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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**

* Contents organized for archiving by: Stefanie Rose (LRB) (October 2012)



STATE OF WISCONSIN
Legislative Audit Bureau

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Madison, Wisconsin 53703
(608) 266-2818
Fax (608) 267-0410
Leg.Audit.Info@legis.state.wi.us

Janice Mueller
State Auditor

May 23, 2005

Mr. Marc Marotta, Secretary
Department of Administration
101 East Wilson Street
Madison, Wisconsin 53702

Dear Mr. Marotta:

The Legislative Audit Bureau is required by s. 13.94(1)(q), Wis. Stats., to conduct a performance evaluation audit of the Volunteer Fire Fighter and Emergency Medical Technician Service Award Program. The audit requirement was included in 1999 Wisconsin Act 105, which created the program. Statutes specify the completion of the audit no later than February 1, 2006.

We intend to begin fieldwork for the audit in early June 2005. At this time, we expect the audit to include an analysis of participation levels in the program since its creation, state and local expenditures to date, an assessment of vendor selection and performance, and a comparison of Wisconsin's program to similar programs in other states. The audit will be directed by Kate Wade, who will contact staff in the Department to arrange an entrance conference.

If you have any questions about the audit, please contact me, or Kate Wade, at 266-2818.

Sincerely,

Janice Mueller
State Auditor

JM/KW/bm

cc: Senator Carol A. Roessler, Co-chairperson
Joint Legislative Audit Committee

Representative Suzanne Jeskewitz, Co-chairperson
Joint Legislative Audit Committee





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Janice Mueller
State Auditor

DATE: December 19, 2005

TO: Karen Asbjornson and Pamela Matthews
Committee Clerks to the Joint Legislative Audit Committee

FROM: Kate Wade *Kate Wade*
Program Evaluation Director

SUBJECT: Report 05-22: An Evaluation of the Volunteer Fire Fighter and Emergency Medical Technician Service Award Program

Enclosed is our evaluation of the Volunteer Fire Fighter and Emergency Medical Technician Service Award Program, as required by 1999 Wisconsin Act 105. The Act created a retirement benefit program—commonly known as the length-of-service award program—for local emergency services departments. The State provides an annually adjusted general purpose revenue (GPR) match for municipalities' contributions to individual accounts; total annual state matching funds are limited to \$2.0 million. 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 in GPR matching funds.

An eight-member board appointed by the Governor and attached to the Department of Administration for administrative purposes provides general program oversight but contracts with private vendors for account administration. To date, the board has entered into contracts with three program vendors: Penflex, Inc., a firm located in Latham, New York; VFIS, Inc., located in York, Pennsylvania; and The Advisory Group, Inc., a financial planning and employee benefit firm located in Appleton. Initial contracts covered a three-year period beginning in 2001 and included extension options, which the board exercised with both Penflex and VFIS in 2004 and 2005. The board did not extend its contract with The Advisory Group, citing the marketing of investment products not well-suited to the program and dissatisfaction with the vendor's administrative reporting.

The questionable investment products resulted in three departments forfeiting a combined \$119,000 in premiums paid for nontransferable life insurance policies when the board did not extend The Advisory Group's contract. Furthermore, investment transfer fees charged by VFIS could be costly for 117 participating departments, thereby limiting the board's flexibility in entering new contracts with other vendors. We believe the program board's initial vendor selection was ineffective, and that the board requires immediate assistance for its next request-for-proposals process in 2006. Our report recommends the board obtain independent financial expertise, including assistance from the Department of Employee Trust Funds, before launching the 2006 request-for-proposals process. We also recommend a report to the Committee by March 31, 2006, on the status of the vendor selection process.

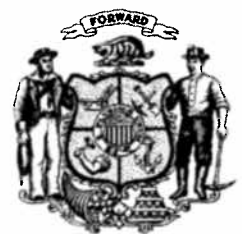
The report will be released on Tuesday, December 20, at 2:00 p.m. Please contact us with any questions.

KW/bm

Enclosures



WISCONSIN STATE LEGISLATURE





WISCONSIN STATE LEGISLATURE

Joint Legislative Audit Committee

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

For Immediate Release

December 20, 2005

For More Information Contact:

Representative Suzanne Jeskewitz
Senator Carol Roessler

(608) 266-3796

(608) 266-5300

Audit Notes Concerns with Benefit Program for Volunteer Firefighters/EMTs

(Madison) Joint Legislative Audit Committee co-chairs, Representative Suzanne Jeskewitz (R-Menomonee Falls) and Senator Carol Roessler (R-Oshkosh), announce the release of the nonpartisan Legislative Audit Bureau's (LAB's) audit of the Volunteer Fire Fighter and Emergency Medical Technician Service Award Program.

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. As of September 1, 2005, 5,388 eligible volunteers were enrolled in the program by 182 fire departments or ambulance 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. From 2001 through 2004, private vendors who administered the program were paid \$601,600 for program administration.

An eight-member Board is responsible for general program oversight, selection of the private vendors, and review of investment options available to local emergency service departments. 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 for nontransferable life insurance policies when the Board did not extend one vendor's contract in 2004. LAB found that another vendor charges considerable transfer fees for certain investments, which could be costly for some local departments and may limit the Board's future contracting alternatives. LAB recommends that the Board obtain independent financial expertise before it begins a new vendor-selection process in 2006.

After reviewing the audit findings, Senator Roessler and Representative Jeskewitz stressed the importance of protecting these important retirement accounts for Wisconsin's volunteer firefighters and EMTs. To that end, they announced plans to follow-up on a report they will receive from the Board in March 2006, which will describe the steps taken to address the concerns raised in the audit.

The full text of the audit report is available on the Legislative Audit Bureau's website at <http://www.legis.state.wi.us/lab> or by calling (608) 266-2818 to request a copy of report 05-22.

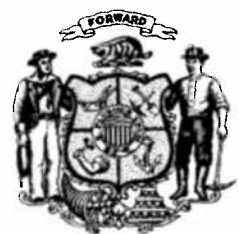
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SENATOR ROESSLER
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REPRESENTATIVE JESKEWITZ
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WISCONSIN STATE LEGISLATURE





**WISCONSIN DEPARTMENT OF
ADMINISTRATION**

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GOVERNOR

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March 29, 2006

Senator Carol A. Roessler, Co-chairperson
Representative Suzanne Jeskewitz, Co-chairperson
Joint Legislative Audit Committee
State Capitol
Madison, WI 53702

Dear Senator Roessler and Representative Jeskewitz:

In its evaluation of the Volunteer Fire Fighter and Emergency Medical Technician Service Award (LOSA) Program, the Legislative Audit Bureau (LAB) recommended the Department of Administration (DOA) report to the Joint Legislative Audit Committee by March 31, 2006 with a plan for conducting a request for proposals (RFP) process that addresses the concerns in the audit.

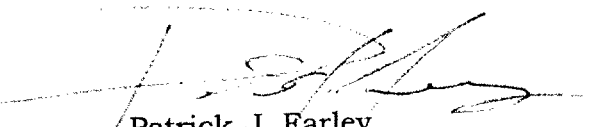
Since receiving the evaluation, the LOSA Board has met to consider this recommendation. We are able to report to the Committee the following progress:

1. The LOSA Board complied with LAB's recommendation to extend the length of existing contracts to accommodate a longer RFP process. Each program administrator contract has been extended by six months to now end on or about March 1, 2007. The intent of the extension is to enable DOA to obtain adequate financial expertise to assist with the RFP process.
2. The Department of Employee Trust Funds (ETF) has agreed to assist DOA and the LOSA Board in the RFP process. ETF will assist in three ways: (1) develop the request for proposals, (2) evaluate proposals and (3) negotiate new contracts. The full extent of ETF's involvement will be dependent upon the availability of resources it can commit to the project.
3. DOA and the LOSA Board developed a timeline for the completion of the RFP process, as follows:
 - Convene an RFP workgroup, including ETF, in April 2006. The workgroup will be tasked with developing an initial draft of the RFP.
 - Complete the first draft of the RFP by late August 2006.
 - Convene the LOSA Board in September 2006 to review, amend and approve the RFP.
 - Post the RFP in October 2006.
 - Require proposals due in November 2006.
 - Begin evaluation committee work in December 2006.

- Convene the LOSA Board in December 2006 to update on RFP progress.
- Require the evaluation committee to complete recommendations by early January 2007.
- Convene the LOSA Board in January 2007 to review and act upon the evaluation committee recommendations.
- Negotiate new contract(s) in January and February 2007.
- Commence new contract(s) by March 1, 2007.

Thank you for the opportunity to make this report to the Committee. If you should have any questions, please contact James Langdon at (608) 267-2715.

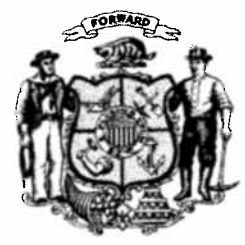
Sincerely,



Patrick J. Farley
Administrator



WISCONSIN STATE LEGISLATURE



* invite Chiefs Back To Hearing

3mcw - next wk

pg 4 - Enrollment - No individual dollars allowed

- Municipality

→ State = \$250 per yr per FF/EMT - indexed - now \$274-

pg 11 DOA - Deliberately decided not to extend "The Advisory Group" contract (5 yr. contracts)

* ETF did not want to administer program

* Jim Langdon - DOA

Bob Sizy - Volunteer Board Chairman

? - Board make-up - No financial expertise

? Has anyone benefitted from program?

pg 22-23 - High/unnecessary fees?

- Cost too much to change?

- Again, no financial expertise avail to help w/decisions

- Not at DOA

- Not on Board

- Not in Muni's

? Has this program helped with retention

* ? Dave Stella

Press Release

Volunteer F.I.D.

↳ B

1989 - smaller dept to recruit

↳ 860 FD in state

↳ 703 - all volunteer dept.

As of 9/1

↳ 5,388 volunteers

\$10.3 in assets

↳ mem \$6.3 M

↳ state \$4 M

- organized

8 member board - appt key gov

↳ Under DDA

1) over

2) ID & select private vendor for ea.

↳ 2 vendors currently

3) Help ~~to~~ review investment options

* 2001-04 - private vendors paid

\$601,600 admin cost

* \$119K - forfeited (portability)

↳ 3 diff FD

* 1 vendor charges consol. transfer fees to move invest.
from/between investments

* Recommendations

1. Rpt back in March

2. Independent Financial Expertise

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