REPORT OF

THE

STATE AUDITOR

Colorado Children's Trust Fund

Performance Audit
June 1999

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STATE OF COLORADO

J. DAVID BARBA, CPA
State Auditor

OFFICE OF THE STATE AUDITOR
(303) 866-2051
FAX (303) 866-2060

Legislative Services Building
200 East 14th Avenue
Denver, Colorado 80203-2211

June 22, 1999

Members of the Legislative Audit Committee:

This report contains the results of a performance audit of the Colorado Children's Trust Fund. This audit was conducted pursuant to Section 2-3-112, C.R.S., which directs the State Auditor to conduct performance audits of all state or federally funded prevention and intervention programs for children and their families. This report presents our findings, conclusions, and recommendations, and the responses of the Colorado Children's Trust Fund.

TABLE OF CONTENTS

J. DAVID BARBA, C.P.A.
State Auditor

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Authority, Purpose, and Scope

This performance audit was conducted under the authority of Section 2-3-112, C.R.S., which requires the State Auditor to conduct performance audits of state or federally funded prevention and intervention programs for children and their families. The audit was conducted in accordance with generally accepted governmental auditing standards. Our audit procedures included reviewing documentation, interviewing the staff and Board of the Colorado Children's Trust Fund (Trust Fund), surveying current and past Trust Fund grant applicants and recipients, analyzing data, and interviewing staff at other states' children's trust funds and various Colorado state agencies. Audit work was conducted between January and May 1999.

The purpose of the audit was to evaluate various aspects of the Trust Fund's operations and, specifically, to:

- Determine whether the Trust Fund is efficiently and effectively meeting its stated goals.

- Identify occurrences of duplication between the Trust Fund and other state or federally funded prevention and intervention programs.

Our report contains 11 recommendations aimed at improving the Trust Fund's cost-efficiency, eliminating or reducing duplication with other prevention and intervention programs, and streamlining operations. We gratefully acknowledge the assistance and cooperation of the Trust Fund staff and Board. The following summary provides highlights of the comments, recommendations, and agency responses contained in the report.

Overview

The Trust Fund was established pursuant to House Bill 89-1216 and is charged with promoting prevention and education programs designed to lessen the occurrence and reoccurrence of child abuse and neglect. The Trust Fund receives funding from several sources including revenue from a $10 surcharge on marriage licenses issued in Colorado (which generates about $360,000 annually), federal and state grants, donations, and interest earnings. Funding for the Trust Fund is appropriated to the Colorado Commission on Higher Education, but the program is administered through an arrangement with the Department of Social Work at Colorado State University.

The Trust Fund provides no direct services; rather, services are provided by local programs that are funded through grants. Programs funded by Trust Fund grants include home visitation and parent education programs, public education and awareness projects, and programs specifically designed for special populations like fathers or teen parents. In Fiscal Year 1999 the Trust Fund awarded $237,705 in grants to 12 programs.

The Trust Fund's operations are directed by an appointed board consisting of nine members. The program also has a staff of 2.5 FTE who are on contract with Colorado State University. The Trust Fund estimates its personnel and operating costs will be approximately $168,700 in Fiscal Year 1999.

Fundamental Issues Need to Be Addressed

Overall, our audit work caused us to question whether the Trust Fund, as it is currently operating, can effectively and efficiently meet its statutory mission. Three key findings led us to this conclusion. First, the Trust Fund's administrative costs are unreasonably high given the low amount of funding it manages. Specifically, we found that in Fiscal Year 1999 the Trust Fund will spend about $.71 in administrative costs for every $1.00 it awards in grants. Other state-level prevention and intervention programs with similar target populations have administrative costs that are one-eighth or less of the Trust Fund's costs. High administrative costs lessen the impact of the monies flowing through the Trust Fund by reducing the dollars available for providing direct services.

Second, many of the local programs that receive grants from the Trust Fund also receive funding from other state-level prevention and intervention programs, including the Youth Crime Prevention and Intervention (YCPI) Program at the Department of Local Affairs, and the Family Centers and Promoting Safe and Stable Families Programs at the Department of Human Services. Programmatic duplication at the state level is costly and can be a burden to local programs that are subjected to the assorted grant application and monitoring processes of the various state agencies that provide their funding. Organizational changes and/or modifications to existing statutes may be necessary to eliminate or reduce the duplication we found.

Third, even though the Trust Fund has been in operation for nearly a decade, ongoing data collection problems have hindered the organization's ability to show that it is making an impact on reducing the incidence of child abuse and neglect in Colorado. Basic outcome information is needed to determine whether programs receiving Trust Fund grants are indeed improving the lives of the children and families who participate in them.

We believe the Trust Fund should work with the General Assembly to address the various organizational structure and funding issues we found. Several options exist for addressing these problems, including increasing the funding available for Trust Fund grants, significantly reducing the program's administrative costs, merging the funding and/or administration of

the program with another program, or eliminating the program altogether. Cost savings could be achieved by pursuing all but one of the options (i.e., increasing the funding available for grants without reducing administrative costs). For instance, merging the funding and/or administration of the Trust Fund with another program would save between $77,000 and $168,700 annually. Eliminating the Trust Fund altogether would save the State about $588,100 in annual program expenditures.

The remainder of the report describes operational improvements that the Trust Fund needs to make if it continues to exist as a separate grant program.

The Trust Fund Is Required by Statute to Award Grants to Recipients Deemed "Most Needy"

Statutes require the Trust Fund to establish a classification system for potential grant recipients based upon need and then award grants to those recipients judged to be "most needy." For the Trust Fund's purposes, "most needy" could be defined in a number of ways including those programs with the fewest resources or those operating in areas with the highest prevalence of various child abuse and neglect risk factors (e.g., number of teen pregnancies or confirmed child abuse incidents; percentage of children living in poverty). Developing a classification or prioritization system is especially important for the Trust Fund because it has so few dollars available for grants. However, the Board has not clearly defined what it considers to be "need" nor has it developed a classification system to measure need. In fact, the Trust Fund has established a goal of distributing funding equitably, which may contradict this statutory mandate.

We reviewed the Trust Fund's funding patterns with various county-level statistics (e.g., number of confirmed child abuse incidents, number of dependency and neglect court filings, and percentage of children living in poverty) to determine whether the Trust Fund was meeting the intent of the statute regardless of its policies. We observed no connection between the counties receiving Trust Fund grants in Fiscal Years 1997, 1998, and 1999 and those counties with the highest "need" according to the statistical indicators we chose. **Although the Trust Fund cannot compel programs in high-need and/or low-resource areas to apply for funding, it should fulfill its statutory mandate by formally defining need and developing a method to prioritize the grant applications it receives accordingly.**

Statutes Place Restrictions on the Trust Fund's Expenditures

Statutes state that in any one year the Trust Fund can spend one-half of its marriage license revenues; the prior year's interest on its fund balance; and any gifts, federal funds, or donations it receives. The remaining marriage license revenues are supposed to be deposited in the Trust Fund until a $5 million fund balance is achieved. House Bill 94-1368 approved a $500,000 expenditure from the fund balance for Fiscal Year 1995 as an exception to this law.

Since Fiscal Year 1996 the Trust Fund's annual expenditures have exceeded its statutorily available revenues. This has occurred because overall annual appropriation levels were set high enough to warrant the use of almost $410,000 in restricted funds. Although the expenditure of these funds was authorized by the General Assembly, we believe the practice of appropriating restricted funds is detrimental to the long-term success of the program. This practice decreases the amount of interest earned on the fund balance, substantially slows the growth of the fund, and increases the number of years for which the marriage license fee needs to be imposed.

To ensure spending restrictions are met, the Trust Fund can reduce expenditures, seek additional funding to replace the fund balance that is being used, or seek statutory changes that allow the spending (i.e., remove the restrictions on expenditures thereby allowing the annual expenditure of all available revenues). The last option may be the most feasible and would make the program function more like other Colorado state agencies.

Improvements in the Grantee Application, Selection, and Monitoring Processes Are Needed

Upon reviewing the Trust Fund's grantee application, selection, and monitoring processes, we found several opportunities for improvement, including the following:

- **Policies regarding years of funding eligibility should be clarified and applied consistently.** We found conflicting information regarding how many consecutive years of Trust Fund support a local program can receive. Some of the documentation provided by the Trust Fund states that programs may be funded for up to, but not exceeding, three years, while interviews with Board members and staff revealed that some exceptions to this rule are allowed. During the period Fiscal Year 1991 to Fiscal Year 1999, 10 of the Trust Fund's 78 grantees (13 percent) received funding for more than three consecutive years but were not identified as exceptions under the existing policy. Allowing exceptions without fully informing applicants may make the Board's funding decisions appear unfair.

- **Established grant selection criteria should be applied consistently or modified**. The Trust Fund has several criteria it uses to determine which applications will pass on to the next step of its two-stage grant selection process. We reviewed all of the applications submitted in Fiscal Years 1997, 1998, and 1999, and found that these criteria were applied inconsistently when funding decisions were made. For example, 46 of the 49 programs that received grants during this period (94 percent) failed to meet at least 1 of the Trust Fund's 13 stated criteria including submitting a satisfactory evaluation plan or providing sufficient cash match documentation. Failure to apply selection criteria consistently may make the Trust Fund's funding decisions appear somewhat arbitrary.

- **Programs with chronic performance problems should not continue to receive funding.** Since Fiscal Year 1997, 15 out of 16 programs that received funding in a subsequent grant cycle had documented performance problems. In Fiscal Year 1998 alone, the Trust Fund granted about $174,800 (i.e., about 46 percent of its total grant funding) to prior year grantees that had performance issues. If programs with questionable performance records were not funded in subsequent grant cycles, additional funding would be available for other programs.

- **Grant application and selection should be streamlined to reduce costs and to simplify and shorten the process for applicants.** The Trust Fund uses a two-stage grant application and selection process that involves both staff and Board review of application materials. We found aspects of this process to be duplicative, time-consuming, and costly. For example, eliminating one stage (i.e., abstract reviews) would shorten the selection process by about three months and would save about 200 hours of staff time at an estimated cost of $4,200. Other changes (e.g., eliminating duplication in the review of funding proposals) could bring about additional cost savings and efficiencies.

- **Monitoring activities such as site visits should be conducted on a risk basis and should be expanded to include data verification activities.** The Trust Fund conducts annual site visits of all new grantees and some continuing (i.e., previously funded) grantees. Programs, especially those with limited resources like the Trust Fund, may determine that it is not beneficial to perform annual site visits on 100 percent of their grantees. However, if a program chooses this approach, it should also have a process for focusing its monitoring activities on those grantees with performance issues or other risk factors. The Trust Fund is not currently prioritizing its site visits of continuing grantees using any type of risk basis. Developing and utilizing a risk-based site visit strategy will help ensure that the Trust Fund uses its monitoring resources in the most effective and efficient manner. We also found that the Trust Fund should expand the activities its staff conducts while on site to include systematic verification of the data submitted by grantees through established reporting processes.

The Trust Fund should modify its policies and practices in each of these areas to ensure its grant application, selection, and monitoring processes are fair, effective, and cost-efficient.

Summary of Agency Responses to the Recommendations:

The Children's Trust Fund agreed or partially agreed with all of our recommendations and has set implementations dates of July 1, 2001, or earlier. The full text of the Children's Trust Fund responses are located in the main chapters of this report.

RECOMMENDATION LOCATOR
Agency Addressed: Colorado Children's Trust Fund

Rec. No.	Page No.	Recommendation Summary	Agency Response	Implementation Date
1	22	Work with the General Assembly to address various organizational structure and funding issues and make statutory and/or other changes accordingly. Several options, including merging the Trust Fund with another program, should be considered.	Partially Agree	7/1/01 or to be determined by General Assembly
2	27	Comply with statutory mandate to provide grants to the most needy programs by formally defining need, developing a classification system to evaluate this need, and awarding funding accordingly.	Partially Agree	7/1/01 or to be determined by General Assembly
3	31	Work with the General Assembly to determine what type of funding structure is in the best interest of the program.	Agree	7/1/01 or to be determined by General Assembly
4	32	Ensure funding sources are adequate to support Trust Fund operations by evaluating methods to increase revenues and/or ways to reduce operational costs.	Agree	7/1/01 or to be determined by General Assembly
5	34	Improve existing goals, objectives, and reporting mechanisms.	Agree	10/01/00

RECOMMENDATION LOCATOR
Agency Addressed: Colorado Children's Trust Fund

Rec. No.	Page No.	Recommendation Summary	Agency Response	Implementation Date
6	36	Clarify written policies regarding the number of consecutive years a program can receive funding, and apply those policies consistently.	Agree	10/01/00
7	38	Evaluate the appropriateness of grant selection criteria, and modify application requirements as appropriate.	Agree	10/01/00
8	41	Evaluate the current practice of continuing to fund programs that have documented performance problems, implement procedures to formally consider past performance in the grant selection process, and require programs with performance problems to correct deficiencies as a condition of continued funding.	Agree	10/01/00
9	43	Consider options to streamline grantee application and selection processes.	Partially Agree	10/01/00
10	44	Design and implement an appeals process to resolve applicant complaints and grievances.	Partially Agree	10/01/00
11	47	Improve grantee monitoring by developing a risk-based system for determining which continuing programs will receive a site visit and by performing systematic data verification activities as part of all site visits.	Agree	12/01/99

Description of the Colorado Children's Trust Fund

Overview

The Colorado Children's Trust Fund (Trust Fund) was established pursuant to House Bill 89-1216. The Trust Fund's statutory purpose is:

> ...to promote prevention and education programs that are designed to lessen the occurrence and reoccurrence of child abuse and neglect and to reduce the need for state intervention in child abuse and neglect prevention and education.

The Trust Fund provides no direct services; rather, services are provided by local programs that are funded through grants. Programs funded by Trust Fund grants include home visitation and parent education programs, public education and awareness projects, and programs specifically designed for special populations like fathers or teen parents.

The Trust Fund's operations are directed by a nine-member board. Six board members are appointed by the Governor and confirmed by the Senate. Statutes further require one of these appointees to be a parent or a representative of a parent organization and the other five appointees to represent various fields of expertise (e.g., law enforcement, social work, or education). All appointed members must also have knowledge in the area of child abuse prevention. The remaining three board members are the Commissioner of Education and the executive directors of the Departments of Human Services and Public Health and Environment.

According to Section 19-3.5-105, C.R.S., the Trust Fund Board has the power and duty to:

- Expend monies for the establishment, promotion, and maintenance of prevention programs (including pilot programs), for programs to prevent and reduce the occurrence of prenatal drug exposure, and for the operational expenses of the Board.

- Provide for the coordination and exchange of information on the establishment and maintenance of prevention programs.

- Establish a classification system for potential grant recipients based upon need and then award grants accordingly.

- Review and monitor the expenditure of monies by recipients and contract with an independent auditor for a yearly financial audit.

- Accept grants from the federal government and solicit and accept contributions, grants, gifts, bequests, and donations from individuals, private organizations, and foundations.

The Trust Fund is administered through the Department of Social Work at Colorado State University (CSU), but is funded by an appropriation to the Colorado Commission on Higher Education. The Trust Fund contracts with the CSU Department of Social Work for 2.5 FTE who provide the program with administrative and technical support. Information about the Trust Fund's operations for the period Fiscal Year 1997 through 1999 is shown in the following table:

Colorado Children's Trust Fund
Grant Applications, Grants Awarded, and People Served
Fiscal Years 1997 Through 1999

Item	FY 1997	FY 1998	FY 1999
Number of Applications Received	78	73	66
Number of Grants Awarded	19	19	12
Dollar Amount of Grants Requested	$1,659,435	$2,289,378	$2,448,029
Dollar Amount of Grants Awarded	$391,216	$380,642	$237,705
Average Dollar Amount of Grants Awarded	$20,590	$20,034	$19,809
Range of Grant Amounts	$3,750 to $70,000	$5,000 to $59,990	$11,240 to $38,760
Number of Adults Served	2,607	4,405	Unavailable
Number of Children Served	2,066	2,315	Unavailable

Source: Office of the State Auditor analysis of Trust Fund information.

Trust Fund data also show that, since its inception, the program has disbursed over $2.4 million to 83 prevention programs in 54 counties serving almost 40,000 persons (i.e., families with young children). Other Trust Fund accomplishments include providing technical assistance and training to local providers, supporting educational workshops and conferences that promote prevention education, and participating in various statewide prevention coordination efforts (e.g., Interagency Prevention Council).

Revenues and Expenditures

The Trust Fund's primary source of revenue is a $10 surcharge on marriage licenses. Statutes specify that only one-half of this marriage license revenue (i.e., one-half of about $360,000 annually, or about $180,000) is available for expenditure in the year that it is received. The other half of the marriage license revenue is to be deposited in the Trust Fund until the Fund's balance reaches $5 million. Once the target balance is reached, statutes provide for the elimination of the marriage license surcharge, leaving the program to operate on interest earnings and other sources of revenue. Other sources of revenue for the Trust Fund include federal funds, state grants, and donations. The following table shows the Trust Fund's revenues and expenditures during Fiscal Years 1996 to 1999:

Colorado Children's Trust Fund - Revenues and Expenditures Fiscal Years 1996 to 1999

	FY 1996	FY 1997	FY 1998	FY 1999[5]
Revenues:				
Marriage License Fees[1]	$176,605	$181,750	$178,835	$175,355
Interest Earnings[2]	43,103	41,930	41,587	41,645
Federal Grants	160,483	200,925	286,111	131,984
State Grants[3]	1,481	0	0	0
Gifts/Donations	130	1,581	2,709	2,000
Trust Fund Principal Transfers[4]	117,927	117,139	174,377	237,111
Total Revenues	$499,729	$543,325	$683,619	$588,095
Expenditures	$499,639	$543,325	$683,611	$588,095

Source: Office of the State Auditor analysis of various data.

Notes:
[1] These amounts represent the expendable portion of the marriage license revenues (one-half the revenues received in any year).
[2] Interest earned during the prior year on funds held in the Trust Fund at the State Treasury.
[3] Department of Public Health and Environment grant.
[4] These amounts represent funds transferred from the principal portion of the Trust Fund's fund balance (an issue more fully discussed in Chapter 2).
[5] All figures estimated according to budget request documents.

State Trends in Child Abuse

As stated previously, the main purpose of the Trust Fund is to promote programs that are aimed at reducing the incidence of child abuse and neglect in Colorado. The following table shows recent trends in the Colorado population under 18 years of age and selected child abuse and neglect statistics:

Trends in Colorado Population Under 18 Years of Age and Selected Child Abuse and Neglect Statistics 1995 Through 1997

Year[1]	Population Under 18 Years of Age	Number of Referrals for Suspected Child Abuse	Number of Confirmed Child Abuse Incidents	Number of Dependency and Neglect Petitions
1995	998,319	50,378	5,693	3,265
1996	1,018,201	50,107	5,112	3,415
1997	1,037,202	50,940	5,409	3,281
Increase/(Decrease) 1995 - 1997	38,883	562	(284)	16
Percentage Change 1995 - 1997	3.9%	1.1%	(5.0%)	0.5%

Source: Office of the State Auditor analysis of information provided by the Judicial Branch and the Departments of Human Services and Local Affairs.

Note: [1] All data except the number of dependency and neglect petitions are reported on a calendar year rather than fiscal year basis.

Organizational Structure Issues

Chapter 1

Overview

Our audit of the Colorado Children's Trust Fund (Trust Fund) was conducted under the direction of Section 2-3-112, C.R.S., which requires the State Auditor to conduct performance audits of all state or federally funded prevention and intervention programs for children and their families. As such, we evaluated whether the Trust Fund was effectively and efficiently meeting its stated goals and performed audit work to identify any occurrences of duplication between it and other programs. We also reviewed operational issues such as program impact, administration, and funding.

Overall, our audit work caused us to question whether the Trust Fund, as it is currently operating, can effectively and efficiently meet its statutory mission. Three key findings led us to this conclusion. First, the Trust Fund's administrative costs are unreasonably high given the low amount of funding it manages. High administrative costs lessen the impact of the monies flowing through the Trust Fund by reducing the dollars available for providing direct services. Second, many of the programs that receive grants from the Trust Fund also receive funding from other state-level prevention and intervention programs. Programmatic duplication at the state level is costly and can be a burden on local programs that are subjected to the assorted grant application and monitoring processes of the various state agencies that provide their funding. Finally, even though the Trust Fund has been in operation for nearly a decade, ongoing data collection problems have hindered the organization's ability to show that it is making an impact on reducing the incidence of child abuse and neglect in Colorado. These issues, as well as several others, are discussed below.

Administrative Costs Are High

There are numerous ways to assess the cost-efficiency of the Trust Fund's operations. One method we used was identifying the Trust Fund's administrative costs (e.g., number of FTE, operating costs) and the total amount of funding and number of grants it manages and then comparing these figures with those of similar state-level prevention and intervention programs. This type of analysis allows us to compare the relative cost-efficiency of different programs' administrative structures in the context of program size and complexity. As discussed later in this chapter, the programs we chose for comparison purposes are all state-level granting programs that are similar to the Trust Fund in terms of their purposes and target populations. As the following table shows, the Trust Fund's administrative costs are high given the total amount of funding and number of grants it manages as compared with similar state-level prevention and intervention programs:

Colorado Children's Trust Fund and Similar State-Level Prevention and Intervention Programs Administrative Cost Comparisons - Fiscal Year 1999

	Colorado Children's Trust Fund	Youth Crime Prevention and Intervention	Family Centers	Promoting Safe and Stable Families
FTE	2.5	5.5[1]	2.0	1.0
Number of Grants Awarded	12	199	21	17
Operating Costs	$168,700	$316,000[1]	$129,026	$172,900
Dollars Awarded	$237,700	$7,800,000	$1,500,000	$2,800,000
Number of Grants Awarded Per FTE	4.8	36.2	10.5	17.0
Operating Cost Per Dollar Awarded	$.71/$1.00	$.04/$1.00	$.09/$1.00	$.06/$1.00
Dollars Awarded Per FTE	$95,080	$1,418,182	$750,000	$2,800,000

Source: Office of the State Auditor analysis.
Note: [1] Estimated on the basis of Fiscal Year 1998 data.

As the table shows, other programs manage from about two to eight times the number of grants per FTE that the Trust Fund manages. Further, other programs manage about 8 to 29 times the total funding per FTE that the Trust Fund manages. Perhaps the most telling figure, however, is the operating cost per dollar awarded. In Fiscal Year 1999 it cost the Trust Fund $.71 to award $1.00 in grant funding**S**almost eight times the cost of the next most expensive program (i.e., the Family Centers Program at $.09 per $1.00 awarded).

We also found these kinds of disparities when comparing the staffing levels of the Trust Fund with the staffing levels in other states' children's trust funds. For instance, according to a 1998 questionnaire distributed by the Kansas Children's Trust Fund to 30 children's trust fund programs nationwide, the average number of grants awarded per staff was 15.9, which was 3.3 times higher than the Trust Fund's 4.8 grants per FTE. Further, the average funding awarded per FTE in other states was $354,280, which is 3.7 times the Trust Fund's $95,080 per FTE.

Low Funding Levels and High Administrative Costs Have Been Ongoing Concerns

The Trust Fund's low funding level has been an ongoing concern. For example, the Trust Fund Board identified the program's low funding level as a problem back in Fiscal Year 1991 and included obtaining additional money as part of its planning efforts in 1992. However, neither the Trust Fund staff nor the Board has taken a comprehensive, proactive approach to increasing revenues. Almost all of the Trust Fund's efforts at increasing its funding have been related to obtaining additional funding from the General Assembly. For example, Senate Bill 94-108 and Senate Bill 96-171 (had they been enacted) would have increased revenues for the Trust Fund through the creation of new fees and/or increasing existing fees. The Trust Fund also submitted decision items seeking general fund support to the Office of State Planning and Budgeting in Fiscal Years 1997 and 1998. Both decision items were denied.

Few efforts have been made to increase funding from non-legislative sources, even though the Trust Fund has been unsuccessful in obtaining additional funds from legislative sources. For example, the Trust Fund could not provide documentation to show that it has a systematic process for identifying and applying for additional federal funding. Staff have not performed a comprehensive review of potential federal funding sources in several years. In addition, although the Board has expressed interest in private fund-raising since 1993, the only existing method of soliciting private funds is including a request for donations in the Trust Fund's Annual Report. The Trust Fund has also not pursued other funding sources used by similar programs in other states, such as tax check-offs or specialized revenue sources (e.g., heirloom birth certificates, specialty license plates). Finally, the Trust Fund hired a fund development consultant in 1997 who produced a plan to increase funding by applying for grants from other programs. No action has been taken on that plan. Staff told us that Board member changes have hindered the Trust Fund's progress in this area.

We also noted that the Trust Fund Board's meeting minutes document repeated concerns from the Office of State Planning and Budgeting, Joint Budget Committee staff, and the House of Representatives' Finance Committee about the Trust Fund's high administrative costs. These concerns have not been addressed, given the information shown previously and the fact that the Trust Fund's administrative costs have increased 68.7 percent since Fiscal Year 1996.

Additional Revenue Sources May Not Provide Significant Funding

We attempted to estimate what level of funding would be required to meet the needs of programs seeking Trust Fund grants. We also evaluated the potential of different options for increasing the revenue available for the Trust Fund. Using information provided by the Trust Fund (i.e., forms documenting the Board's initial review of applicants' abstracts), we estimated that total funding requested by programs that met the Trust Fund's granting criteria in Fiscal Year 1999 was about $1.3 million. This is about $1.1 million more than the amount of funding available for grants in Fiscal Year 1999. Obviously, we cannot be certain that all of these applicants would have eventually qualified for funding, but this figure does provide an estimate of the need that exists for Trust Fund grants.

The following table shows the results of our evaluation of potential revenue sources that the Trust Fund could pursue, the expected amount available from each source, and whether a statutory change would be required. It should be noted that our review was not meant to be exhaustive; additional revenue-generating mechanisms (e.g., fines or surcharges on certain types of criminal convictions) may exist and monies collected from these sources could be made available to the Trust Fund.

Colorado Children's Trust Fund Comparison of Potential Revenue Sources		
Potential Revenue Source	**Expected Additional Annual Funding**	**Statutory Change Required?**
Income Tax Check-Off[1]	$180,000	Yes
Specialized License Plates[2]	$ 12,500	Yes
Heirloom Birth Certificates[2]	$ 3,500	Yes[2]
Additional Private Donations[2]	$ 30,600	No
Additional Federal Funds	unknown	Possibly[3]
General Fund Appropriation	unknown	No
New $10 Fee on Birth Certificates[1]	$572,000	Yes
New $10 Fee on Divorce Decrees[1]	$532,500	Yes

Source: Office of the State Auditor analysis of various information.
Notes: [1] Based upon historical experience in Colorado (e.g., revenue received by existing Colorado income tax check-offs, recent birth and divorce rates).
[2] Based upon the experience of other states' trust funds that have these funding mechanisms.
[3] Moving the Trust Fund to another department, which would require a statutory change, could increase the amount of matching funds that the program has available for federal grants. However, the Trust Fund could also seek out additional federal funding without a change in its organizational placement. See Chapter 2 for more information.

As the table shows, none of the potential revenue sources by itself (with the exception of a sizable general fund appropriation) would produce a significant amount of money for the Trust Fund. Therefore, the Trust Fund would need to pursue a combination of new revenue sources if funding were to be increased in any meaningful way.

The Trust Fund and Other Prevention and Intervention Programs Serve Similar Target Populations

In addition to the Trust Fund's high administrative costs, we also found that the program may duplicate other state-level prevention and intervention programs. Specifically, the Trust Fund's purpose (i.e., child abuse and neglect prevention/ education) and target population (i.e., children ages zero to three) overlaps with at least three other state-level programs: the Youth Crime Prevention and Intervention (YCPI) Program at the Department of Local Affairs, the Family Development Centers

Program (Family Centers) at the Department of Human Services, and Promoting Safe and Stable Families Program, also administered by the Department of Human Services. The YCPI Program was created in 1994 and the other two programs were created in 1993. Funding sources for these programs are varied (e.g., the YCPI Program is supported by general funds whereas the other two programs are supported by a mix of federal dollars and other types of funding). The following table outlines the target population and purpose of each of these programs:

Comparison of the Trust Fund and Other State-Level Prevention and Intervention Programs Target Populations and Program Purposes

Program	Target Population	Purpose
Colorado Children's Trust Fund	Families of children ages 0 to 3	To promote programs that reduce occurrence and reoccurrence of child abuse and neglect.
Youth Crime Prevention and Intervention -- Early Childhood	Children ages 0 to 8	To fund programs that target children, youth, and their families for direct prevention and intervention services.
Family Centers[1]	Families with children of any age	To promote family growth and improve the health, safety, educational success, and overall well-being of children.
Promoting Safe and Stable Families	Families with children of any age	To address specific family needs to keep children safe.

Source: Office of the State Auditor analysis of interviews and program information.

Note: [1] Section 26-18-104(1), C.R.S., which created this program, currently contains a provision calling for the program to be terminated as of July 1, 2000.

As the table shows, the Trust Fund's target age group is actually a subset of the age groups served by the other programs. In other words, the other programs may not be focusing their services exclusively on children in the zero to three years of age range, but they could be serving them.

Trust Fund Grantees Also Receive Funding From Other State Programs

In addition to identifying programs that may be duplicative based on their purpose and target populations, we tried to identify actual occurrences of duplication by comparing recent lists of Trust Fund grantees with grantee lists from similar programs. We found that since 1991 the Trust Fund has provided over $878,000 to local programs that have also received funding from the YCPI or the Family Centers Programs. The potentially duplicative awards equal over 33 percent of the approximately $2.7 million awarded by the Trust Fund during that time period.

We also asked a sample of 18 past and current Trust Fund grantees to identify their other sources of funding. Five grantees reported receiving YCPI funds and one reported receiving funds from the Promoting Safe and Stable Families Program, among other public and private funding sources.

For the Fiscal Year 2000 granting cycle, the Trust Fund required its applicants to complete a form identifying other programs with which they are "collaborating." According to the form, one type of collaboration is receiving funding from another program. The form lists the three granting programs noted previously that we found to be potentially duplicative. However, the form also lists other state and federal programs such as the Colorado Preschool Program and the Headstart Program that could indicate further possibilities for duplication. It also requests information on collaboration with drug, alcohol, and public health programs as well as local mental health and social service agencies. If this information is considered, it seems that there is even more potential for funding duplication than we were able to identify.

Besides being expensive for state taxpayers in terms of duplicating the costs of program administration, this sort of duplication can be burdensome for grantees. Grantees currently apply for each type of funding with separate applications. Once funded, programs are usually monitored by each of their grantors. On the basis of our questionnaire of past and current Trust Fund grantees, we found that Trust Fund grantees are also being monitored by the YCPI, Promoting Safe and Stable Families, and Family Centers Programs; local departments of health and/or social services; school districts; and other state and local governmental organizations.

Data Collection Problems Hinder the Trust Fund's Ability to Show Its Impact

The final problem we noted that led us to question the overall effectiveness and efficiency of current Trust Fund operations is the program's inability to show whether it is making an impact. We have noted similar problems in the other prevention and intervention programs we have audited. The Trust Fund's main purpose is to promote programs designed to reduce the incidence of child abuse and neglect in Colorado. Because of problems in the way that the Trust Fund collects data from its grant recipients, however, we could not tell whether the program is having the desired effect. Specifically, the Trust Fund allows its grantees to design their own goals and objectives, which leads to a great deal of variation in the data received at the state level. Data variation, in turn, results in the inability of the Trust Fund to compile data in any meaningful way. For example, even if a particular grantee were reporting information that showed its program to be reducing the incidence of child abuse, not all grantees would have similar information, leaving the Trust Fund to report the only information it requires of all grantees (i.e., cursory or demographic information, such as the number of people served). This type of information is not helpful in determining whether the grants provided by the Trust Fund are actually having an impact.

Alternatives Should Be Evaluated

The Trust Fund's problems related to administrative costs and programmatic duplication could be addressed using one of several alternative approaches. Some options include:

- **Continuing the Trust Fund as its own agency but increasing funding available for grants and administrative costs**. Funding could be increased to provide more grants with higher award amounts so that the Trust Fund could make a more substantial impact statewide. To do this, the Trust Fund would need to determine the amount of funding necessary to justify its existence as a separate agency and aggressively pursue such funding. In addition to the potential sources of funding identified previously, the Trust Fund could position itself as the sole program focusing on children ages zero to three and seek the redirection of funding from other programs currently being spent for this age group (e.g., YCPI funds earmarked for early childhood programs**S**totaling roughly $1.6 million in Fiscal Year 1999).

- **Continuing the Trust Fund as its own agency with current funding levels but reducing staffing and other administrative costs.** Under this option, the Trust Fund and the $10 marriage license fee would continue to exist. However, the Trust Fund would cut administrative costs by reducing staffing to about 1 FTE, saving about $77,000 annually. Administrative costs could also be reduced by decreasing the number of days per week the Trust Fund office is open or by sharing space and/or equipment with another program. This reduction in staffing would make the Trust Fund's administrative costs more comparable to those of other states' trust funds.

- **Merging the administration of the Trust Fund with another program.** The Trust Fund and its purpose would continue under this option, but the program would share staff with another program to achieve efficiencies and reduce administrative costs. For example, staff from the Family Centers and Promoting Safe and Stable Families Programs indicated that their programs could take on the responsibilities of the Trust Fund with minimal staffing changes (e.g., 0 to 1 additional FTE). This staffing level is lower than the 2.5 FTE currently needed to support the Trust Fund as a stand-alone agency. Such a merger could go either way (i.e., the programs could be merged under the Trust Fund's existing administrative framework or vice versa). We estimate that such a merger would save at least $77,000 annually in staffing costs alone. These savings could be redirected to increase the amount of funding available for grantees.

- **Eliminating the Trust Fund as its own agency but maintaining the $10 marriage license fee for use by another prevention and intervention program.** Under this option, the Trust Fund would cease to exist and the marriage license revenue would go to another program to be granted out. Marriage license revenue could continue to support the Trust Fund's specific purpose (i.e., child abuse and neglect prevention) or could be used to support another program's purpose (e.g., youth crime prevention). Staff we interviewed from the other state programs with similar purposes (i.e., the Family Centers, Promoting Safe and Stable Families, and YCPI Programs) indicated that merging funding streams would result in no additional staff needs or operating costs. This option would save about $168,700 annually (the Trust Fund's current administrative costs), which could be redirected toward grants.

- **Eliminating both the Trust Fund and the $10 marriage license fee.** This is perhaps the most drastic option and, therefore, the approach that would achieve the most savings. In addition to the elimination of Trust Fund expenditures (expected to be about $588,100 for Fiscal Year 1999), the elimination of the $10 marriage license fee would save people purchasing marriage licenses about $360,000 annually.

It is important to note that if either of the first two options (which continue the Trust Fund as its own agency) is selected, many organizational and process improvements would still need to be made to ensure peak efficiency and effectiveness. Specific improvements are discussed in the remainder of this report.

Recommendation No. 1:

The Colorado Children's Trust Fund, with the General Assembly, should address various organizational structure and funding issues and make statutory and/or other changes accordingly. Specifically, the following options should be considered:

- Continuing the Trust Fund as its own agency but increasing funding.
- Continuing the Trust Fund as its own agency with current funding levels but reducing staffing and other administrative costs.
- Merging the administration of Trust Fund with another program.
- Eliminating the Trust Fund as its own agency while maintaining the $10 marriage license fee and moving administration of the funds to another program.
- Eliminating both the Trust Fund and the $10 marriage license fee.

Children's Trust Fund Response:

Partially Agree. The Trust Fund Board will work with the General Assembly to address the various organizational structure and funding issues of the Children's Trust Fund discussed in this report. The Trust Fund will access the National Alliance of Children's Trust and Prevention Funds, an information and technical resource for state trust and prevention funds (with over 40 states as members), to assist the Board and legislature in evaluating options to determine the best structure and funding for promoting child abuse and neglect prevention services in Colorado.

The Trust Fund Board reviewed the options presented by the auditors and will explore several of them, particularly statutory and/or other changes that strengthen the capacity of the Trust Fund to accomplish its mission. Since the Trust Fund's inception, the marriage license fees ($360,000 annually), combined with limited federal grant funds and contributions, have not adequately met the demand from community-based programs to advance child abuse and neglect prevention efforts at the local level (as evidenced by the auditors' analysis of Fiscal Year 1999 funding requests). Increasing funding, consolidating or merging other state funding with the Trust Fund would enhance the capacity of the Fund to achieve its mission, impact on the administrative costs issue identified, address the concerns about duplication, and advance evaluation efforts of the Trust Fund.

The Trust Fund Board would like to point out that the formula used for analyzing administrative costs does not account for the variable amounts of grant funds from each year or the other duties of the Trust Fund beyond the distribution of grants. Fiscal Year 1999 is the lowest level of grant funds from the Trust Fund. Also, the grants amount does not include funds allocated to support evaluation training for child abuse and neglect prevention program providers, technical assistance to grantees and applicants, prevention program information exchange, a state conference, funding for Family Centers through a shared grant, and state and local planning around child abuse and neglect prevention

From the Board's perspective, the Trust Fund model is a viable mechanism for the State to access additional resources from federal and private sources to strengthen families and prevent child abuse and neglect. Cost savings also can be achieved as shown in the cost analysis commissioned by the Trust Fund, *Child Maltreatment in Colorado: The Value of Prevention and the Cost of Failure to Prevent.* As the only state program whose specific mission is the prevention of child abuse and neglect the Trust Fund serves a unique role. Being a separate entity, the Trust Fund has the special ability to research and promote services specific to the prevention of child abuse and neglect and to provide knowledge and expertise to various state agencies and local bodies around planning and delivery of services for preventing child abuse and neglect.

Management and Financial Issues

Chapter 2

Overview

This chapter and the one that follows describe the operational improvements that the Trust Fund needs to make if it continues to exist as a separate grant program.

The Trust Fund Has Not Clearly Defined "Most Needy"

The Trust Fund is required by statute to establish a classification system for potential grant recipients based upon need and then award grants to those recipients classified as "most needy." Developing a system for classifying or prioritizing grant applications is especially important for the Trust Fund because it has so few dollars available for grants. For the Trust Fund's purposes, "need" could be defined in a number of ways. For example, the "most needy" programs could be those with the fewest resources or those operating in areas with the highest prevalence of various risk factors (e.g., number of teen pregnancies or confirmed child abuse incidents; percentage of children living in poverty).

The Board has not clearly defined what it considers to be "need" nor has it developed a classification system to measure need. In fact, the Trust Fund has established a goal of distributing funding equitably, which may contradict this statutory mandate. The Trust Fund currently relies on applicants to document community need as part of their grant application. Each applicant may define community need as it sees fit, using a variety of qualitative and/or quantitative data to support its claim. The result is the absence of a consistent definition of "need" statewide. This, in turn, prevents the Trust Fund from prioritizing grant applications so that it can ensure that funds are awarded to those programs with the most need.

High-Risk Areas Do Not Receive Funds Commensurate With Their Needs

To determine whether the Trust Fund was meeting the intent of the statute regardless of its grant application and selection policies, we compared the Trust Fund's funding patterns with county-level statistics showing numbers of confirmed child abuse incidents, dependency and neglect court filings, and percentage of children living in poverty. As the following table shows, we observed no connection between the counties receiving the ten highest amounts of funding from the Trust Fund in Fiscal Year 1999 and those counties with the highest "need" according to three indicators we chose (1 indicates the highest need and 63 represents the lowest need). We found similar results when we reviewed funding patterns for Fiscal Years 1997 and 1998.

Comparison of the Trust Fund's Fiscal Year 1999 Awards and County Rankings of Child Abuse and Economic Indicators

County	Amount of Trust Fund Funding Fiscal Year 1999	County Ranking of Confirmed Child Abuse Incidents Per 1,000 Children[1]	County Ranking of Dependency and Neglect Court Filings Per 1,000 Children[1]	County Ranking of Percentage of Children Living in Poverty[2]
Adams	$48,561	23	27	38
El Paso	$28,000	26	14	39
Denver	$14,541	20	23	12
Boulder	$14,038	5	44	55
Otero	$12,500	8	26	6
Crowley	$12,500	17	52	7
Larimer	$12,000	40	36	53
Routt	$11,308	33	48	51
Moffat	$11,307	3	8	40
Jefferson	$10,300	24	44	59

Source: Office of the State Auditor analysis of various data.

Notes: [1] County ranking is based on 1997 statistics—the most current information available when the Trust Fund awarded funding for the Fiscal Year 1999 grant cycle.

[2] County ranking is based on the number of children living in poverty in 1990—the most recent census data available.

As the table shows, some counties with lower relative needs received funding (e.g., Routt County received $11,308, even though two of its "need" factors ranked in the bottom 25 percent of all Colorado counties) whereas those with higher needs received nothing. For example, no funding was awarded to any of the ten counties with the highest "need" according to child abuse referrals per 1,000 children -- Washington, Morgan, Bent, Lake, Sedgwick, La Plata, Logan, Mesa, Grand, and Saguache counties. Further, most of these counties are rural and may not have other child abuse prevention resources--potentially making them needy in another way as well.

Of course, some counties with high need factors may not have programs that qualify for Trust Fund grants. The Trust Fund also cannot compel the programs that do exist in these areas to apply for funding. The Trust Fund can, however, formally define need as required by statute and develop a method to prioritize the grant applications it receives accordingly. Any prioritization system that the Trust Fund develops should consider a variety of data including the risk factors present and resources available in each community.

Recommendation No. 2:

The Colorado Children's Trust Fund should ensure compliance with its statutory mandate to provide grants to the "most needy" programs by formally defining need, developing a classification system to evaluate this need, and awarding funding accordingly.

Children's Trust Fund Response:

Partially agree. The Trust Fund has found this section of the law to be problematic in that it is unclear what the statutory language regarding "most needy" means, i.e., geographic area, programs or clients served by programs. Based on experience with this issue, the Trust Fund would support a statutory change to amend this section out of the law allowing the Fund to establish need definition within the grants criteria, established by the Board, based on research.

Initially, the Trust Fund Board established a classification system to determine "need" by providing a basic structure for communities to describe their need. This structure included the following for consideration in the reviews: urban/rural and community descriptions based on child abuse data and socioeconomic conditions. The Trust Fund has also reviewed various statewide assessments and found them to be lacking valid information for determining need effectively. Through reviewing specific data on child abuse incidents and child fatalities, the Trust Fund identified that the "most needy" for child abuse and neglect prevention services are families with children 0-3 years of age and all communities are needy with regard to serving this population. Additional data on child abuse incidents reveals that "most needy," i.e., families most vulnerable to child abuse and neglect, would be---single mother, no high school education, under age 25. Recently, the Fund requested programs to focus prevention services toward those aforementioned families. This approach significantly varies from the geographic model presented by the auditors. A statutory change would allow the Fund to be flexible in addressing need based on current research and communities needs, and ensure compliance.

Statutes Place Restrictions on the Trust Fund's Expenditures

According to statutes, in any one fiscal year the Trust Fund can spend one-half of its marriage license revenues revenue (i.e., one-half of about $360,000 annually, or about $180,000); the prior year's interest on its fund balance; and any gifts, federal funds, or donations it receives. Statutes require the remaining one-half of the marriage license revenue to be deposited in the Trust Fund until the fund balance reaches $5 million. As an exception to this law, House Bill 94-1368 allowed the Trust Fund to spend up to $500,000 of its fund balance during Fiscal Year 1995. This allowed the Trust Fund to award 45 grants totaling $669,182 in Fiscal Year 1995 instead of the 16 grants totaling around $204,000 it awarded in each of the two previous fiscal years.

Since Fiscal Year 1996 the Trust Fund's annual expenditures have been higher than its statutorily available revenues. The Trust Fund has been using money from its fund balance to support these additional expenditures, as shown in the following table:

Colorado Children's Trust Fund
Use of Fund Balance to Support Operating Expenditures
Fiscal Years 1996 through 1998

	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998
Statutorily Available Revenues[1]	$381,712	$426,186	$509,242
Expenditures	$499,639	$543,325	$683,611
Amount Used From the Trust Fund Balance (the difference between statutorily available revenues and expenditures)	$117,927	$117,139	$174,369
Ending Trust Fund Balance	$680,871	$745,482	$749,940

Source: Office of the State Auditor analysis of statutes, Trust Fund financial statements, and CSU accounting information.

Note: [1] Pursuant to Section 19-3.5-107(2)(a), C.R.S., these include one-half of the marriage license fees, the prior year's interest on the fund balance, and all donations, federal funds, or grants received by the Trust Fund.

The Trust Fund spent restricted funds during Fiscal Years 1996, 1997, and 1998 because it received appropriations that exceeded its statutorily available revenues. Although the expenditure of these funds was authorized by the General Assembly, we believe the practice of appropriating restricted funds is detrimental to the long-term success of the program. Specifically, this practice:

- **Decreases the amount of interest earned on the fund balance.** Between Fiscal Years 1996 and 1998 the Trust Fund spent about $409,400 from its fund balance. Spending from the fund balance not only reduces principal but future interest.

- **Substantially decreases the growth of the fund**. As shown above, the fund balance at the end of Fiscal Year 1998 was almost $750,000. If restricted funds had not been used in Fiscal Years 1996 through 1998, the Trust Fund's balance would have been almost $983,000 at the end of Fiscal Year 1998Sabout $233,000 higher than it actually was.

- **Increases the number of years for which the marriage license fee needs to be imposed.** If the statutory restrictions on expenditures had been followed in each year since the Trust Fund's inception, we estimate that it would have taken a total of 28 years for the fund balance to reach $5 million, at which point the marriage license fee could be eliminated. Given this, people purchasing marriage licenses would have paid a total of about $10 million to achieve the $5-million target balance. However, if the Trust Fund continues to spend portions of its fund balance at the current rate, it will take a total of 110 years for the fund balance to reach $5 million. Since about $360,000 in marriage license revenue is collected each year, people purchasing marriage licenses would need to pay about $39.6 million in fees before the $5-million mark is reachedSan additional $29.6 million.

Addressing Spending Restrictions May Require Fundamental Changes

To ensure spending restrictions are met, the Trust Fund can reduce its expenditures, seek additional funding to replace the fund balance that is being spent, or seek statutory changes that allow the spending. However, the third option, which would involve seeking statutory changes that would allow the Trust Fund to use all revenues as they are received rather than trying to build up a fund balance, may be the most feasible option. In effect, a change of this type would make the Trust Fund more like other programs in Colorado state government. Further, many other states structure their children's trust funds this way. Specifically, a 1998 Kansas study of children's trust funds nationwide found that only 12 of 33 states were organized as an actual trust fund (i.e., their funding streams had expenditure restrictions designed to build up a fund balance). The other states were either structured as endowments or received annual appropriations.

Another factor that may favor change is the fact that even if the Trust Fund reached its $5-million target balance, interest earnings (about $300,000 annually based on current interest rates) would not be enough to support the program's operations at any significant level. For all of these reasons, it may be prudent to seek changes that would eliminate the existing statutory expenditure restrictions and allow the Trust Fund to spend all revenues as they are received. It should be noted that spending down the fund balance would reduce interest earnings available for the program by over $40,000 annually.

Recommendation No. 3:

The Colorado Children's Trust Fund should work with the General Assembly to determine what type of funding structure is in the best interest of the program. If the existing structure is maintained, however, the Trust Fund should reduce spending and/or pursue additional funding sources so it can operate without accessing restricted funds.

Children's Trust Fund Response:

Agree. The Trust Fund Board will work with the General Assembly on determining the best funding structure for the program. Given its experience with the restrictions the current law placed on the Trust Fund, the Board supports statutory changes. There are several options to consider based on the Fund’s knowledge of other states’ models. Pursuing additional funding sources is a high priority for the current Board in order to strengthen the public-private partnership of the Fund and promote its mission. The Board has also established as high priority the reduction of unnecessary expenses.

Striving for More Reasonable Administrative Costs Is Important

Sustaining the Trust Fund depends largely upon achieving a reasonable level of administrative (i.e., operating) costs. Even if staffing were cut dramatically, achieving a reasonable level of administrative costs would still necessitate a significant increase in the total amount of funding the Trust Fund has available for grants. As mentioned previously, we identified the potential of various revenue-raising alternatives as part of our audit work. Some of these alternative sources of funding have been the subject of discussion by the Trust Fund Board over the past several years. However, we found that little progress has been made to actually pursue any of them. Staff stated that changes in Board members have contributed to this problem. If fund-raising is to become a priority, the Trust Fund needs to determine the amount of funding needed, identify the best sources to pursue, and set a deadline for meeting those funding goals.

Changes Should Be Considered to Maximize Federal Funds

Maximizing federal funding is one specific goal the Trust Fund should pursue. Until Fiscal Year 1998 the Trust Fund was Colorado's primary recipient for the Community-Based Family Resource Service (CBFRS) federal grant, which it shared with the Family Centers Program at the Department of Human Services. However, beginning in Fiscal Year 1999 the Family Centers Program became the primary recipient of the grant. This change was made in order to maximize the amount of funding that Colorado could document as matching funds. According to staff at both the Trust Fund and the Family Centers Program and our review of federal regulations, the funds of only the primary recipient agency can be used as state match for the CBFRS grant.

The amount of Colorado's CBFRS grant could be increased if the Trust Fund's appropriations could be included as a matching amount. These funds could qualify for federal matching purposes if the Trust Fund were either located in or funded through the Department of Human Services. Either of these methods of routing Trust Fund money could require statutory change.

Reductions in Staffing Could Make Additional Resources Available for Grants

In concert with stepping up efforts to increase funding, the Trust Fund needs to ensure that its administrative costs are reasonable given the size of the program. On the basis of its number of grants and dollars available and the time information provided by staff, we estimate the Trust Fund should have about 1 FTE instead of the 2.5 FTE it currently has. We estimate that eliminating 1.5 FTE would save about $77,000 annually, which could be used for additional grants. It is important to note that additional staffing cuts could be justified if the grant application, selection, and monitoring processes could be streamlined as we discuss in Chapter 3, potentially allowing even more money to be redirected toward grants.

Recommendation No. 4:

The Colorado Children's Trust Fund should ensure its funding sources will fully support its operations by:

a. Determining the amount of funding it needs to provide grants to programs in support of its statutory purpose, identifying the best funding sources to pursue, establishing funding goals, and setting deadlines for meeting those goals.

b. Evaluating whether it would be beneficial to either move to or have its appropriation administered by the Department of Human Services in order to increase the funds available to use as a match for federal grants and seeking statutory changes as appropriate.

c. Reducing staffing levels and redirecting any realized savings to the pool of money available for grants.

Children's Trust Fund Response:

Agree. The Trust Fund developed a fund development plan in 1997. At that time, major turnover in Board members occurred thus it was difficult for existing members to manage the grants program and raise additional funds until a full Board was in place. In concurring with the recommendation, the current Board will assess and implement the options identified as appropriate.

Reporting Activities Need Improvement

We reviewed the information the Trust Fund reports in its Annual Report and budget requests**S**the two main methods by which the Trust Fund provides performance information to the General Assembly. Overall, we found that the Trust Fund does not have a unified set of goals that show whether the program is achieving its statutory mission. (The reasons behind this problem were discussed in Chapter 1.) Further, we found the following problems:

- **Annual Report.** The Trust Fund's goals as stated in its Annual Report are to strengthen and support families, award money in an equitable manner (a goal that contradicts statutes), enhance child abuse prevention efforts, and encourage local communities' support of prevention programs. We found that the Annual Report does not provide information indicating whether these goals were accomplished; instead, it briefly describes each of the programs that received a grant and reports the total number of grants awarded, dollars provided, and people served. Further, the Annual Report does not serve a purpose as a consistent reporting mechanism because it is published only sporadically. For example, the most recent Annual Report covered Fiscal Years 1993 through 1996. The Fiscal Year 1997 and 1998 report(s) are not yet available. With this publishing schedule, by the time the report is issued, the information it contains is outdated. All of these problems reduce the usefulness of the Annual Report and lead us to question whether the Trust Fund should continue to generate it. If the Trust Fund discontinued its practice of publishing an Annual Report, it could save both staff time and about $2,000 in publishing costs.

- **Budget Request**. The Trust Fund's budget request goals reflect its statutory purpose, but two of its seven objectives do not clearly relate to these goals. In addition, the Trust Fund does not consistently provide data that demonstrate its performance on each objective. For example, with regard to its objective of "increasing the number of parents with good child raising skills," the Trust Fund does not include a target percentage increase or report the number of parents now served by Trust Fund programs. The Trust Fund may need to modify its grantee reporting mechanisms in order to improve the quality of the information reported in its budget request.

Recommendation No. 5:

The Colorado Children's Trust Fund should improve existing goals, objectives, and reporting mechanisms to demonstrate it is meeting its statutory purpose.

Children's Trust Fund Response:

Agree. The Trust Fund Board will review current goals and objectives to determine what revisions should be made to ensure the Trust Fund is meeting its statutory mission. Grantee reporting mechanisms will continue to be reviewed by the Trust Fund to determine better ways for capturing information on how programs are performing and whether the Trust Fund is meeting its goals and objectives. The Board will also re-evaluate the current method of reporting to the legislature on its activities and accomplishments, i.e., through an Annual Report.

Grantee Application, Selection, and Monitoring Processes

Chapter 3

Overview

Selecting the local programs that receive the grant funding is one of the Trust Fund's primary activities. The Trust Fund uses a two-step application process to select the programs. In the first step, programs seeking funding submit a four- to five-page abstract. Board members and staff review the abstracts and then request proposals from selected programs. In the second step, the Board members and staff review the proposals submitted and the Board makes funding decisions accordingly. The following table shows the number of applicants and funds requested at each step of the application process since Fiscal Year 1997:

Colorado Children's Trust Fund
Applicants and Funds Requested at Each Step of the Granting Process
Fiscal Years 1997 to 1999

	FY 1997	FY 1998	FY 1999
Number of Abstracts Received	78	73	66
Amount of Funding Requested at the Abstract Stage	$1,659,435	$2,289,378	$2,448,029
Number of Proposals Received	23	26	14
Amount of Funding Requested at the Proposal Stage	$472,296	$590,222	$302,970
Number of Grants Awarded	19	19	12
Amount of Funding Provided by the Grants	$391,216	$380,642	$237,705

Source: Office of the State Auditor analysis of Trust Fund data.

Policies Regarding Years of Funding Eligibility Should Be Clarified

During our review we found conflicting information regarding how many consecutive years of Trust Fund support a program can receive. The notice of funds available (NOFA) and the Trust Fund's policy manual clearly state that the Board will consider funding programs for up to, but not exceeding, three years. However, through interviews with Trust Fund staff and a review of Board meeting minutes we found that the three-year funding rule is not always applied. Specifically, staff and Board members stated that a program can receive more than three consecutive years of funding if substantial changes are made to the program or if an agency is seeking funds for a different program from the one that was previously funded.

During the period Fiscal Year 1991 to Fiscal Year 1999, 10 of the Trust Fund's 78 grantees (13 percent) received funding for more than three consecutive years. Although these programs may have received funding as exceptions under the Trust Fund's qualified policies, we found no documentation to that effect. As such, it appears that continuing funding for these programs past the three-year mark may have violated the Trust Fund's written policies. Such practices are not fair to applicants who believe the information in the NOFA to be accurate. For example, when we questioned grantees whether they would apply for Trust Fund grants again in the future, two said that they could not apply, since they were already in their third year of funding. Conversely, a program that ignores the three-year limit as stated in the NOFA and applies for a fourth year of funding may very well receive a grant. If the Trust Fund wants to qualify its policies with exceptions like those noted previously, it should modify its written policies and notify potential applicants accordingly.

Recommendation No. 6:

The Colorado Children's Trust Fund should ensure equitable treatment of programs by clarifying its written policies regarding the number of consecutive years a program can receive funding and by applying those policies consistently.

Children's Trust Fund Response:

Agree. The Trust Fund will study policies of other state trust funds and similar state programs regarding the number of years programs are funded and clarify its policies accordingly. After clarifying funding policies, the Trust

Fund will inform applicants of the policies and apply them in a consistent manner.

The Trust Fund Applies Selection Criteria Inconsistently

The Trust Fund has several criteria it uses to determine which abstracts and which proposals progress to the next stage in its grant selection process. For example, the Trust Fund requires proposals to be complete and to contain certain required information (e.g., a satisfactory evaluation plan) in order to receive funding.

We reviewed the decisions made at both the abstract and proposal stages and compared them with the Trust Fund's stated selection criteria. We found that the Trust Fund is not consistently applying its stated criteria in determining which abstracts are selected to continue on to the proposal stage or, ultimately, which proposals are selected for funding. For example, 57 of the 63 programs (90 percent) that submitted abstracts and received a request for proposal between Fiscal Years 1997 to 1999 failed to meet at least one abstract-level application requirement. We also reviewed application materials for the 49 programs that received funding in Fiscal Years 1997 to 1999 and found that selection criteria were applied inconsistently at the proposal stage. For example, we found that:

- 46 programs (94 percent) that received grants failed to meet at least 1 of the 13 stated criteria. This shows that although the Trust Fund states in its application materials that incomplete proposals will not be funded, the majority of grantees do not submit a full proposal and still get funding.

- 17 programs (35 percent) that received grants failed to meet the documentation requirements for the required cash match. This shows that the Trust Fund is not holding many programs to this requirement, which is meant to help ensure that a program is sustainable and has community buy-in.

- 17 programs (35 percent) failed to include a satisfactory evaluation plan. The evaluation plan is a required part of the proposal. It is used by the Trust Fund to hold grantees accountable for their performance and is a basic requirement for most grant programs of this type.

- 16 programs (33 percent) failed to include a reliable sustainability plan. Again, a sustainability plan is a required part of the proposal. Like the cash match requirement, the sustainability plan helps ensure that programs will continue to operate after Trust Fund grants are no longer received.

By providing funding to programs that do not meet its established criteria, the Trust Fund's funding decisions seem somewhat arbitrary. Further, some criteria were designed to help ensure a particular outcome, such as a program's being able to continue after Trust Fund grants are no longer received. By not applying these criteria consistently, the Trust Fund could be decreasing the chances that these outcomes will occur.

Modifications in Application Requirements Are Needed

Trust Fund staff indicate that the reason programs which fail to meet application requirements receive funding is that the program receives few applications that are actually complete. Staff also told us that problems are often addressed before contractual agreements are finalized with a particular program, but after the grant award decision has been made by the Board. Our audit work did not include a review of whether this was indeed the case. However, since incomplete abstracts and proposals appear to be common based on our examination, it may be that the Trust Fund cannot consistently apply its existing criteria when funding decisions are made and still have programs left to consider. However, before applying its selection criteria inconsistently, the Trust Fund should consider whether modifications can be made to improve the completeness and appropriateness of information that programs submit. For example, we found that programs often did not meet the Trust Fund's requirement for establishing community need. This requirement was not met in 23 of 63 abstracts (37 percent) and 17 of 49 proposals (35 percent) that we reviewed. With more direction or some standardized factors to consider when developing their application in this area, programs may be able to provide the requested information. If modifications of this type do not improve the information, the Trust Fund should evaluate whether its requirements are too stringent for its applicants and modify its requirements to ensure that they can be met.

Recommendation No. 7:

The Colorado Children's Trust Fund should ensure it is consistently applying selection criteria in its funding decisions by evaluating the appropriateness of its requirements, modifying its requirements as needed, and funding only those programs that meet the requirements.

Children's Trust Fund Response:

Agree. The Trust Fund will review its selection criteria, evaluate its requirements for funding and make modifications deemed appropriate. Over the years, the Board has successfully adapted to the knowledge and sophistication of the applicants in grant writing who vary immensely from volunteers/parents to professional grantwriters. Modifications will be evaluated with the range of applicants' experience considered.

Programs With Performance Problems Often Continue to Receive Funding

The Trust Fund's NOFA states that programs may be funded in a subsequent year "depending on the results/outcomes of the program demonstrated through program evaluation." We found that even though the Board has access to performance information (e.g., information collected through grantee monitoring activities), it often chooses to award grants to programs that have documented performance problems. Overall, since Fiscal Year 1997, 15 out of 16 programs that received a subsequent grant (94 percent) had documented performance problems. In Fiscal Year 1998 alone, the Trust Fund granted about $174,800, or about 46 percent of its $380,600 in total awards, to prior year grantees that had documented performance problems. In Fiscal Year 1999 the percentage of grant money awarded to programs with documented performance problems increased to 74 percent, or about $175,900 of the $237,700 awarded. The following table shows examples of some of these troubled programs:

Colorado Children's Trust Fund
Examples of Programs With Performance Problems
That Received Funding in Subsequent Years

	Program A (Parent Education)	**Program B (Home Visitation)**	**Program C (Parent Education)**
FY 1997 Grant	$40,000	$30,811	$13,950
Performance Problems Identified During Fiscal Year 1997 Monitoring	• Failed to meet the proposed number of service units or clients served. • Failed to develop an evaluation plan. • Failed to provide evidence of client outcomes or success of services.	• Failed to meet the proposed number of service units or clients served. • Failed to develop a future funding plan. • Failed to keep adequate records.	• Failed to meet the proposed number of service units or clients served. • Failed to follow its proposed evaluation plan. • Failed to provide evidence of client outcomes or success of services.
FY 1998 Grant	$15,000	$30,811	$12,950
Performance Problems Identified During Fiscal Year 1998 Monitoring	• Failed to document cash match. • Failed to meet the proposed number of service units or clients served. • Failed to cooperate with Trust Fund staff.	• Failed to provide evidence of client outcomes. • Failed to develop a future funding plan.	• Failed to meet the proposed number of service units or clients served.
FY 1999 Grant	$14,000	$22,615	Did Not Apply

Source: Office of the State Auditor analysis of Trust Fund grantee files.

If programs with poor performance were not funded in subsequent grant cycles, additional funding would be available for other programs. With its limited resources, it would seem that the Board would want to direct funding to those programs that have the best chances for success. The Trust Fund should evaluate its practice of continuing to fund substandard performers. Further, the Board should develop a "past performance" factor and add it to its other selection criteria. If the Board believes that continuing funding could help a program improve or has other reasons for continuing to fund a questionable performer, it should require the program to submit and meet a corrective action plan as a condition of funding.

Recommendation No. 8:

The Colorado Children's Trust Fund should evaluate its current practice of continuing to fund programs with performance problems, implement procedures to formally consider past performance in its selection process, and ensure that programs rectify past problems as a condition of continued funding.

Children's Trust Fund Response:

Agree. The Board considers performance issues in the review process. However, it will review its system and methodology for utilizing past performance information for decision-making and implement new procedures accordingly. The Trust Fund will implement a "corrective action plan" strategy as suggested by the auditors for dealing with problem performance of funded programs.

Existing Application and Review Processes Need Improvement

We reviewed the existing grant application and selection processes and found they are duplicative, time-consuming, and costly. The problems we found and their potential solutions are outlined below:

- **Notice of funds available.** In October the Trust Fund mails a notice of funds available (NOFA) to over 1,500 individuals, organizations, and businesses at a cost of about $725 for printing and postage. For the past several years the Trust Fund's NOFA response rate has been only about 4 to 5 percent. Upon review of the Trust Fund's NOFA mailing list, we found that the low response rate may be the result of outdated or duplicate mailing addresses. In fact, we believe that about 40 percent of the Trust Fund's mailing addresses could be eliminated. The Trust Fund could reduce its mailing list and lower its costs by sending out a postcard instructing interested parties to contact the organization if they want to continue receiving the NOFA. The Trust Fund should also consider using fax, E-mail, and/or the Internet as cost-effective ways to notify potential applicants.

- **Abstract reviews.** The Trust Fund receives abstracts in mid-November. During the next month, Trust Fund staff review each abstract based on ten criteria. Instead of using this review process to "weed out" questionable applications, however, staff pass all abstracts on to the Board for another review. From mid-December to the end of January, each Board member reviews one-third of the abstracts using the same ten criteria used by staff.

Performing duplicate reviews at the abstract stage does not appear to add value and lengthens the time needed to move applications through the selection process. As such, eliminating the abstract review process altogether is one option that the Trust Fund should consider (we discuss this option later in this section). If this option is not deemed desirable, the Trust Fund could streamline its review of abstracts by discontinuing the practice of staff and Board reviewing the documents for the same information. For example, staff could perform the reviews and send a request for proposal to the programs that meet the Trust Fund's criteria. This appears to be a viable option given that over the past three years, staff and Board members agreed 97 percent of the time about which programs should receive a request for proposal.

- **Proposal reviews.** Programs submit their proposals to the Trust Fund toward the end of March. Like the abstract review process, staff technically review each proposal but do not "weed out" any of the applications. The Board then reviews the proposals and makes funding decisions at the end of May. Proposal reviews take about 325 hours of staff time (at a cost of about $6,600) and about 63 hours of Board time. The Trust Fund could streamline this process by either eliminating the staff review altogether (thereby saving the 325 hours of staff time) or by having staff review the proposals for compliance with basic requirements (e.g., whether the proposal is complete) and providing the Board with only those proposals that "pass." Although this may not save staff time, it could expedite the Board's review because Board members could then examine the proposals for content alone, not for basic compliance with application requirements.

- **Two-step process.** The Trust Fund's two-step application process takes nine months, which is three to six months longer than programs which have a one-step process. Only one of the five other children's trust funds we contacted uses a two-step process like Colorado's (i.e., Montana Children's Trust Fund). To reduce the time associated with the application process, the Trust Fund could consider eliminating its abstract step, thus shortening the application time frame by about three months. As stated previously, we do not believe that the abstract review process is particularly useful in screening potential applicants, even though Trust Fund staff believe the abstract step does serve this purpose. If staff want to maintain some type of screening step, other options exist. For example, the Trust Fund could screen applicants by phone to ensure they meet Trust Fund criteria and send them an application packet only after basic compliance has been established. This would eliminate the need for the abstract process altogether. We estimate that a phone screening process would require about 40 hours of staff time, but eliminating the abstract review process would save 240 hours, for a net saving of 200 hours at an estimated cost of about $4,200. Further, responses to a questionnaire we distributed to past and current Trust Fund applicants indicate that eliminating the abstract review process would save applicants about 1,100 staff hours and $17,700 in application preparation costs.

Recommendation No. 9:

The Colorado Children's Trust Fund should consider streamlining its grantee application and selection processes to improve efficiency. Options that the Trust Fund should consider include:

- Modifying existing notification processes by eliminating duplicative or questionable recipients from its mailing list and considering additional notification methods including E-mail, the Internet, or fax.

- Eliminating the abstract process and replacing it with another, more efficient screening process.

- Eliminating duplicate reviews at the abstract and proposal stages.

Children's Trust Fund Response:

Partially Agree. The grantee application and selection process is reviewed annually and the options presented by the auditors will be considered in the Board's future reviews. Eliminating duplicative/questionable recipients of the Trust Fund's notices of funding is underway and consideration will be given to additional notification methods identified, i.e., e-mail, FAX, Internet. To ensure efficiency in this area for the State overall, the Trust Fund supports the State developing a common point of access for all state prevention funds. Several review processes have been tried over the years which led to the two-stage process---receiving abstracts prior to proposals. Given our experience, the Trust Fund does not necessarily concur that another process would be more efficient. The abstract provides a simpler way for local organizations to apply for the funds and for the Board to screen out applicants. The Trust Fund will explore alternative ways for conducting reviews to determine if there is one that would streamline the process and serve local agencies well.

The Trust Fund Does Not Have an Appeals Process

The Trust Fund has not established any formal procedures for resolving complaints, addressing grievances, or dealing with grantee requests for reconsideration of their applications. Many other state-level grant programs include formal appeals procedures in their grant application and selection processes. Most appeals processes are quite simple. For example, processes typically require applicants to submit a written statement explaining why the program or oversight board should reconsider their application. After receiving the appeal, program staff may screen the request and either act upon it, reject it, or pass it along to a board or another decision-making body. For example, the YCPI Program allows programs to submit a one-page appeal stating why the program believes their proposal was rejected in error. The YCPI Board then reviews the letter and makes a decision regarding whether to reconsider the application.

According to staff, the Trust Fund has not had any requests for reconsideration from applicants. However, 7 out of the 13 respondents (54 percent) to a questionnaire we sent to applicants who failed the abstract review process said they would have used an appeals process if one had existed. Since other programs experience appeals rates of 4 to 15 percent, we estimate that the Trust Fund would receive between three and ten appeals each year. If the Trust Fund staff spends as much time with each appeal as they do with an original application, we estimate that it would take an additional 15 hours of staff time for the appeals process.

Recommendation No. 10:

The Colorado Children's Trust Fund should design and implement an appeals process to resolve applicant complaints and grievances.

Children's Trust Fund Response:

Partially agree. Although the statute does not require an appeals process, the Trust Fund will review other similar programs' appeals processes and explore options with the University administration on implementing an appeals process. In its deliberations to establish a formal appeals process, the Board will be assessing increased costs, such as staff time, Board expenses, and legal counsel if needed, given the limited dollars available for funding from the Fund at this time.

The Trust Fund Uses Several Approaches to Monitor Its Grantees

In accordance with Section 19-3.5-105(1)(c), C.R.S., the Trust Fund Board has the power and duty to review and monitor grantee expenditures. Oversight activities such as these are important to ensure that local programs spend their grant funds as planned and achieve established objectives. The Trust Fund uses the following methods to oversee its grantees:

- **Site visits.** All newly funded and selected continuing grantees are visited by Trust Fund staff and Board members. While on site, staff evaluate the grantee's compliance with contract provisions, including whether the grantee's program has been implemented as proposed and whether expenditures comply with the established budget. The site visit also includes a review of the program's administration, services, and collaboration efforts. Site visits are usually done during the second and third quarters of the fiscal year (i.e., November through March).

- **Grantee reports.** All Trust Fund grantees are required to submit a progress report after six months and a final report at the end of the fiscal year. The progress report includes information about the services that grantees provide and the number of people they serve. The final report also includes information about whether desired outcomes were achieved.

The Trust Fund also requires all grantees to attend a two-day workshop held in Denver each August. In addition, the Trust Fund recently began using conference calls as a way of improving communication among grant recipients who operate similar types of programs.

Improvements to Site Visit Activities Are Necessary

According to Trust Fund policies, although all new grantees receive a site visit, continuing grantees receive a visit only if the Trust Fund staff determine it is needed. Factors considered by the Trust Fund staff in determining which continuing grantees will receive a site visit include the availability of staff time and whether the grantee has requested the visit. Trust Fund staff indicate they may also conduct a site visit of a continuing grantee if performance issues are discovered through their other monitoring activities. In the last three years, about 29 percent of the Trust Fund's continuing grantees received site visits.

Programs, especially those with limited resources like the Trust Fund, may determine that it is not beneficial to perform annual site visits on 100 percent of their grantees. However, if a program chooses this approach, it should also have a process for focusing its monitoring efforts on those grantees with performance issues or other risk factors. We found that the Trust Fund is not prioritizing its site visits for continuing grantees using any type of risk basis. Specifically, none of the eight grantees that were funded in both Fiscal Years 1997 and 1998 and that had identified shortcomings in their Fiscal Year 1997 site visit received a site visit in Fiscal Year 1998. Even so, three of these eight grantees received a third year of funding in Fiscal Year 1999.

Site Visit Activities Could Be Expanded to Include Verification of Self-Reported Information

Activities performed by the Trust Fund during site visits could also be expanded to provide more assurance that the programs are accurately reporting information on their six-month and year-end reports. Trust Fund staff indicate that many of the reports that grantees submit are incorrect and must be redone with the help of the Trust Fund staff. For example, 18 out of the 49 six-month reports that were submitted during Fiscal Years 1997, 1998, and 1999 (37 percent) had budget problems ranging from calculation errors to grant overexpenditures. Even if a grantee submits an acceptable report, however, the information it contains may not be accurate, since grantees self-report and the Trust Fund does not systematically verify the information.

Because site visits are required for only new programs, grantee self-reporting is the main method by which the Trust Fund monitors its continuing programs. If the Trust Fund is going to rely on these reports as its chief monitoring tool, it needs to ensure that the information they contain is useful, accurate, and complete. Staff could verify selected data during their site visits, thereby increasing the likelihood that reported data are accurate and complete. Although not all data could be verified for all programs this way, at a minimum, the Trust Fund could ensure it is receiving accurate data from all new programs and some of the continuing ones.

Recommendation No. 11:

The Colorado Children's Trust Fund should improve its grantee monitoring process by establishing a risk-based system for determining which continuing grantees will receive a site visit and by performing data verification activities as a part of all site visits.

Children's Trust Fund Response:

Agree. The auditor's recommendations will be given thorough consideration by the Board in its ongoing assessments for improving the monitoring processes of the Trust Fund. Current policies of the Trust Fund for determining site visits provide a structure for prioritizing visits based on a variety of factors. These policies will be reviewed and revised accordingly to address the auditors' concerns. Grantees reports are used in preparing for site visits to identify data/information verification needs which staff and Board address. However, the Trust Fund will assess ideas from other programs for improving its system of verifying data and other information on site.

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