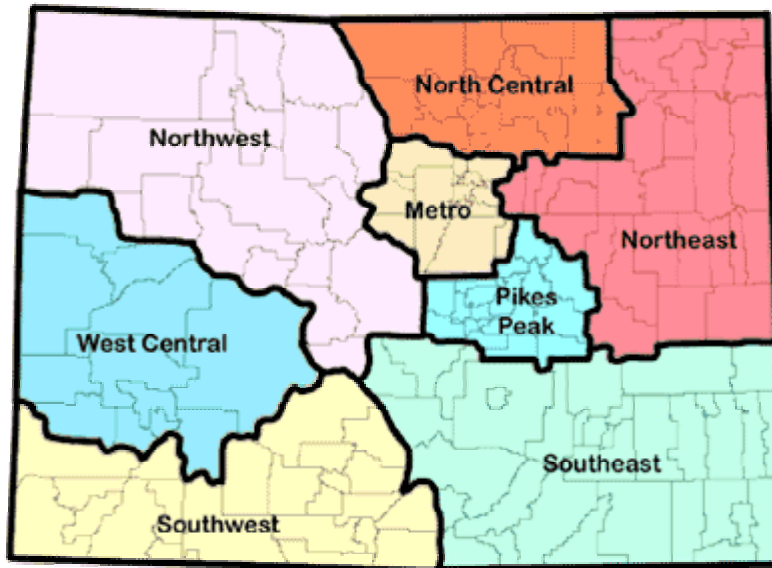
Metropolitan Region
Adams 12 Five Star Schools
Adams 14/Commerce City
Adams-Arapahoe 28J
Boulder Valley RE-2
Brighton 27J
Cherry Creek 5
Clear Creek RE-1
Denver County 1
Douglas County RE-1
Elizabeth C-1
Englewood 1
Gilpin County RE-1
Jefferson County R-1
Littleton 6
Mapleton 1
Platte Canyon
Sheridan 2
Westminster 50

North Central Region
Ault Highland RE-9
Briggsdale RE-10
Brush RE-2(J)
Eaton RE-2
Fort Morgan RE-3
Greeley 6
Keenesburg RE-3
Park-Estes Park RE-3
Pawnee RE-12 (Grover)
Platte Valley RE-7 (Kersey)
Poudre R-1
Prairie RE-11
St. Vrain RE-1J
Thompson R-2J
Weld County RE-1 (Gilcrest)
Weld County RE-5J (Johnstown-
   Milliken)
Weld County RE-8 (Fort Lupton)
Weldon Valley RE-20(J)
Wiggins RE-50(J)
Windsor RE-4

Northeast Region
Agate 300
Akron R-1
Arickaree R-2
Arriba/Flagler C-20
Bennett 29J

Bethune R-5
Buffalo (Merino) RE-4
Burlington RE-6J
Byers 32J
Cheyenne Co RE-5
Deer Trail 26J
Frenchman RE-3
Genoa-Hugo C113
Haxtun RE-2J
Hi-Plains (Vona) R-23
Holyoke RE-1J
Idalia RJ-3
Julesburg RE-1
Karval RE-23
Kit Carson R-1
Liberty J-4
Limon RE-4J
Lone Star 101
Otis R-3
Plateau (Peetz) RE-5
Platte Valley (Ovid) RE-3
Strasburg 31J
Stratton R-4
Valley (Sterling) RE-1
Woodlin R-104
Wray RD-2
Yuma 1

Northwest Region
Aspen 1
Buena Vista R-31
Eagle County RE-50
East Grand 2
Garfield 2
Garfield 16
Hayden RE-1
Lake County RE-1
Meeker RE1
Moffat County 1
North Park R-1
Park County RE-2
Rangely RE-4
Roaring Fork RE-1
Salida R-32
South Routt RE-3
Steamboat Springs RE-2
Summit County RE-1
West Grand 1-JT

Pikes Peak Region
Academy 20
Big Sandy 100J
Calhan RJ-1
Canon City RE-1
Cheyenne Mountain 12
Colorado School for the Deaf and
   Blind
Colorado Springs 11
Cotopaxi RE-3
Cripple Creek-Victor RE-1
Custer County C-1
Edison 54 JT
Elbert 200
Ellicott 22
Falcon 49
Florence RE-2
Fountain 8
Hanover 28
Harrison 2
Kiowa RE-2
Lewis-Palmer 38
Manitou Springs 14
Miami-Yoder 60 JT
Peyton 23 JT
Pueblo City 60
Pueblo County Rural 70
Widefield 3
Woodland Park RE-2

Southeast Region
Aguilar Reorg 6
Branson Reorg 82
Campo RE-6
Cheraw 31
Crowley RE1J
Eads RE-1
East Otero R-1
Fowler R-4-J
Granada RE-1
Hoehne Reorg 3
Holly RE-3
Huerfano RE-1
Kim Reorg 88
Lamar RE-2
Las Animas RE-1
La Veta RE-2
Manzanola 3J
McClave RE2

Plainview RE-2
Primero Reorg 2
Pritchett RE-3
Rocky Ford R-2
Springfield RE-4
Swink 33
Trinidad 1
Vilas RE-5
Walsh RE-1
Wiley RE-13 JT

Southwest Region
Alamosa RE-11J
Archuleta County 50JT
Bayfield 10JT-R
Centennial R-1
Center 26 JT
Creede Consolidated 1
Del Norte C-7
Dolores RE-4A
Dolores County RE2
Durango 9-R
Ignacio 11JT
Mancos RE-6
Moffat 2
Monte Vista C-8
Montezuma Valley RE1
Mountain Valley RE1
North Conejos RE-1J
Sanford 6J
Sangre De Cristo RE-22J
Sargent RE-33J
Sierra Grande R-30
Silverton 1
South Conejos RE-1

West Central Region
De Beque 49JT
Delta County 50(J)
Gunnison Watershed RE1J
Hinsdale RE-1
Mesa County Valley 51
Montrose RE-1J
Norwood R-2J
Ouray R-1
Plateau Valley 50
Ridgway R-2
Telluride R-1
West End RE-2

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