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 Details: Audit Report 05-22, An Evaluation: Volunteer Fire Fighter and Emergency Medical Technician Service Award Program, Department of Administration

(FORM UPDATED: 08/11/2010)

**WISCONSIN STATE LEGISLATURE ...
PUBLIC HEARING - COMMITTEE RECORDS**

2005-06

(session year)

Joint

(Assembly, Senate or Joint)

Committee on Audit...

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
(**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
(**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

Record of Committee Proceedings

Joint Legislative Audit Committee

Audit Report 05-22,

An Evaluation: Volunteer Fire Fighter and Emergency Medical Technician Service Award Program, Department of Administration.

February 7, 2006

PUBLIC HEARING HELD

Present: (9) Senators Roessler, Cowles, S. Fitzgerald, Miller and Lassa; Representatives Jeskewitz, Kaufert, Kerkman and Cullen.

Absent: (1) Representative Travis.

Appearances For

- David Bloom, Madison — Legislative Liaison, Wisconsin State Fire Chiefs Association
- Larry Plumer, Durand — President, Wisconsin State Fire Fighters' Association

Appearances Against

- None.

Appearances for Information Only

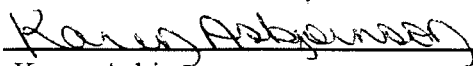
- Janice Mueller, Madison — State Auditor, Legislative Audit Bureau
- Kate Wade, Madison — Legislative Audit Bureau
- Jim Langdon, Madison — Deputy Administrator, Division of Enterprise Operations, Department of Administration
- Bob Seitz, Monticello — Chair, Volunteer Fire Fighter and Emergency Medical Technician Board
- Bob Conlin, Madison — Legislative Liaison, Department of Employee Trust Funds

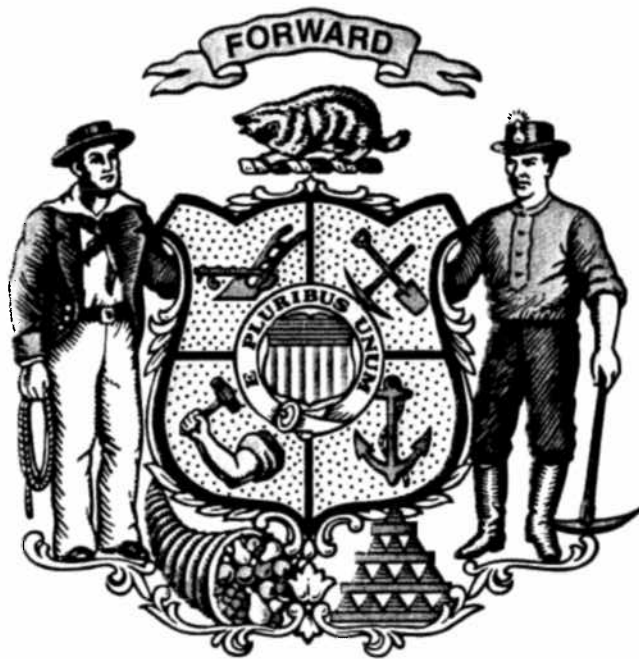
Registrations For

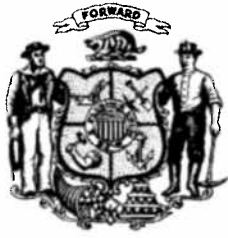
- None.

Registrations Against

- None.


Karen Asbjornson
Committee Clerk



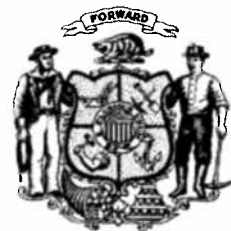


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**Report 05-22
December 2005**

An Evaluation

Volunteer Fire Fighter and Emergency Medical Technician Service Award Program

Department of Administration

2005-2006 Joint Legislative Audit Committee Members

Senate Members:

Carol A. Roessler, Co-chairperson
Robert Cowles
Scott Fitzgerald
Mark Miller
Julie Lassa

Assembly Members:

Suzanne Jeskewitz, Co-chairperson
Samantha Kerkman
Dean Kaufert
David Travis
David Cullen

LEGISLATIVE AUDIT BUREAU

The Bureau is a nonpartisan legislative service agency responsible for conducting financial and program evaluation audits of state agencies. The Bureau's purpose is to provide assurance to the Legislature that financial transactions and management decisions are made effectively, efficiently, and in compliance with state law and that state agencies carry out the policies of the Legislature and the Governor. Audit Bureau reports typically contain reviews of financial transactions, analyses of agency performance or public policy issues, conclusions regarding the causes of problems found, and recommendations for improvement.

Reports are submitted to the Joint Legislative Audit Committee and made available to other committees of the Legislature and to the public. The Audit Committee may arrange public hearings on the issues identified in a report and may introduce legislation in response to the audit recommendations. However, the findings, conclusions, and recommendations in the report are those of the Legislative Audit Bureau. For more information, write the Bureau at 22 E. Mifflin Street, Suite 500, Madison, WI 53703, call (608) 266-2818, or send e-mail to leg.audit.info@legis.state.wi.us. Electronic copies of current reports are available on line at www.legis.state.wi.us/lab.

State Auditor - Janice Mueller

Audit Prepared by

Kate Wade, Director and Contact Person
Conor H. Smyth
Allison Schill
Natalie Walleser

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STATE OF WISCONSIN
Legislative Audit Bureau

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Janice Mueller
State Auditor

December 20, 2005

Senator Carol A. Roessler and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Roessler and Representative Jeskewitz:

We have completed an evaluation of the Volunteer Fire Fighter and Emergency Medical Technician Service Award Program, a retirement benefit program for local emergency services departments that rely on volunteer staff. The program, which is commonly known as the length-of-service award program, is funded by local governments and general purpose revenue. On September 1, 2005, when 5,388 eligible volunteers were enrolled by 182 participating emergency services departments, the program had assets of \$10.3 million, including \$6.3 million in contributions by municipalities and \$4.0 million in state matching funds. Through December 2004, 68 participating volunteers or their beneficiaries had received a total of \$255,200 in program benefits.

An eight-member board appointed by the Governor and attached to the Department of Administration (DOA) is responsible for general program oversight, including selecting vendors and reviewing the investment options available to local emergency services departments. It contracts with private vendors for account administration. When vendors were selected in 2001, neither the appropriateness of various investment options nor their costs appear to have been fully understood, and the importance of investment portability was not sufficiently recognized. As a result, three participating departments forfeited a total of \$119,000 in premiums paid for nontransferable life insurance policies when the board did not extend one vendor's contract in 2004. Another vendor charges considerable transfer fees for certain investments, which could be costly for some participating departments and may limit the board's contracting alternatives in the future.

The board is preparing to begin a new vendor-selection process because current contracts expire in 2006. Given the range and complexity of improvements needed, our report includes recommendations for the board to obtain independent financial expertise before it begins its new request-for-proposals process. In addition, we recommend more detailed reporting on the program's status to the Legislature.

We appreciate the courtesy and cooperation extended to us by the board, DOA staff, program administrators, interest groups, and local officials and volunteers with whom we spoke. DOA's response follows the appendix.

Respectfully submitted,

Janice Mueller
State Auditor

JM/KW/ss

Report Highlights ■

The program is funded by municipalities and with GPR.

Investment options were not clearly understood when vendors were selected in 2001.

Current investment options could limit the board's flexibility to change vendors in 2006.

The board requires immediate assistance with its 2006 vendor-selection process.

The Volunteer Fire Fighter and Emergency Medical Technician Service Award Program—commonly referred to as the length-of-service award program—was created under 1999 Wisconsin Act 105 to assist the fire and ambulance departments of smaller municipalities in recruiting and retaining volunteer staff. The program offers tax-deferred retirement benefits to volunteer firefighters and emergency medical technicians who meet the eligibility requirements established by their departments. Funding is provided by municipalities and the State.

As of September 1, 2005, 5,388 eligible volunteers were enrolled in the program by 182 public or private fire departments or ambulance services. The program had assets of \$10.3 million, including \$4.0 million funded with general purpose revenue (GPR).

An eight-member board appointed by the Governor and attached to the Department of Administration (DOA) for administrative purposes provides general program oversight but contracts with private vendors for account administration. 1999 Wisconsin Act 105 included a statutory provision requiring the Legislative Audit Bureau to complete an evaluation of the program no later than February 2006. To review operations and evaluate the program's performance, we:

- reviewed documents related to the board's initial request-for-proposals process;

- analyzed investment plan documents and fee structures, as well as program expenditures and changes in program assets; and
- interviewed board members and DOA staff, local officials and volunteers, interest groups, and program vendors.

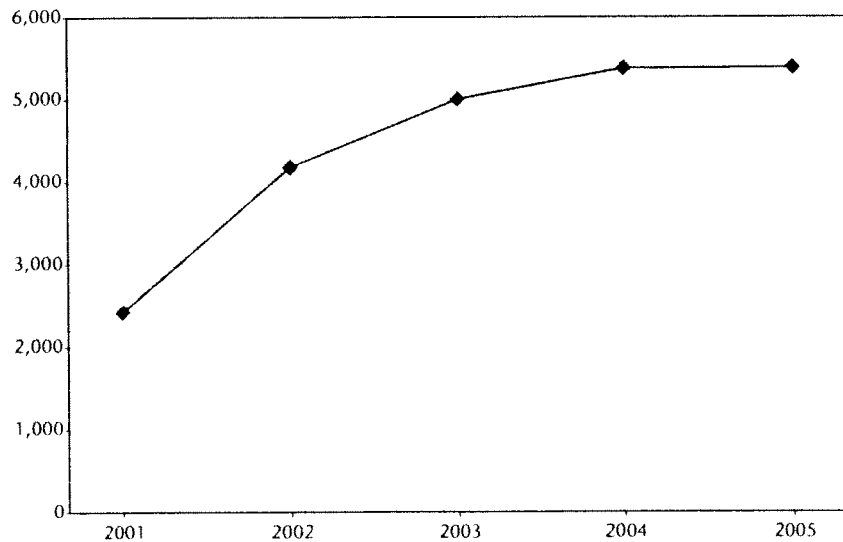
Participation and Funding

Among the 860 fire departments operating in Wisconsin in 2005, 703 operate exclusively with volunteers, while another 102 use a combination of volunteers and paid staff. Volunteer staffing information is not available for Wisconsin's 734 ambulance services.

During the length-of-service award program's first five years, participation increased from 85 emergency services departments in 2001 to 182 as of September 1, 2005. During the same period, individual enrollments increased from 2,420 to 5,388, or 122.6 percent, as shown in Figure 1. In the future, individual enrollments are expected to increase more modestly because fewer departments are expected to enter the program.

Figure 1

Individual Enrollments



Participating emergency services departments establish eligibility rules, and municipalities determine the amount they will contribute to each eligible volunteer's account on behalf of participating departments. Most municipalities contribute the maximum amount the State will match, which is specified in s. 16.25(3)(d), Wis. Stats., and was \$274 per eligible volunteer in July 2005. However, local government contributions can vary widely. For example, in 2004 they averaged \$100 per volunteer in the Town of Mercer and the City of Montello, but \$1,114 per volunteer in the Town of St. Germain. Statutes limit state matching funds for the program to \$2.0 million annually.

Vendor Selection

Municipalities are responsible for making final investment decisions under the program, but under ch. VFF-EMT 1, Wis. Adm. Code, the board is required to select vendors and review investment plan options and fee disclosures. In August and September 2001, the board signed three-year contracts for account management with vendors that were selected in a competitive bidding process. From 2001 through 2004, these vendors were paid a total of \$601,600 for program administration.

In 2004 and 2005, the board extended its contracts with two vendors, but not with a third. Its primary justification was concern about the types of investment options provided by the third vendor and the vendor's failure to meet reporting requirements. However, the investments available through the vendor had not changed significantly since its selection in 2001.

Because the board did not extend one of its initial contracts, departments enrolled with that vendor were required to select a different vendor or discontinue participation in the program. As a result, departments serving three municipalities that had purchased life insurance policies—the Village of Suamico, the Town of Townsend, and the Village of Athens—forfeited a combined total of \$119,000 paid for nontransferable policies, which was nearly all of their program contributions. The Village of Kimberly forfeited \$22,200 when it discontinued its investment plan with the third vendor before the board made its decision to not extend the vendor's contract.

In the future, 117 of the 182 departments participating in the program could face financial losses if they choose or are required to transfer annuity investments purchased through one of the two remaining vendors. Fees related to such transfers may limit the board's flexibility in negotiating new vendor contracts in 2006, when current contracts expire. The board plans to issue a request for proposals in February and to enter into new multi-year contracts with vendors at the end of June 2006.

Future Considerations

Available investment options are complex, and participating municipalities and emergency services departments generally do not have either the time or the expertise to monitor investment performance. Therefore, the program's board plays an important role in ensuring program success by selecting vendors and by:

- determining whether vendors' materials clearly describe available investment options and their costs before the materials are distributed to participating departments;
- ensuring that departments understand the full costs of available investment options by annually reviewing vendors' disclosures of all direct and indirect fees and other costs of investment; and
- reviewing the performance of all investment options to ensure that earnings expectations are met.

While the initial contracting process met all legal requirements, the process was not effective because it did little to simplify vendor selection for participating emergency services departments. Furthermore, it did not ensure that all investment options were best suited for the length-of-service award program before making them available to participating departments.

It should be noted that while the board's primary responsibilities are related to complex financial decision-making, seven of its eight members are not required to have expertise in this area. Instead, they are required to be volunteer firefighters, volunteer emergency medical technicians, and representatives of municipalities that use volunteer firefighters. The eighth board member is required to be an individual with financial planning experience. However, the subcommittee that evaluated vendor proposals in 2001 was not required to and did not include this board member.

Currently, limited administrative support is available to the program through DOA, which has 0.1 full-time equivalent position to provide staff support to the board. Because DOA's responsibilities as a state agency relate to budgeting, centralized purchasing, and managing capital projects, its staff generally are not expected to analyze benefit or investment programs.

The Department of Employee Trust Funds (ETF), which administers the Wisconsin Retirement System, does employ staff with expertise in those areas. When 1999 Assembly Bill 187 was introduced to

create the length-of-service award program, the program was to be attached to ETF for administrative purposes. However, ETF officials expressed concern about the adequacy of available funding to support program administration, and the board was instead attached to DOA.

We believe that the board requires immediate assistance with its 2006 vendor-selection process in order to ensure needed program changes are effectively addressed. Given the range and complexity of improvements needed, our report includes recommendations for the board to obtain ETF assistance and adequate independent financial expertise before it begins its new request-for-proposals process.

Recommendations

Our report includes recommendations that the board:

- ☑ determine whether it will need to extend current vendor contracts to ensure it has obtained adequate financial expertise before moving forward with its next request-for-proposals process (*p. 29*); and
- ☑ improve its annual reporting to the Legislature (*p. 31*).

We also recommend that DOA:

- ☑ work with ETF to develop an interagency agreement that will make ETF staff available to assist the board during its next request-for-proposals process (*p. 29*); and
- ☑ report to the Joint Legislative Audit Committee by March 31, 2006, with a plan for conducting a request-for-proposals process that addresses concerns raised in this audit (*p. 29*).

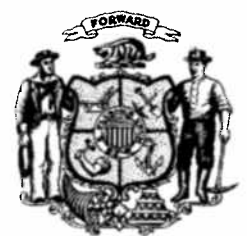
Finally, we recommend that the Legislature:

- ☑ revise board membership requirements to enhance financial expertise, and change the due date for the board's annual report (*p. 30*).

■ ■ ■ ■



WISCONSIN STATE LEGISLATURE





WISCONSIN STATE LEGISLATURE

Joint Legislative Audit Committee

Committee Co-Chairs:
State Senator Carol Roessler
State Representative Suzanne Jeskewitz

January 19, 2006

Mr. Stephen Bablitch, Secretary
Department of Administration
101 East Wilson Street, 10th Floor
Madison, Wisconsin 53701

Dear Mr. Bablitch:

The Joint Legislative Audit Committee will hold a public hearing on Legislative Audit Bureau report 05-22, *An Evaluation: Volunteer Fire Fighter and Emergency Medical Technician Service Award Program*, on Tuesday, February 7, 2006, at 10:00 a.m. in Room 411 South of the State Capitol.

As this audit report relates to the activities of the Department of Administration, we ask you, or the appropriate members of your staff, to be present at the hearing to offer testimony in response to the audit findings and to respond to questions from committee members. Please plan to provide each committee member with a written copy of your testimony at the hearing.

Please contact Ms. Karen Asbjornson in the office of Senator Carol Roessler at 266-5300 to confirm your participation in the hearing. Thank you for your cooperation and we look forward to seeing you on February 7th.

Sincerely,

Senator Carol A. Roessler, Co-chair
Joint Legislative Audit Committee

Representative Suzanne Jeskewitz, Co-chair
Joint Legislative Audit Committee

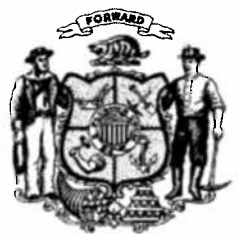
Enclosure

cc: Mr. Patrick Farley, Administrator
Division of Enterprise Operations
Department of Administration

Ms. Janice Mueller
State Auditor



WISCONSIN STATE LEGISLATURE





WISCONSIN STATE LEGISLATURE

Joint Legislative Audit Committee

Committee Co-Chairs:
State Senator Carol Roessler
State Representative Suzanne Jeskewitz

January 19, 2006

Mr. Robert Seitz, Chairman
Volunteer Fire Fighter and Emergency Medical Technician Service Award Board
W6305 Hefty Road
Monticello, WI 53570-9526

Dear Mr. Seitz:

The Joint Legislative Audit Committee will hold a public hearing on Legislative Audit Bureau report 05-22, *An Evaluation: Volunteer Fire Fighter and Emergency Medical Technician Service Award Program*, on Tuesday, February 7, 2006, at 10:00 a.m. in Room 411 South of the State Capitol.

As this audit report relates to the activities of the Volunteer Fire Fighter and Emergency Medical Technician Service Award Board, we ask you to be present at the hearing to offer testimony in response to the audit findings and to respond to questions from committee members. Please plan to provide each committee member with a written copy of your testimony at the hearing.

Please contact Ms. Karen Asbjornson in the office of Senator Carol Roessler at 266-5300 to confirm your participation in the hearing. Thank you for your cooperation and we look forward to seeing you on February 7th.

Sincerely,

Senator Carol A. Roessler, Co-chair
Joint Legislative Audit Committee

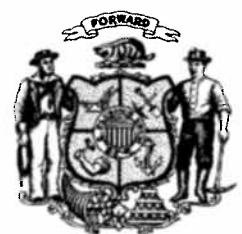
Representative Suzanne Jeskewitz, Co-chair
Joint Legislative Audit Committee

Enclosure

cc: Ms. Janice Mueller
State Auditor



WISCONSIN STATE LEGISLATURE





WISCONSIN STATE LEGISLATURE

Joint Legislative Audit Committee

Committee Co-Chairs:
State Senator Carol Roessler
State Representative Suzanne Jeskewitz

For Immediate Release

January 19, 2006

For More Information Contact:

Senator Carol Roessler
Representative Suzanne Jeskewitz

(608) 266-5300
(608) 266-3796

**Committee to Conduct Hearing on Flawed Sales and Use Tax Administration
and Benefit Program for Volunteer Fire Fighters/EMTs**

(Madison) Joint Legislative Audit Committee co-chairs, Senator Carol Roessler (R-Oshkosh) and Representative Suzanne Jeskewitz (R-Menomonee Falls), announced today that the Committee would hold a public hearing on Tuesday, February 7th, to examine flaws in the distribution of the sales and use tax levied by 58 counties and 2 professional sports districts.

In December 2005, the nonpartisan Legislative Audit Bureau (LAB) released its review of the Department of Revenue's (DOR's) administration of the sales and use tax. LAB reported that in both 2003 and 2005, DOR was forced to make two major adjustments in order to provide funds to counties that had been underpaid and to recoup funds from counties that had been overpaid. In the course of its review, LAB identified another error related to DOR's processing of certain audit adjustments and other transactions. To correct the error identified by LAB, and to address other past errors, DOR calculates that 33 counties are now owed a total of \$1.8 million. In addition, DOR calculates that 25 counties and the 2 professional sports districts were overpaid and will have to repay \$2.8 million.

Both Representative Jeskewitz and Senator Roessler have expressed great concern over the audit findings. "An inaccurate and untimely distribution undermines the confidence of county governments and legislators in this process," Roessler stated. "At the February 7th hearing, the Committee will engage the Department of Revenue in a detailed discussion of the actions the Department has taken to address all identified distribution errors through improved system review and testing. The Department of Revenue's monthly reports will give us a tool to ensure that progress is being made in resolving inaccurate and unreliable county and district sales and use tax distributions."

On February 7th, the Committee will also hold a public hearing on LAB's audit of the Volunteer Fire Fighter and Emergency Medical Technician Service Award Program (report 05-22). To assist the fire and ambulance departments of smaller municipalities in recruiting and retaining volunteer staff, the program offers tax-deferred retirement benefits to volunteers who meet certain eligibility requirements. In its December 2005 report, LAB found that when vendors were selected in 2001, neither the appropriateness of various investment options nor their costs were fully understood. As a result, three participating departments forfeited a total of \$119,000 in premiums paid when one vendor's contract was not extended in 2004. LAB found that another vendor charges considerable transfer fees for certain investments, which could be costly for some local departments and may

- more -

SENATOR ROESSLER
P.O. Box 7882 • Madison, WI 53707-7882
(608) 266-5300 • Fax (608) 266-0423

REPRESENTATIVE JESKEWITZ
P.O. Box 8952 • Madison, WI 53708-8952
(608) 266-3796 • Fax (608) 282-3624

limit the Board's future contracting alternatives. LAB has recommended that the program's Board of Directors obtain independent financial expertise before it begins a new vendor-selection process in 2006.

"All of us value our volunteer firefighters and EMTs," emphasized Jeskewitz. "This audit will help the volunteer board who has program oversight make some needed adjustments to protect these important retirement accounts for Wisconsin's volunteer firefighters and EMTs." By engaging in discussions about the program now, the co-chairs believe that the Committee can ensure that the audit findings and recommendations will be used to inform the new vendor-selection process.

The hearing will begin at 10:00 a.m. on February 7th in Room 411 South of the State Capitol in Madison. A live audio stream of the hearing and copies of the full text of both audit reports are available on the Legislative Audit Bureau's website at <http://www.legis.state.wi.us/lab>.

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Wisconsin State Fire Chiefs' Association, Inc.

Together We Can Make A Difference

- Education
- Prevention
- Safety
- Suppression
- EMS

DATE: February 6, 2006
TO: Joint Legislative Audit Committee
FROM: David Bloom, Legislative Liaison
RE: Wisconsin Length of Service Award Audit Report 05-22

The Wisconsin State Fire Chiefs Association worked for many years along with the seven other Wisconsin Fire & EMS Legislative Leadership Coalition members to get passage of the LOSA program. The State of Wisconsin fire service received a great recruitment and retention tool for our long-term volunteer members when LOSA was signed into law. The State of Wisconsin is very dependant on our volunteer firefighters with approximately 87% of the state's firefighters serving as volunteers. The State of Wisconsin was the first state in the U.S. to pass a LOSA with state matching funds in over ten years.

The LOSA program by itself is not the answer to long-term commitment by volunteers to our communities in Wisconsin. The LOSA program is a great tool when used with other management tools that can create a rewarding volunteer experience, encouraging that long-term commitment, which is so valuable to those communities dependant on volunteers. The leadership of those departments dependant on volunteers must also determine why those volunteers came to serve on the fire department and those needs must be met for a satisfying long-term experience. The Wisconsin State Fire Chiefs Association works very hard each year planning and providing the leadership training for the State's fire department leaders giving them that additional tool for recruitment and retention of our valuable volunteers.

I will take this opportunity to tell you that there are other problems, which do need to be addressed to protect our volunteer firefighting force. One problem that volunteers in some communities are facing now is disciplinary actions by employers when coming into work late following an emergency incident. Volunteers in some businesses have faced time off without pay to being dismissed from their job. I mention this because all the work that we as leaders in our fire departments and you as legislators do to provide these recruitment and retention tools can be destroyed with employers treating our valuable volunteers in this manner. We need to provide protection for those volunteers or our communities will be faced with a decreasing volunteer firefighting force and possible increases in the cost of providing fire protection in our rural communities.

The Wisconsin State Fire Chiefs Association looks forward to working with the LOSA Board and the legislature in making improvements to enhance the LOSA program. If you have questions please contact David Bloom at 608-444-3324.

2120 Fish Hatchery Rd. • Madison, WI 53713
Phone: 608-210-7261 • Fax: 608-210-7235
Email: bloomd@town.madison.wi.us



**Joint Legislative Audit Committee
Tuesday, February 7, 2006**

**Volunteer Fire Fighter and Emergency Medical Technician Service Award Program
Audit Report 05-22**

Testimony

Bob Seitz, Board Chairman, Volunteer Fire Fighter and EMT Board
Jim Langdon, Department of Administration

Overview

Thank you for the opportunity to address the committee. The audit of the Volunteer Fire Fighter and Emergency Medical Technician Service Award Program has provided valuable feedback for moving the program forward.

The Length of Service Award Program, or LOSA, was created by 1999 Wisconsin Act 105. The LOSA program operates under the direction of an eight-member board, appointed by the Governor, and establishes by rule a tax-deferred benefit program to assist municipalities in retaining volunteer fire fighters and emergency medical technicians.

As of September 1, 2005, 5,388 volunteers and 182 departments were participating in the program. Total assets for the program are \$10.3 million, of which \$6.3 million are from municipal contributions and \$4 million are in state matching funds. Program benefits paid out during the program is \$255,200.

Additionally, customer satisfaction surveys suggest municipalities are pleased with the program. Volunteer departments consistently give the program high ratings and indicate that they would recommend their program administrators to other departments.

Report Recommendations

The LOSA Board met on January 23, 2006 to discuss the six main recommendations of the Legislative Audit Bureau report. The following represent the Board's view of the recommendations.

Recommendation 1 (LOSA Board): Determine whether the Board will need to extend vendor contracts to ensure it has obtained adequate financial expertise before moving forward with its next request for proposals process.

The Board concurred with this recommendation and asked current vendors whether they would agree to an extension. The vendors indicated they would accept an extension. The Board directed DOA to examine the process of extending the program administrator contracts for up to six months. Current contracts would run until March 1, 2007.

Recommendation 2 (DOA): Work with the Department of Employee Trust Funds to enter into an interagency agreement to provide staff support to the Volunteer Fire Fighter and Emergency Medical Technician Service Award Board during its next request for proposals process.

The Department of Employee Trust Funds (ETF) did review the original request for proposal. However, the Board agrees that EFT should be more involved in the upcoming RFP process. ETF will be asked to assist the Board in three ways: (1) develop the request for proposals, (2) evaluate proposals and (3) negotiate new contracts. The Board authorized DOA to seek assistance from ETF.

Recommendation 3 (DOA): Report to the Joint Legislative Audit Committee by March 31, 2006, with a plan for conducting a request for proposals process that addresses concerns raised in this audit.

The Board and DOA are developing a plan for the next RFP process. The Board will meet in March to consider the RFP plan and DOA will report to the Committee by March 31, 2006.

Recommendation 4 (Legislature): Revise the membership requirements for the Volunteer Fire Fighter and Emergency Medical Technician Service Award Board to provide additional financial expertise among its members.

Such a revision would need to be accomplished by legislative action since the current membership requirements are established in state statute. The current membership requirements place a priority on those managing and serving volunteer departments. The Board would welcome additional financial expertise, but cautions against sacrificing the expertise of volunteer firefighters and EMTs as Board members. If the Legislature fails to advance legislation in this area, the Board will ask the Governor to consider financial experience when filling board positions going forward.

Recommendation 5 (Legislature): Revise s.16.25(b), Wis. Stats., to require the Volunteer Fire Fighter and Emergency Medical Technician Service Award Board to submit its required legislative report by June 30 of each year.

The Board reviewed the current timing requirement and members did not have a strong feeling on the date for submittal. Moving the reporting date from December 31 to June 30 would be acceptable.

Recommendation 6 (Board): Include in its annual report sufficient detail for the Legislature to more fully understand the program's current status.

The most recent annual report was submitted in December and contained additional data compared to the previous annual reports. This information reflects data requested by the Legislative Audit Bureau and shown in their report. The Board and DOA will work closely with the program administrators to provide additional program information in future reports.

While not contained in its recommendations, the Legislative Audit Bureau also suggested that attention should be paid to the issue of vendor charges for transferring accounts. This is an important issue because portability can be costly to municipalities and limit the Board's contracting alternatives. The Board will examine the program's fee structure during the request for proposal process.

In closing, the Length of Service Award Program is an important means of attracting and retaining community fire and emergency volunteers that safeguard lives and property. The program has attracted the participation of 182 departments and more than 5,300 volunteers across Wisconsin in only four years.

We believe the program has capacity to grow and are committed to serving additional departments and volunteers in the coming years. We thank the LAB staff for conducting this evaluation in a professional manner. We would be pleased to answer any questions of the Committee.



Volunteer Fire Fighter and EMT Service Award Program

Legislative Audit Bureau
February 2006

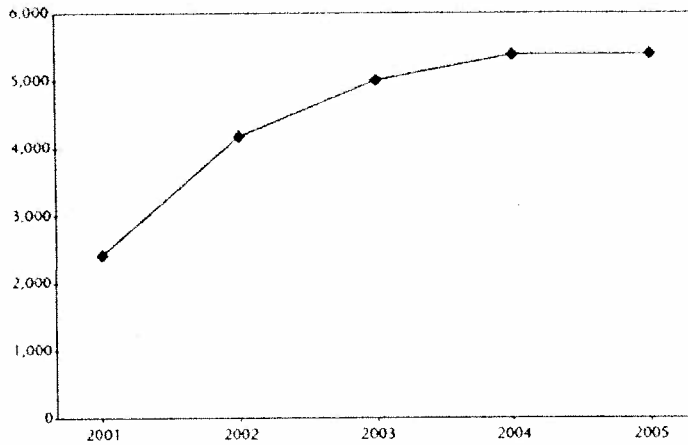
1

Length-of-Service Award Program

- ◆ Created by 1999 Wisconsin Act 105
- ◆ Intended to enhance retention of volunteer fire fighters and emergency medical technicians
- ◆ Full retirement benefits at age 60 after 20 years of service
- ◆ State matches local contributions

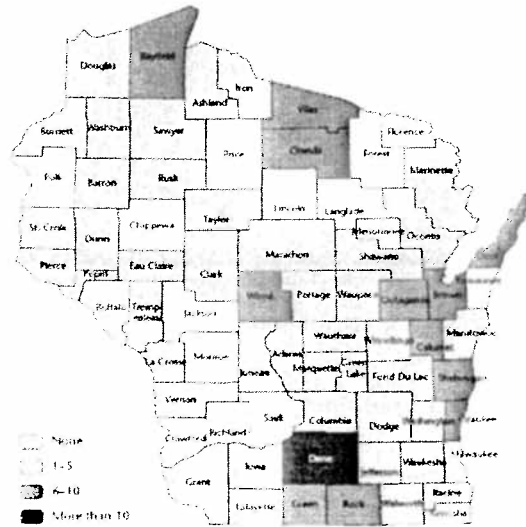
2

Individual Enrollments



3

Locations of Participating Departments



4

Length-of-Service Award Program Funding

Year	Municipal Contributions	State GPR Matching Funds	Total
2001	\$ 889,800	-	\$ 889,800
2002	2,061,800	\$ 581,700	2,643,500
2003	1,704,700	964,900	2,669,600
2004	1,652,400	1,089,900	2,742,300
2005	-	1,333,100	1,333,100
Total	\$6,308,700	\$3,969,600	\$10,278,300

5

Administration Fees Paid to Program Vendors

Year	VFIS	Penflex	The Advisory Group	Total
2001	\$ 45,500	\$ 37,900	\$ 2,000	\$ 85,400
2002	73,500	70,200	5,200	148,900
2003	90,200	80,700	6,400	177,300
2004	105,000	85,000	-	190,000
Total	\$314,200	\$273,800	\$13,600	\$601,600

6

Commissions Paid by Lincoln Benefit Life to Laub & Horton

Year	Commissions Paid
2002	\$ 38,400
2003	52,400
2004	65,600
2005 ¹	61,800
Total	\$218,200

¹As of 8/1/05

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Insurance Premiums Forfeited to The Advisory Group

2001 through 2003

Department	Amount Forfeited
Village of Suamico	\$ 62,300
Village of Athens	29,900
Town of Townsend	26,800
Total	\$119,000

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Board and DOA Action

- ◆ Additional financial expertise is needed as the Board prepares for a vendor solicitation
- ◆ DOA can access financial expertise from within state government at ETF
- ◆ Report to the Legislature on the status of the vendor solicitation

9

Legislative Recommendations

- ◆ Revise the membership of the board to ensure financial planning expertise is required
- ◆ Move the annual reporting date from December 31 to June 30

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WISCONSIN STATE LEGISLATURE

Joint Legislative Audit Committee

Committee Co-Chairs:
State Senator Carol Roessler
State Representative Suzanne Jeskewitz

April 27, 2006

Mr. Patrick J. Farley, Administrator
Division of Enterprise Operations
Department of Administration
101 East Wilson Street, 6th Floor
Madison, Wisconsin 53701

Dear Mr. Farley:

Thank you for your letter, dated March 29, 2006, which updates the Committee on the Department's efforts to conduct a request for proposals process that addresses the concerns and recommendations identified by the nonpartisan Legislative Audit Bureau in its evaluation of the Volunteer Fire Fighter and EMT Service Award program (report 05-22).

We are pleased to note that the Department has extended each existing program administrator contract in order to ensure that adequate time is available to obtain expertise in financial services contract management before issuing the next request for proposals. We are also pleased that the Department of Employee Trust Funds has agreed to assist in this effort. However, your report states that the extent of the involvement from the Department of Employee Trust Funds "will be dependent upon the availability of resources it can commit to the project."

As articulated at the Joint Legislative Audit Committee's public hearing on February 7, 2006, securing the assistance and cooperation of the Department of Employee Trust Funds for this request for proposals process is crucial. While we appreciate the constraints under which this assistance is offered, we do perceive this interagency cooperation to be essential in ensuring a successful process and outcome. We are expecting that the Department of Employee Trust Funds will commit the resources necessary to assist in achieving an appropriate resolution.

As the process moves forward, it is imperative that the request for proposals be designed to address the concerns identified by the Legislative Audit Bureau in its evaluation. In order to provide us with assurance that these concerns were addressed, we ask that you provide us with a copy of the final request for proposals when it is posted.

SENATOR ROESSLER
P.O. Box 7882 • Madison, WI 53707-7882
(608) 266-5300 • Fax (608) 266-0423

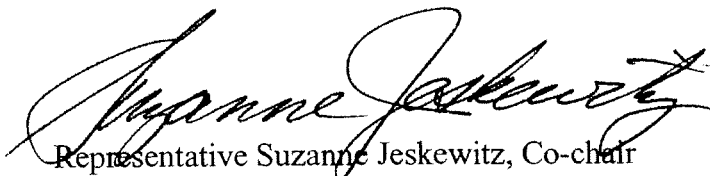
REPRESENTATIVE JESKEWITZ
P.O. Box 8952 • Madison, WI 53708-8952
(608) 266-3796 • Fax (608) 282-3624

We look forward to receiving your next update. Thank you for your cooperation.

Sincerely,



Senator Carol A. Roessler, Co-chair
Joint Legislative Audit Committee



Representative Suzanne Jeskewitz, Co-chair
Joint Legislative Audit Committee

cc: Senator Robert Cowles
Senator Scott Fitzgerald
Senator Mark Miller
Senator Julie Lassa

Representative Samantha Kerkman
Representative Dean Kaufert
Representative David Travis
Representative David Cullen

Stephen E. Bablitch, Secretary
Department of Administration

Eric Stanchfield, Secretary
Department of Employee Trust Funds

Janice Mueller
State Auditor