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👉 Details: Legislative Audit Bureau Letter Report April 2007: Fire Department Dues Program

(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2007-08

(session year)

Joint

(Assembly, Senate or Joint)

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COMMITTEE NOTICES ...

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(**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
(**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

Letter Report

**Fire Department
Dues Program**

April 2007



Legislative Audit Bureau

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STATE OF WISCONSIN

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Janice Mueller
State Auditor

April 27, 2007

Senator Jim Sullivan and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Sullivan and Representative Jeskewitz:

At your request, we have completed a limited-scope review of how the Department of Commerce and the Wisconsin Technical College System (WTCS) have spent funds from the Fire Department Dues Program in recent years.

Commerce is appropriated funds to administer a statewide fire inspection and prevention program. In fiscal year (FY) 2005-06, its expenditures totaled \$641,900, 65.6 percent of which supported the salaries and fringe benefits of 6.6 full-time equivalent (FTE) positions that are responsible for distributing program funds to municipalities and training fire department staff in inspection duties. In FY 2005-06, Commerce charged \$92,700 in overhead costs to the program, representing 14.4 percent of its expenditures for administering the program.

WTCS is appropriated program funds for two purposes: to administer fire prevention and protection training programs and to offer training courses to local firefighters in technical college districts. In FY 2005-06, its expenditures for administration of the program totaled \$435,000, 41.2 percent of which supported salary and fringe benefit costs for 3.0 FTE positions in the central office. In FY 2005-06, WTCS spent \$117,500 for supplies, primarily to purchase office furniture and supplies for the program as part of WTCS's move to new offices, and charged \$15,800 in overhead costs to the program, representing 3.6 percent of its expenditures for administering the program.

In recent years, WTCS has spent almost all of the \$600,000 it has been appropriated annually for conducting training courses in technical college districts. However, until recently it has not spent all of the funds appropriated to it for administration of the program. Funds for administration of the program that are not spent or encumbered do not lapse but instead remain in the appropriation. At the end of FY 2005-06, unspent funds, which are available for reallocation by the Legislature, totaled \$308,000.

We appreciate the courtesy and cooperation extended to us by Commerce and WTCS.

Sincerely,

Janice Mueller
State Auditor

JM/DS/ss

Enclosure

FIRE DEPARTMENT DUES PROGRAM

State law establishes minimum building and structural standards that are designed to protect the public, firefighters, and property from fires. In addition, state law requires fire departments to periodically inspect non-residential buildings within their jurisdictions to ensure compliance with these standards. The Fire Department Dues Program funds state and local fire prevention and inspection efforts, as well as training to facilitate these activities.

Section 601.93, Wis. Stats., requires any insurer doing fire insurance business in Wisconsin to pay 2.0 percent of all premiums it receives for insurance against loss by fire to the program. In addition, s. 101.573(1), Wis. Stats., requires that 2.0 percent of the premiums paid by municipalities to the Local Government Property Insurance Fund for the insurance of public property be provided to the program.

From these premiums, the program provides funds to:

- the Department of Commerce, to support public fire departments through the allocation of grants to municipalities, administer a statewide fire inspection program, and train public fire departments on fire codes and building requirements; and
- the Wisconsin Technical College System (WTCS), to provide firefighter training courses in each of the 16 technical college districts free of charge for members of public fire departments, and administer training and certification activities related to these courses.

Program funds support 30,000 fire service personnel in 860 municipal fire departments, including 703 departments operated exclusively with volunteers, 102 operated with a combination of paid and volunteer staff, and 55 operated with all paid staff.

As shown in Table 1, total program expenditures increased from \$14.8 million in fiscal year (FY) 2003-04 to \$16.2 million in FY 2005-06.

Table 1

Fire Department Dues Program Expenditures

	FY 2003-04	FY 2004-05	FY 2005-06
Department of Commerce			
Grants to Municipalities	\$13,153,700	\$13,332,500	\$14,572,500
Administration	717,000	640,700	641,900
Wisconsin Technical College System			
Local Assistance	599,800	600,000	600,000
Administration	269,700	290,800	435,000
Lapse to General Fund	12,500	0	0
Total	\$14,752,700	\$14,864,000	\$16,249,400

Most of the program's expenditures are not made by state agencies but are instead distributed to municipalities by Commerce through a grant program that funds:

- the purchase of fire protection equipment;
- fire inspection and public education activities;
- training for firefighters who perform inspections or provide public education; and
- firefighter pensions or other funds that benefit disabled or retired firefighters.

Commerce determines whether municipalities are eligible for program funding based on their compliance with statutory requirements, including state laws for firefighter training. If it determines a municipality does not meet the requirements, it will provide funds for that year but issue a notice of noncompliance and withhold funds for subsequent years until the requirements are met. Compliance may be determined either by self-certification forms that municipalities submit or by on-site audits conducted by Commerce staff. Since FY 2000-01, no funds have been withheld. It should be noted that from FY 2000-01 through FY 2004-05, Commerce distributed funds without regard to any eligibility requirements, under provisions of 2001 Wisconsin Act 109 that have since lapsed.

At the request of the co-chairs of the Joint Legislative Audit Committee, we conducted a limited-scope review that focuses on program funds appropriated to Commerce and WTCS to administer the program, including:

- how the two agencies spent program funds;
- the types of staff funded by the program and their job duties; and
- the amounts of overhead costs the agencies charged to the program.

Use of Funds by the Department of Commerce

As shown in Table 2, funds appropriated to Commerce for administration of the program decreased from \$748,400 in FY 2003-04 to \$639,100 in FY 2006-07. These totals include pay plan supplemental amounts approved by the Joint Legislative Committee on Finance, and \$55,000 that Commerce encumbered in FY 2002-03 and spent in FY 2003-04. 2007 Senate Bill 40, the Governor’s Budget, includes increased funding for standard budget adjustments to fully fund salaries and fringe benefits for staff associated with the program.

Table 2

Fire Department Dues Program Amounts Appropriated Department of Commerce

Fiscal Year	Amount Appropriated
2003-04	\$748,400
2004-05	690,500
2005-06	648,300
2006-07	639,100
2007-08 ¹	697,600
2008-09 ¹	697,600

¹ Amounts included in 2007 Senate Bill 40.

As shown in Table 3, Commerce’s expenditures for administration of the program declined from FY 2003-04 to FY 2005-06, although FY 2003-04 expenditures reflect a one-time payment of \$55,000 to an international nonprofit agency—the National Fire Protection Association—to help Commerce update the State’s fire prevention code.

Table 3

**Expenditures for Administration of the Fire Department Dues Program
Department of Commerce**

Type	FY 2003-04	FY 2004-05	FY 2005-06
Staffing			
Salaries	\$309,400	\$291,100	\$288,200
Fringe Benefits	140,800	138,800	133,100
Subtotal	450,200	429,900	421,300
Overhead			
	66,800	92,200	92,700
Other Administration			
Travel and Training	33,600	27,700	33,100
Supplies	16,800	17,500	26,000
Printing	24,900	25,700	21,900
Miscellaneous	29,700	12,300	17,000
Rent and Lease Payments	24,700	22,600	16,900
Telecommunications	10,600	10,800	11,100
Professional and Contractual Services ¹	57,600	0	0
Other ²	2,100	2,000	1,900
Total	\$717,000	\$640,700	\$641,900

¹ Includes \$55,000 for a contract with a private vendor to help update the State's fire prevention code.

² Includes insurance, maintenance and repair, and utilities expenditures.

Staffing costs accounted for almost two-thirds of Commerce's expenditures for administration of the program from FY 2003-04 through FY 2005-06. Other expenditures included:

- travel and training costs, primarily associated with in-state travel for five fire prevention coordinators who work out of their homes and travel to fire departments throughout the state to provide consultation and technical assistance;
- supplies, such as computer software and minor equipment;
- printing costs, primarily for the production of materials distributed to fire departments, such as fire regulations and public fire safety information;

- miscellaneous costs for postage, information technology support, and other services; and
- rent and leased office and storage space at Commerce's central office, as well as storage space at Commerce's Green Bay office, which since June 2006 has not been used or paid for by the program.

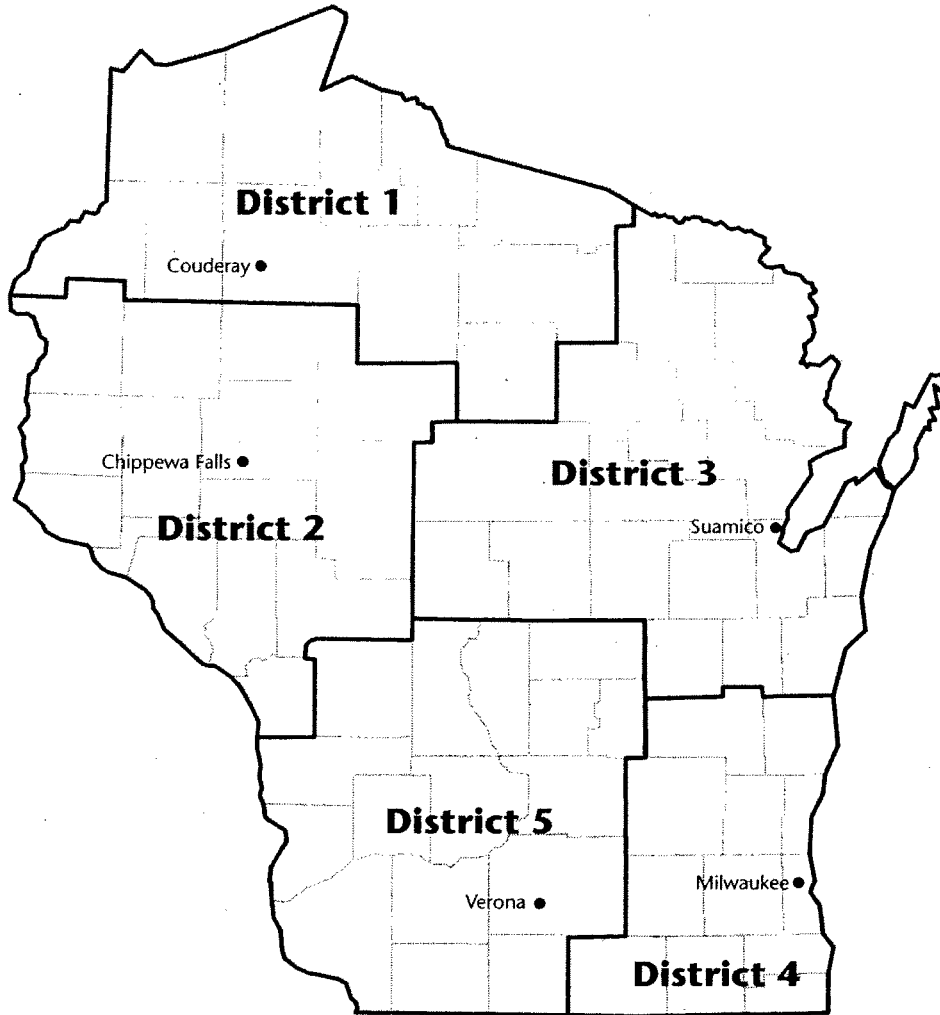
Because staffing costs accounted for the majority of Commerce's expenditures for administration of the program, we reviewed the responsibilities and accomplishments of staff funded through the program. To administer the program, Commerce is currently authorized 6.6 full-time equivalent (FTE) positions. As of March 2007:

- 5.0 FTE fire prevention coordinator positions were filled by five full-time staff in Chippewa Falls, Couderay, Milwaukee, Suamico, and Verona;
- 1.5 FTE office operations positions were filled by two program associates in Madison who calculate program funding for municipalities, maintain data on fire incidents reported by fire departments, and distribute fire inspection information to fire departments; and
- a 0.1 FTE fire prevention section chief position was vacant. Commerce is using the \$4,900 in position funds to instead cover a portion of the costs of the director of the Bureau of Program Development in the Division of Safety and Buildings, in which the program is located administratively, and an engineering program management consultant who helps develop and interpret the State's fire code.

We reviewed in more detail the work of the five fire prevention coordinators who provide services to paid and volunteer municipal fire departments in five districts of the state, which are shown in Figure 1.

Figure 1

**Fire Prevention Coordinator Districts
Department of Commerce**



The three main types of activities performed by the five coordinators are consultations and technical assistance, training sessions, and audits. The largest effort by far is conducting consultations with fire departments regarding the interpretation of administrative code and regulations for fire inspections, in part to help them meet the program's funding eligibility requirements. Consultations are conducted by telephone, e-mail, or in person and may last from several minutes to more than one day. Training sessions, which are conducted at fire departments throughout the state and typically last one day, instruct fire service personnel in how to interpret and implement the State's fire inspection code. The audits of fire departments determine whether departments have used program funds appropriately, inspected public

buildings in accordance with the State's fire code, and complied with other program requirements. Audits typically take at least one day to complete.

As shown in Table 4, the total number of activities conducted by the five fire prevention coordinators declined from 23,241 in FY 2004-05 to 16,380 in FY 2005-06, which is 29.5 percent. Commerce indicated that the time spent to perform an average consultation increased in FY 2005-06, and as a result, fewer were completed. We were also told that the coordinators plan to complete more audits in the future. From July 2006 through mid-March 2007, for example, they completed 41 audits.

Table 4

**Activities of Fire Prevention Coordinators
Department of Commerce**

Activities Conducted	FY 2004-05	FY 2005-06
Consultations	23,054	16,270
Training Sessions	186	107
Audits	1	3
Total	23,241	16,380

The overhead costs that Commerce charged to the program include departmental costs and costs incurred within the division in which the program is located. Departmental overhead includes a portion of the costs of central office staff, such as those involved with fiscal services, budget and policy, human resources, and information technology, as well as the costs of the Secretary's office. Commerce charges departmental overhead to the Fire Department Dues Program at the same rate it charges all of its other programs.

Division overhead includes a portion of the salary and fringe benefit costs of staff who provide services to a division, such as bureau directors, and related supply costs. Division overhead charges have varied over time. In FY 2003-04, the Fire Department Dues Program was located in the Division of Environmental and Regulatory Services, which did not charge overhead to any programs it administered. In FY 2004-05, the program was transferred to the Division of Safety and Buildings, which charged overhead to its programs from July 2004 through September 2006. The Division of Safety and Buildings now covers its overhead costs by using a program revenue appropriation that contains receipts of various regulatory fees collected by Commerce for public safety activities, such as for the certification of building inspectors.

As a percentage of Commerce's total expenditures for administration of the program, overhead paid by program funds was:

- 9.3 percent in FY 2003-04, when the program's portion of overhead costs totaled \$66,800;
- 14.4 percent in FY 2004-05, when the program's portion of overhead costs totaled \$92,200; and
- 14.4 percent in FY 2005-06, when the program's portion of overhead costs totaled \$92,700.

Overhead costs increased from FY 2003-04 to FY 2004-05 because of the program's move to the Division of Safety and Buildings, where division overhead charges were included through September 2006. Because division overhead is no longer charged to the program, total overhead costs are expected to decline in FY 2006-07.

Use of Funds by the Wisconsin Technical College System

Since 1977, WTCS has been the designated agency authorized to establish, coordinate, and supervise fire service education and training for municipal fire departments and fire service personnel. Commerce's administrative rules specify minimum training requirements for these individuals. For example, no new firefighter engaged in structural firefighting may enter or be in close proximity to a building on fire without fulfilling basic training requirements, which must be met by completing two 30-hour courses provided by the technical college districts.

After fulfilling the basic training requirements, fire service personnel may voluntarily choose to improve their skills by completing additional training courses offered by the technical college districts. For example, a firefighter may complete coursework and pass a written and practical skills examination administered by WTCS to become certified to drive and operate specific types of fire service vehicles. In total, WTCS certifies fire service personnel in ten categories, including fire officers, fire inspectors, and fire instructors. All 16 technical college districts, which are shown in Figure 2, offer fire service training courses.

Figure 2

Wisconsin Technical College Districts



WTCS is appropriated Fire Department Dues Program funds for two purposes: administration and local assistance. As shown in Table 5, WTCS appropriations for administration of the program increased from \$392,700 in FY 2004-05 to \$434,200 in FY 2005-06 and FY 2006-07. The amount appropriated for local assistance has been \$600,000 annually in recent fiscal years.

Table 5

**Fire Department Dues Program Amounts Appropriated
Wisconsin Technical College System**

Fiscal Year	Amount Appropriated for Administration	Amount Appropriated for Local Assistance
2003-04	\$392,700	\$600,000
2004-05	392,700	600,000
2005-06	434,200	600,000
2006-07	434,200	600,000
2007-08 ¹	442,500	600,000
2008-09 ¹	442,500	600,000

¹ Amounts included in 2007 Senate Bill 40.

WTCS Expenditures for Administration of the Program

Statutes require WTCS to use its funds for administration of the program to establish and supervise training programs in fire prevention and protection for members of paid and volunteer fire departments. As shown in Table 6, WTCS's expenditures increased from \$269,700 in FY 2003-04 to \$435,000 in FY 2005-06, which is 61.3 percent. Most of the increase relates to \$80,600 that was spent to purchase a file storage system, office furniture, and supplies for the program as part of WTCS's move to new offices. Salaries and fringe benefits accounted for almost 60.0 percent of all expenditures in FY 2003-04 and FY 2004-05 but accounted for only 41.2 percent in FY 2005-06 because of the increase in other types of expenditures.

Table 6

**Expenditures for Administration of the Fire Department Dues Program
Wisconsin Technical College System**

Type	FY 2003-04	FY 2004-05	FY 2005-06
Staffing			
Salaries	\$110,600	\$119,000	\$121,900
Fringe Benefits	44,800	53,400	57,300
Subtotal	155,400	172,400	179,200
Overhead	8,100	13,000	15,800
Other Administration			
Supplies	23,100	15,500	117,500
Capital Assets	0	0	28,100
Rent and Lease Payments	16,500	16,900	25,100
Professional and Contractual Services	25,000	31,400	25,100
Travel and Training	29,100	26,600	17,900
Miscellaneous	10,400	12,900	14,700
Printing	200	100	9,900
Other ¹	1,900	2,000	1,700
Total	\$269,700	\$290,800	\$435,000

¹ Includes telecommunications, equipment maintenance and repair, and insurance expenditures.

We reviewed information on WTCS's other significant categories of expenses and found that:

- In addition to the \$80,600 spent for the move to new offices, supplies expenditures increased in FY 2005-06 because WTCS purchased computer equipment, hazardous materials publications and fire instructor manuals, and anti-virus software.
- Capital asset expenditures of \$28,100 were incurred in FY 2005-06 to purchase additional computers and software and to train staff on how to use new computer scanning equipment.
- Rent and lease expenditures increased by approximately \$8,000 in FY 2005-06, also because of costs associated with WTCS's new offices.

- Contracting for professional and other services remained relatively stable. Contract payments were made to fire service personnel who help develop and modify training course curricula, as well as to 15 fire service personnel located throughout the state who oversee all certification examinations and hear appeals from students who did not pass their certification examinations. These individuals are paid \$200 each day they provide these services, and in FY 2005-06 were paid for a total of 102 days of service.
- Travel and training costs were incurred primarily for the mileage, lodging, and food costs of the 15 fire service personnel who oversee certification examinations and appeals.
- Miscellaneous expenditures included costs associated with an annual weeklong course for fire instructors held in Wisconsin Rapids, and memberships in several professional associations.

Because staffing costs accounted for a significant portion of expenditures for administration of the program, we reviewed the responsibilities of administrative staff funded through the program. WTCS is authorized 3.0 FTE positions that are located in the central office:

- An education director develops, implements, coordinates, and evaluates training and certification courses provided by technical college districts, including keeping them current with state laws and national accreditation standards, and helps train course instructors.
- Two full-time program assistants produce testing materials for fire certification examinations, score examinations, review the paperwork necessary for fire service personnel to obtain certification, and support the education director.

In addition to the three positions, the program typically funds one limited-term position. In March 2007, this position was filled by two students, each of whom worked half time. These students perform general clerical work, compile testing materials and mail them to technical college districts, and maintain training records.

We also examined in greater detail overhead costs charged to the program. WTCS charges overhead through a rate that is based on the cost of salaries and fringe benefits, travel, telecommunications, data processing, contractual services, administration, and supplies incurred by WTCS administrative offices, such as accounting, human resources, and payroll. Overhead is charged to the Fire Department Dues Program at the same rate it is charged to a number of other WTCS programs.

As a percentage of WTCS's total expenditures for administration of the program, overhead paid by program funds was:

- 3.0 percent in FY 2003-04, when the program's portion of overhead costs totaled \$8,100;
- 4.5 percent in FY 2004-05, when the program's portion of overhead costs totaled \$13,000; and

- 3.6 percent in FY 2005-06, when the program's portion of overhead costs totaled \$15,800.

Overhead costs increased from FY 2003-04 to FY 2005-06 largely because of increased costs associated with WTCS's move to new offices and higher administrative salaries and fringe benefits.

We found that until recently, WTCS has not spent all funds for administration of the program appropriated to it through s. 20.292(1)(gm), Wis. Stats. However, unlike those appropriated to Commerce, funds that WTCS does not spend or encumber in a given fiscal year do not lapse. Instead, they remain in the appropriation.

As shown in Table 7, WTCS had \$206,900 in unspent funds at the end of FY 2003-04. Unspent funds increased to \$308,000 at the end of FY 2005-06, and WTCS does not anticipate unspent funds to increase further in FY 2006-07 because it expects to use all funds appropriated for administration of the program.

Table 7

**Unspent Fire Department Dues Program Funds
Wisconsin Technical College System**

	FY 2003-04	FY 2004-05	FY 2005-06
Beginning Balance	\$ 83,900	\$206,900	\$308,800
Appropriated Amount	392,700	392,700	434,200
Expenditures	(269,700)	(290,800)	(435,000) ¹
Unspent Funds	\$206,900	\$308,800	\$308,000

¹ Includes funds that were encumbered in FY 2004-05.

WTCS indicated that unspent funds are periodically used to cover the purchase of more expensive training equipment when training standards and curricula change. The last such purchase occurred in FY 1998-99, when WTCS obtained approval from the Joint Committee on Finance in December 1998 to spend \$125,000 for training equipment. WTCS indicated that it may use at least a portion of the \$308,000 in unspent funds to purchase any needed training equipment or materials after fire training standards are updated in FY 2007-08. However, formal plans for spending these funds have not yet been developed. The funds are available for reallocation if the Legislature chooses.

WTCS Expenditures for Local Assistance

Local assistance funds are used by technical college districts to cover the costs of training and certifying municipal fire service personnel in volunteer and paid fire departments. Statutes prohibit districts from charging fees for the training they provide to municipal fire departments. Members of private fire departments, such as those at industrial parks, are not eligible to receive training supported by program funds.

The WTCS central office reimburses districts for training costs, including tuition and course materials, after training is provided. In addition, the City of Milwaukee's fire department has its own firefighter academy that receives reimbursement for a portion of its training costs.

Reimbursement is currently provided at a standard rate of \$87 per credit, which is the rate for all WTCS postsecondary and vocational courses. In addition, the program reimburses the actual cost of course materials, such as assignment sheets, handouts, and note-taking guides. Although six technical college districts offer associate degrees in fire protection, including fire science and fire protection engineering technology, students are not reimbursed for any costs associated with these degree programs.

From FY 2003-04 through FY 2005-06, WTCS spent almost the entire \$600,000 annually appropriated to it for local assistance, as shown in Table 8. If the program runs low of funds at the end of a fiscal year, payment for some courses is delayed until the following fiscal year, when additional funds become available. All 16 technical college districts and Milwaukee's fire department were reimbursed for fire prevention training costs in each of the three most recently completed fiscal years. WTCS's central office does not charge overhead costs to administer these local assistance activities.

Table 8

**Local Assistance Expenditures
Wisconsin Technical College System**

	FY 2003-04	FY 2004-05	FY 2005-06
Technical College District			
Blackhawk	\$ 12,600	\$ 10,900	\$ 19,100
Chippewa Valley	25,700	29,500	31,200
Fox Valley	50,600	26,600	59,000
Gateway	19,400	43,500	39,500
Lakeshore	18,600	19,900	13,200
Madison Area	68,200	65,500	66,100
Mid-State	30,200	22,300	33,300
Milwaukee Area	26,900	21,600	33,100
Moraine Park	28,400	46,000	36,500
Nicolet Area	41,200	11,900	16,800
Northcentral	26,300	50,700	26,400
Northeast Wisconsin	64,600	46,500	36,900
Southwest Wisconsin	24,200	23,800	27,600
Waukesha County	79,900	63,200	84,100
Western	33,400	35,100	32,800
Wisconsin Indianhead	41,000	62,500	30,900
City of Milwaukee Fire Department	8,600	20,500	13,500
Total	\$599,800	\$600,000	\$600,000

As shown in Table 9, technical college districts and Milwaukee's fire department held a total of 575 training courses attended by 4,798 individuals in FY 2005-06. The number of courses ranged from 18 at Mid-State to 83 at Wisconsin Indianhead. The most common type of training was for entry-level firefighters, which included 1,384 students. The average per participant cost of training was \$116 in FY 2003-04, \$119 in FY 2004-05, and \$125 in FY 2005-06.

Table 9

**Training Courses Funded by the Fire Department Dues Program¹
Wisconsin Technical College System**

	FY 2003-04	FY 2004-05	FY 2005-06
Number of Training Courses	580	543	575
Number of Attendees	5,161	5,058	4,798
Average Number of Attendees per Training Course	8.9	9.3	8.3

¹ Includes training courses conducted by the City of Milwaukee's fire department.

Upon successful completion of the required coursework, firefighters may take a certification examination. WTCS tracks the number of certifications it issues on a calendar year basis. It issued:

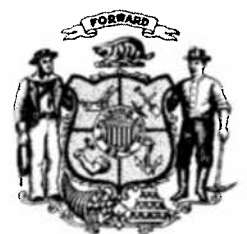
- 2,134 certifications in 2004;
- 2,380 certifications in 2005; and
- 2,535 certifications in 2006.

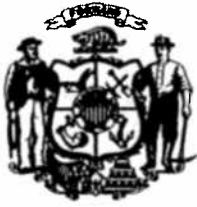
The most common certifications issued in 2006 were for Fire Fighter I (993 certifications) and Fire Fighter II (595 certifications). These represent progressive steps in the training of firefighters.

■ ■ ■ ■



WISCONSIN STATE LEGISLATURE





Wisconsin State Legislature

January 31, 2007

done for Rpt

Senator Jim Sullivan, Co-Chair
Joint Committee on Audit
State Capitol, 15 South

Representative Suzanne Jeskewitz, Co-Chair
Joint Committee on Audit
State Capitol, 314 North

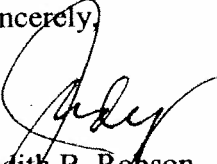
Dear Senator Sullivan and Representative Jeskewitz:

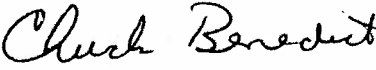
We respectfully request an audit of the two percent fire insurance dues collected by the Office of the Commissioner of Insurance (OCI) and distributed to the Department of Commerce (DOC) and the Wisconsin Technical College System (WTCS). We would like the audit to enumerate where and how the two percent insurance dues are used after their distribution to the DOC and WTCS, as it has been ten years since the last audit.

As legislators with strong ties to the emergency responder community, we know first-hand what an important role firefighters play in our society and have a deep appreciation for those on the front line of protecting the public. We need to ensure that the two percent fire insurance funds are indeed utilized according the needs of first responders in this post-9/11 world. This audit will provide the transparency that the public deserves, enabling us to assess and better serve the needs of our first responders, our citizens, and our state.

Thank you for your attention to this request.

Sincerely,


Judith B. Robson
State Senator
15th Senate District


Chuck Benedict
State Representative
45th Assembly District

cc: Jan Mueller, State Auditor



State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

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August 8, 1996

Senator Kimberly M. Plache and
Representative Mary A Lazich, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Plache and Representative Lazich:

We have examined questions raised by Representative Sheryl Albers and Representative Stephen Freese concerning the use of 2 percent fire insurance dues by the Division of Safety and Buildings within the Department of Commerce, and formerly within the Department of Industry, Labor and Human Relations. Insurers doing business in Wisconsin are required by statute to pay an amount equal to 2 percent of all fire insurance premiums received in the prior calendar year to the Office of the Commissioner of Insurance. Most of these funds are transferred to the Department of Commerce, which distributes them to local municipalities for local fire department training, equipment purchases, and fire prevention programs; however, a portion of the amount collected from fire insurers is appropriated to fund the Fire Protection program. The Fire Protection program provides technical assistance to local fire departments and conducts periodic audits to determine whether local fire inspection programs are in compliance with state requirements. In fiscal year (FY) 1995-96, \$510,182, or 6.5 percent, of \$7.8 million in fire dues expenditures supported the administrative costs of this program, according to preliminary figures.

Some members of the fire fighting community have questioned whether other programs within the Division of Safety and Buildings have inappropriately benefited from Fire Protection program funds. Specifically, some are concerned that Fire Protection program funds have been used to support activities and purchases in other of the Division's programs.

We found little evidence indicating that Fire Protection program funds have been used to pay salaries or to purchase equipment and printed materials for other programs within the Division. However, we did find that program staff should take steps to better manage the inventory of minor equipment. Such steps could have prevented them from failing to locate one of six facsimile machines and one of five video cameras purchased in FY 1994-95. In addition, improved planning may have prevented the printing of over 500 sets of state building code books that were not distributed to local fire departments because they had become obsolete.

In conducting this review, we identified a number of other program management issues that we did not address because of our current workload. As our workload permits, we may conduct an expanded evaluation of the Fire Protection program and analyze these issues further.

Senator Kimberly M. Plache
Representative Mary A. Lazich
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August 8, 1996

We appreciate the courtesy and cooperation extended to us by Department of Commerce staff and members of the fire fighting community.

Sincerely,



Dale Cattanaach
State Auditor

DC/JF/ce

cc: Representative Sheryl K. Albers

Representative Stephen J. Freese

Secretary William J. McCoshen
Department of Commerce

FIRE PROTECTION PROGRAM

Section 601.93, Wis. Stats., requires any insurer conducting business in Wisconsin to pay, to the state Commissioner of Insurance, fire insurance dues equal to 2 percent of the amount of all fire insurance premiums received in the prior calendar year. The majority of these funds are transferred to the Department of Commerce, to be disbursed to local municipalities to fund local fire department training, equipment purchases, and fire prevention programs. In addition, the Legislature appropriates funds to the Wisconsin Technical College System (WTCS) for fire inspection training, and to the Department of Commerce for administering the Fire Protection program, which was established to improve the prevention efforts of local fire departments.

In addition to distributing aids, the program has two other primary purposes. First, it provides information, technical support, and a limited amount of training to local fire department personnel. Second, it conducts periodic audits of local fire departments, primarily to determine whether fire inspection programs are in compliance with state requirements. According to s. 101.575, Wis. Stats., local departments whose inspection programs do not meet state standards could, after a one-year grace period to correct noted deficiencies, be disqualified from receiving 2 percent fire dues aids.

Program Structure

The Fire Protection program has 7.6 authorized full-time equivalent (FTE) positions consisting of four fire protection coordinators and an auditor, each working in the field; two program assistants; and a 60-percent time manager. One fire protection coordinator position and one program assistant position are currently vacant. In addition to conducting audits, staff activities include providing state building code interpretations for local fire inspectors, working one-on-one with inexperienced inspectors, and holding county-wide seminars to inform local fire inspectors of changes to relevant state building and structure codes.

As shown in Table 1, preliminary figures indicate that Fire Protection program expenditures represent 6.5 percent of all 2 percent fire dues expenditures in fiscal year (FY) 1995-96. Since FY 1992-93, they have represented 6.4 percent of all 2 percent fire dues expenditures.

Table 1

Two Percent Fire Dues Expenditures

<u>Fiscal Year</u>	<u>1992-93</u>	<u>1993-94</u>	<u>1994-95</u>	<u>1995-96*</u>
Local Aids	\$6,078,007	\$6,280,344	\$6,838,673	\$6,773,881
Fire Protection Program	422,736	489,294	510,159	510,182
WTCS	<u>651,587</u>	<u>649,741</u>	<u>667,911</u>	<u>522,588</u>
Total	\$7,152,330	\$7,419,379	\$8,016,743	\$7,806,651

* Preliminary. Final expenditures, which are expected to increase will not be available until October 1996.

As shown in Table 2, \$195,610, or 38.3 percent of all FY 1995-96 program expenditures, consisted of non-payroll costs.

Table 2

**Fire Protection Program Expenditures
FY 1995-96**

Salaries	\$228,722
Fringe Benefits	85,850
Materials and Supplies	195,610
Capital	<u>0</u>
Total	\$510,182

Table 3 shows, in greater detail, Fire Protection program materials and supplies expenditures in FY 1995-96. While no equipment purchases were made in FY 1995-96, printing, contractual services, rent, and travel and training costs accounted for 68.9 percent of materials and supplies expenditures.

Table 3

Materials and Supplies Expenditures
FY 1995-96

Travel and Training	\$ 27,199
Telecommunications	19,801
Rent and Lease	13,585
Maintenance and Repair	387
Utilities	148
Contractual Services*	74,132
Postage/Freight/Handling	13,898
Subscriptions/Dues/Memberships	3,124
Advertising/Miscellaneous Services	1,113
Insurance	995
Printing	19,866
Supplies	<u>21,362</u>
Total	\$195,610

* Includes \$42,293 in charges to the program for services provided by other divisions within the Department.

While Fire Protection program revenues are intended to fund only program-related activities, some have questioned whether other programs in the Department's Division of Safety and Buildings benefit from this funding source. Specifically, some believe that the Division, through equipment purchases, overhead charges, and other transactions, has supported the activities of other programs with Fire Protection program funds.

Use of Administrative Funds

In conducting our review of the Division's use of Fire Protection program funds, we reviewed both salary and non-salary expenditures for FY 1993-94 through FY 1995-96. Our review of salary expenditures focused primarily on the methods of distributing salary costs to the program, with a limited review of specific individual salaries that are charged to the program. Non-salary expenditures consisted of 3,549 transactions recorded over the three-year period. Our analysis focused primarily on allocation of overhead costs, equipment purchases, and printing costs.

Allocating Overhead Costs

Overhead costs are those costs which, although necessary for operation, are not directly related to a particular program. The Department's accounting system provides for the accumulation and distribution of these costs at several levels, including individual programs. While this system is complex and difficult to track, we found that overhead charges made to the Fire Protection program are consistent with those of at least two other similar-sized programs within the Division of Safety and Buildings.

Each division in the Department contains several cost units, called centers, that in turn contain several projects or programs to which overhead costs are allocated. The Department allocates three basic types of overhead costs to programs:

- payroll costs of the cost center/division not related to a particular project;
- non-payroll costs for items, such as office supplies, used by several projects within the cost center/division; and
- services, such as processing invoices for payment, provided by other divisions to a number of projects within a division.

Different methods are used to allocate each of these costs among programs. Payroll overhead costs, such as time charged to activities that are not related to specific programs, are allocated to cost centers and projects based on the ratio of hours worked by department staff for the project to total hours in the cost center. For example, projects in all cost centers within a division are charged for a portion of the vacation and sick leave used by the Division Administrator.

Similarly, non-payroll expenditures for items not directly related to a particular project, such as space rental, are charged to programs based on the ratio of hours worked by department staff for the project to total hours in the cost center. Overhead costs related to services provided by other divisions are allocated based on a fixed rate per FTE positions assigned to the project. The Department calculates program FTE positions monthly based on time reports submitted by staff.

According to department staff, the procedures used to allocate overhead costs to the Fire Protection program are the same as those for all programs. Table 4 compares payroll, fringe benefit, and non-payroll overhead costs for the Fire Protection, Elevator Inspection, and Boiler Inspection programs within the Division of Safety and Buildings in FY 1994-95. As can be seen in Table 4, the overhead costs per FTE position charged to each of the three programs are substantially the same.

Table 4

**Comparison of Overhead Charges
Fire Protection, Elevator Inspection, and Boiler Inspection
FY 1994-95**

<u>Charge</u>	<u>Fire Protection</u>	<u>Elevator Inspection</u>	<u>Boiler Inspection</u>
Personnel Costs*	\$16,791.94	\$ 36,042.68	\$ 31,261.62
Fringe Benefits	6,065.89	12,684.44	11,014.84
Non-personnel Costs	<u>59,190.91</u>	<u>125,475.97</u>	<u>109,631.86</u>
Total Charges	82,048.74	174,203.09	151,908.32
Positions**	5.95	12.47	10.89
Charge per Position	\$13,789.70	13,969.77	13,949.34

* Includes charges for vacation and sick leave allocated to the division and cost center overhead, but does not include charges for vacation and sick leave allocated to non-overhead projects within the cost center.

** Includes those FTE positions charged directly to non-overhead projects within the cost center and positions allocated to the non-overhead projects for vacation and sick leave.

Because overhead charges to the fire protection program are similar to those of at least two other programs within the Division of Safety and Buildings, it appears that the Department's method of allocating overhead charges is consistent.

Equipment Purchases

Over the last three state fiscal years, equipment purchases equaled 5.9 percent of all non-payroll Fire Protection program expenditures. As shown in Table 5, the Fire Protection program purchased several pieces of equipment for staff both in the central office in Madison and in the field. While some items, such as computers, a laser printer, and a facsimile machine, are available for use by other staff in the Division, we found no evidence suggesting that Fire Protection program funds were used to purchase equipment primarily for use by other programs. However, we believe the program should take steps to better manage its equipment resources.

Table 5

Significant Equipment Purchases
(FY 1993-94 through FY 1995-96)

<u>Item (Year)</u>	<u>Quantity</u>	<u>Total Cost</u>
Computers (1994)	7	\$12,257
Laser Printer (1994)	1	1,500
Modems (1994)	5	1,575
Field Printers (1994)	5	1,750
Palm Camcorders (1995)	5	3,534
Fax Machines (1995)	6	5,851
TV/VCR Units (1995)	5	<u>1,953</u>
Total		\$28,420

The majority of the items purchased, such as the TV/VCR units, modems, four of the six facsimile machines, field printers, and five of the seven computers, were assigned to the five field staff positions, including one vacant fire protection coordinator position normally stationed in the Waukesha field office.

The remaining two computers purchased in FY 1993-94 were assigned to central office staff: one was assigned to the program manager at the time, and the second to a program assistant who appears to have had Fire Protection program responsibilities. However, assignment records for one of these computers do not appear to be accurate. In addition, we found that the Division's inventory records did not adequately match computers by serial number to individual Fire Protection program staff. One reason for this is computers were distributed to field staff before inventory numbers were assigned.

Without accurate computer assignment and inventory records, it is difficult for the Division to:

- verify which staff have possession of computers purchased with Fire Protection program funds; and
- distinguish computers that are state-owned from the personal property of staff, especially because some personnel in the Division, including Fire Protection program field staff, maintain offices in their homes.

The Division, however, is currently taking steps to improve its computer inventory system.

Fire Protection program staff were unable to locate one of the palm-held video recorders and one of the facsimile machines because the Department does not keep records on its inventory system of the location of items that cost less than \$1,000, and these items were valued at less than \$1,000. Program staff have not maintained other documentation to identify which staff members are responsible for these items. The missing video recorder and facsimile machine both were to be delivered to the Waukesha field office, but program staff disagree over who was responsible for delivering the facsimile machine. Staff in the Waukesha office report the facsimile machine never arrived there, and they do not recall receiving the video recorder. Program staff in Madison and in the field reported that other pieces of equipment and office supplies have been lost in other years; however, there is no documentation of these instances.

Although a program-specific minor equipment inventory system is not required, the Fire Protection program could improve its ability to account for and manage its resources by implementing an inventory system of low-cost items. To strengthen controls and ensure accountability for the possession of program resources, we recommend the Fire Protection program maintain an inventory of lower-value equipment, such as facsimile machines, cameras, and TV/VCR units, and verify the inventory annually with a physical count. In addition, serial numbers on equipment should be verified when delivered to field offices, and field office staff should sign for the equipment as verification that it was received.

Of the seven computers purchased in FY 1993-94, two have since been replaced by more modern machines that were not purchased by the Fire Protection program. According to Division staff, new computers may be purchased by individual programs, such as Fire Protection, or with other state funds. It is the Division's practice to ensure that computer resources purchased by an individual program are assigned to staff within that program.

Some have questioned whether the Fire Protection program should retain computers purchased with program funds after replacements have been received. Under the Department's current equipment policies, as computers are replaced, they are treated as a division-wide resource regardless of the original source of funding. Replaced computers can be assigned to other staff, surplus, or used for parts. The Division is working toward establishing a one-to-one ratio of staff to computers to improve overall staff efficiency. Reassignment of some computers allows the Division to reach this goal.

Printing Charges

One of the means by which the Fire Protection program provides assistance to local fire departments is printing and distributing a number of items for their use. Printed items range from low-cost fire door labels to more expensive copies of state building codes. Over the last three fiscal years, the Fire Protection program has paid for copies of the state flammable and combustible liquid code, the state fire prevention code, and numerous copies of the state building code. While the Fire Protection program paid for and printed more sets of state codes than were necessary, we found no evidence indicating that other programs benefited from these

expenditures. In fact, program staff report that several hundred sets of state codes were destroyed early in 1996.

Most agree that it is appropriate for the program to print and distribute these materials, which assist local fire department fire prevention activities and state-required inspections of places of employment and certain dwellings. It appears, however, that the Fire Protection program has not established policies or guidelines regulating the frequency with which some codes are printed and distributed. As a result, too many sets of the state building code were printed over the last three fiscal years.

According to Fire Protection program staff, state building and other codes and division interpretations of them, called commentary, continually change. Therefore, each edition, or sections of it, can become obsolete within a year after being printed. For this reason, the Fire Protection program printed new editions of the state building code in each of the last three fiscal years. As shown in Table 6, the program has printed 2,400 copies of combined code and commentary and 1,500 copies of the code alone since FY 1993-94.

Table 6

**Fire Protection Program
State Building Code Printing History**

<u>Fiscal Year</u>	<u>Printed Item</u>	<u>Quantity</u>
1993-94	Code and Commentary	1,500
1994-95	Code and Commentary	900
1995-96	Code	<u>1,500</u>
Total		3,900

While approximately 875 fire departments in Wisconsin use these code books, program staff cannot document how many were distributed among local departments and staff. Former and current Fire Protection staff stated that the FY 1993-94 edition of the state building code and commentary and the FY 1995-96 edition of the state building code were distributed to local fire departments based on the following formula: three copies to each professional department, two copies to each combination professional and volunteer department, and one copy to each volunteer department.

Based on the number of professional, combination, and volunteer departments, approximately 1,000 sets would have been necessary for an initial mailing to all fire departments in each year

they were distributed. Program staff stated that the others were distributed to a number of sources, including:

- any department that requested additional copies;
- field staff, who maintain a supply to distribute to those who request them; and
- WTCS campuses, for use in firefighter training courses.

While we found little evidence to suggest that the FY 1993-94 and FY 1995-96 editions of the state building code were not distributed, it is difficult without documentation to determine how many sets were distributed to local fire departments, and what program staff did with the remaining 500 or more sets in each year. Therefore, it is impossible to determine how many of these state building code books were, in fact, distributed for program purposes.

The majority of the 900 sets of code and commentary, printed at a cost of \$2,600 during FY 1994-95, appear not to have been distributed to fire departments at all. Once they arrived in June 1995, it appears that they were placed in storage until late 1995 or early 1996. While program staff may have distributed up to 160 sets to fire departments, by the time they did so they had determined that the state building code and commentary had changed sufficiently to make the remaining sets obsolete. According to program staff, 100 sets of code and commentary were delivered to the Madison Area Technical College for educational purposes, and the rest were destroyed.

Although it is important to provide up-to-date materials to fire departments in a timely manner, the Fire Protection program printed and paid for more sets of state building codes than were needed to supply local fire departments and program staff. Currently, there are no established policies or guidelines relating to how often new state building codes or other codes will be printed and distributed. Because the codes and commentary are updated continually, sets of code printed every other year or every three years may be more meaningful, because each edition would capture more changes in the code. Since local fire inspectors rely on up-to-date code information, the Fire Protection program could continue to provide local departments with code update seminars and, if necessary, distribute written materials, such as the Wisconsin Building Code Report, explaining revisions as they occur.

To improve its ability to account for the resources it supplies to fire departments and to reduce the amount of unnecessary printing of state building and other code books, we recommend the Fire Protection program develop:

- records for the distribution of state building and other code books to fire departments, Wisconsin Technical College System, and field staff; and
- a time frame for when sets of state codes will be printed and distributed.

Additional Issues

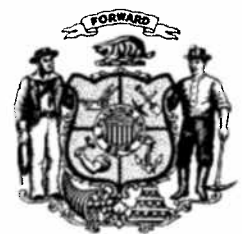
While conducting this review, a number of additional issues concerning the Fire Protection program came to our attention. These issues include:

- whether policies and procedures governing the manner in which fire protection coordinators provide technical assistance and training to local fire departments have been established and complied with;
- whether the Division has established adequate internal controls for reviewing staff expenses, such as for travel, cellular telephone use, and supplies;
- whether the Fire Protection program continues to provide necessary and valuable services to the fire fighting community;
- whether procedures exist to adequately support audit findings of compliance or noncompliance with state inspection requirements; and
- whether the current audit process is a meaningful mechanism to bring local fire inspection programs into compliance with state statutes.

As our workload permits, we may address these issues in an expanded evaluation of the Fire Protection program.



WISCONSIN STATE LEGISLATURE





WISCONSIN STATE LEGISLATURE

Joint Legislative Audit Committee

Committee Co-Chairs:
State Senator Jim Sullivan
State Representative Suzanne Jeskewitz

February 13, 2007

Senator Judy Robson
Room 211 South, State Capitol
Madison, WI 53707-7882

Dear Senator Robson,

Thank you for the request that you recently submitted to the Joint Audit Committee. This letter serves as confirmation of the request.

Each request submitted receives serious consideration. As conscientious legislators, we all welcome new ways to do things less expensively, more efficiently, and provide appropriate legislative oversight. Rep. Jeskewitz and I, as co-chairs of the committee, will meet regularly to discuss all requests. Shortly after the meeting, one of us will follow-up with you directly to let you know the status of your request.

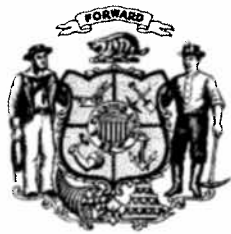
Thank you again for your request and we will be in touch soon.

Sincerely,

Senator Jim Sullivan
Co-Chairperson
Joint Legislative Audit Committee



WISCONSIN STATE LEGISLATURE





WISCONSIN STATE LEGISLATURE

Joint Legislative Audit Committee

Committee Co-Chairs:
State Senator Jim Sullivan
State Representative Suzanne Jeskewitz

March 9, 2007

Senator Judith Robson
211 South, State Capitol
Madison, Wisconsin 53702

Representative Chuck Benedict
306 West, State Capitol
Madison, Wisconsin 53702

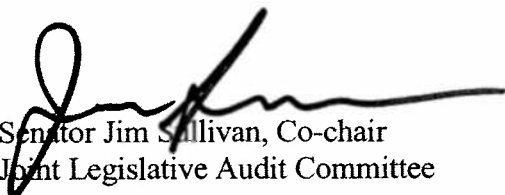
Dear Senator Robson and Representative Benedict:

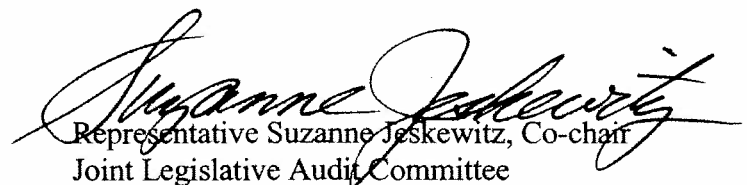
Thank you for your letter, dated January 31, 2007, requesting that we direct the Legislative Audit Bureau to review the expenditure of the two percent fire insurance dues collected by the Office of the Commissioner of Insurance.

After discussing the request with the State Auditor, we have directed the Legislative Audit Bureau to conduct a limited-scope review of this program that would specifically focus on the expenditures made by the Department of Commerce and the Wisconsin Technical College System. At our request, Bureau staff will contact agency staff who administer the program, analyze program expenditures, and prepare a brief report on their findings.

If you have any additional questions or concerns, please contact our offices.

Sincerely,

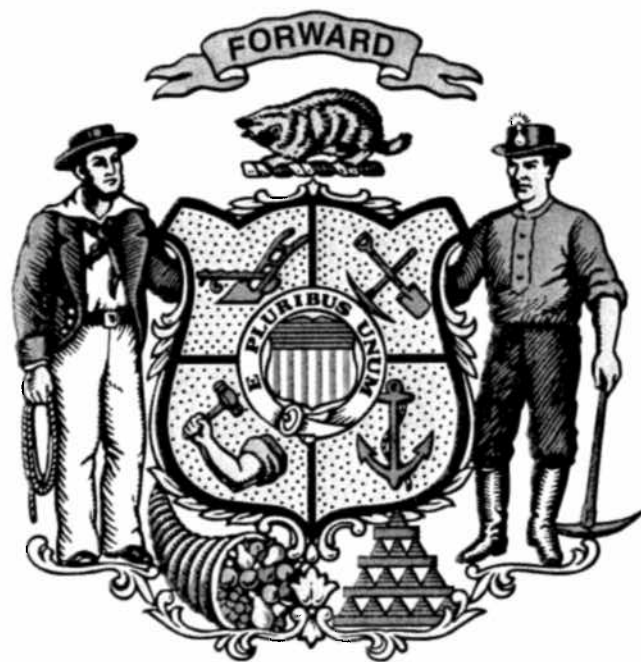

Senator Jim Sullivan, Co-chair
Joint Legislative Audit Committee


Representative Suzanne Jeskewitz, Co-chair
Joint Legislative Audit Committee

cc: Ms. Mary Burke, Secretary
Department of Commerce

Mr. Daniel Clancy, President
Wisconsin Technical College System

Ms. Janice Mueller
State Auditor





Wisconsin State Fire Chiefs Association

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June 14, 2007

Senator Jim Sullivan
Representative Susan Jeskewitz, Co-Chairpersons
Joint Legislative Audit Committee
State Capital
Madison, WI 53702

Dear Senator Sullivan and Representative Jeskewitz:

The Wisconsin State Fire Chiefs Association (WSFCA) has reviewed the final report of the Legislative Audit Bureau on the 2% Fire Department Dues Program as reported by State Auditor Janice Mueller. Obviously, as fire chiefs we have a keen interest in how these monies are spent, and therefore respectfully submit the following comments for your consideration as they relate to the Wisconsin Technical College System (WTCS) and the Department of Commerce (DOC).

The report did an excellent job of specifying how the fire dues funding is initiated and how the gross dollars are distributed. It also provided a general overview of how the Department of Commerce and the Wisconsin Technical College System spends their portions of the fire dues revenue.

As the fire service in Wisconsin is the primary customer for both of these agencies, the WSFCA is very interested in a cost/benefit audit of how these agencies spend these monies. For example, it was noted that WTCS administrative costs to run the program increased nearly 62% from FY 2003-2004 to FY 2005-2006 primarily due to a move to new offices. Was a 62% increase really a necessity to accomplish this move?

During the same timeframe, the WSFCA met with WTCS officials to discuss serious customer service needs that were not being met from our perspective. For example, we would like some input on to how and when course curricula is updated. We have offered resources and support to accomplish this, yet have been ignored. Some courses are currently being taught with one curriculum, yet tested based on a totally different one. It makes no sense. There appears to be preferential consideration given to individuals to address these issues, rather than people like the fire chiefs, who are ultimately responsible for having trained firefighters ready to respond!

To date, we have never been provided with any sort of acceptable response from the Wisconsin Technical College System administrator, including a request for a detailed line-item accounting of their budget, which should be public information.

Over the past three FY's, the WTCS has had unspent funding equal to 52%, 78% and 70% of their total funding respectively. Spending increased 66% in FY 2005-2006 (noted as due to Milwaukee Fire Department training – one department's influence, albeit a major department). In our eyes, this represents either poor planning or lack of customer input which would help designate funding to identifiable training needs.

The Department of Commerce's budget for administrating the fire dues program is equally perplexing. Supplies were up 35%, training/travel was up 16% - each of which could lend credence to increased customer service – yet printing is down 15% and the "miscellaneous" budget line is up a whopping 72%!

Again, the WSFCA has had what we feel are significant customer service issues that are being ignored by the Department of Commerce in favor of their own internal agenda in administrating these dues. We have received a general budget/expenditure report, but have not been provided with a line-item detail of their budget spending either.

We have heard unsettling stories of fire dues monies being spent very freely on office equipment that benefits other internal state agencies. We have heard stories of equipment being updated before the need, simply because the money is there.

To be sure, these are indeed stories heard through the "grape vine," and as administrators we are trained to not give credence to this type of gossip. However, when inquiries are stonewalled, responses vague or calls not returned while a rift develops between a state agency and the service for which it was created to serve, how can a relationship of trust be developed?

As municipal fire chiefs, every dollar we spend is accountable to the taxpayer, the customer. General, vague answers simply do not cut it when we respond to our city councils, town or village boards. Yet this is exactly how both the Department of Commerce and Wisconsin State Technical College system offices are treating their customer – the Wisconsin Fire Service.

The audit report is pretty black and white and generally informative on the surface. But it stops short of the real issue of accountability we are seeking from both of the state agencies that are the caretakers of, and benefit from, the 2% fire dues.

You will recall that the genesis of the 2% fire dues was to help fire departments implement and sustain fire prevention inspection and educational programs, as well as preparedness training for our State's firefighters. Somewhere the spirit of this charge has been lost – and it hasn't been on the part of the fire departments across this great state. It is being lost in the bureaucracy of state politics and agency administration – ultimately to

the detriment of the citizen who relies of their fire department for a multitude of emergency response needs!

If there are any unspent dollars at the end of a financial year, then they should be equally distributed to the fire departments across the state. Departments desperately need this funding, particularly in light of revenue restrictions that are being placed through property tax limits by the State!

Another avenue would be to spend these monies on mutually agreed upon training equipment for the State's technical colleges. All fire departments support their local fire service training coordinator, and recognize that equipment is essential for successful training. Let these agencies work together to spend those dollars wisely for training!

Our fear is that any unspent monies will **not** go to the fire departments or to worthwhile training equipment, but rather be hastily spent or tapped to support other budget-strapped state agencies. There will be an attempt to justify such fund transfer to other agencies through a 'tie-in' of some sort to the fire departments mission. State legislation may be asked to be changed to facilitate this move.

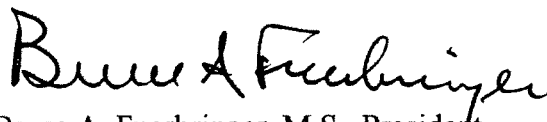
To be clear, we do support other important state agencies such as Emergency Medical Services (EMS), the Department of Justice Assistance and Homeland Security Agencies. The majority of fire departments across the state are volunteer services that do not have an ambulance service, or may not have homeland security specialized teams – yet still must respond to fires, educate their citizens and provide fire safety inspections. And the current fire dues distribution formula does not yet cover the full cost of just the fire inspections that are mandated annually!

We do not feel that fire departments should be made to suffer due to less-than-adequate management of a well-established program such as the 2% fire dues program that was created to financially assist fire departments in their service to the citizen!

Thank you for supporting the general audit of the Fire Department Dues Program. We hope that 1) a more specific audit of the Department of Commerce and Wisconsin Technical College System targeting the spending of Fire Department Dues Program money can be initiated, and 2) that the fire service, who is the primary customer for both these administrative agencies, be provided with an opportunity for meaningful input on how these monies are being spent.

We appreciate your consideration in this most important fire safety issue!

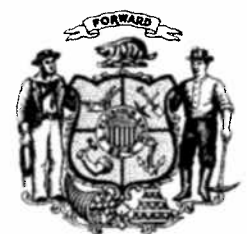
Sincerely,

A handwritten signature in black ink that reads "Bruce A. Fuerbringer". The signature is written in a cursive style with a large initial "B".

Bruce A. Fuerbringer, M.S., President
Wisconsin State Fire Chiefs Association



WISCONSIN STATE LEGISLATURE





WISCONSIN STATE LEGISLATURE

Joint Legislative Audit Committee

Committee Co-Chairs:
State Senator Jim Sullivan
State Representative Suzanne Jeskewitz

July 12, 2007

Mr. Daniel Clancy, President
Wisconsin Technical College System
4622 University Avenue
Madison, Wisconsin 53705

Ms. Mary Burke, Secretary
Department of Commerce
201 West Washington Avenue, 6th Floor
Madison, Wisconsin 53703

Dear Mr. Clancy and Ms. Burke:

At our request, the nonpartisan Legislative Audit Bureau completed a limited-scope review of how the Department of Commerce and the Wisconsin Technical College System (WTCS) have spent funds from the Fire Department Dues Program in recent years. This review was published by the Bureau as a letter report in April 2007.

We recently received written correspondence from the Wisconsin State Fire Chiefs Association that comments on the Bureau's findings. This letter, which is enclosed for your review, raises a number of issues about budget and expenditure trends pertaining to the Fire Department Dues Program as administered by both Commerce and WTCS. The letter also suggests that the Association is dissatisfied with the information your agencies have provided in the past on budgets and expenditures. Therefore, we invite your careful review of the enclosed letter and ask each of you to report to us, in writing, by July 31, 2007, with any additional information you believe would respond appropriately to these issues.

Thank you for your cooperation. We look forward to receiving your reports.

Sincerely,

Senator Jim Sullivan, Co-chair
Joint Legislative Audit Committee

Representative Suzanne Jeskewitz, Co-chair
Joint Legislative Audit Committee

Enclosure

cc: Bruce A. Fuerbringer, President
Wisconsin State Fire Chiefs Association

Janice Mueller
State Auditor





July 31, 2007

Senator Jim Sullivan and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, WI 53702

Dear Senator Sullivan and Representative Jeskewitz:

This letter is in response to your July 12, 2007 correspondence requesting additional information regarding the *Fire Department Dues Program* letter report. Specifically, you asked us to respond to the issues raised in a letter you received from the Wisconsin State Fire Chiefs Association.

The first issue is regarding the 61.3 percent increase in administrative expenditures from FY 2003-04 to FY 2005-06 identified by the Audit Bureau. As noted in the report, the primary reason for this increase was the System Office's move to a new facility in April 2006. That move was required by the Department of Administration (DOA) in order to more fully utilize unoccupied State owned office space rather than continuing to have the WTCS lease privately-owned office space. Accordingly, DOA renovated a portion of the former Department of Revenue building in Madison as our new offices. The letter report provides detailed information on the Fire Services' expenditures related to that move, including the purchase of office furniture, a file storage system, and supplies. The expenditures associated with the move were funded by all WTCS cost centers as appropriate, including general purpose revenue, federal grant funds, and program revenue appropriations such as Fire Service, based on office space usage.

The second issue is the level of input into curricula development. There are multiple stakeholders of Fire Service training within the State of Wisconsin, and we have established several mechanisms to ensure that these stakeholders provide advice and support regarding the training of fire fighters. The most prominent mechanism is the Fire Service Advisory Committee that we established several years ago to provide recommendations, feedback and support to the WTCS as it relates to educational, training, testing, and certification delivery in the Fire Service program. Broad participation on the committee was established with representation from the following stakeholder groups:

- Emergency Medical Services
- Madison Fire Department
- Milwaukee Metro Fire Department
- Office of Justice Assistance
- Professional Fire Fighters of Wisconsin
- Technical College District Fire Service Coordinator
- Wisconsin Emergency Management
- Wisconsin Fire Inspector Association
- Wisconsin Department of Natural Resources
- Wisconsin Society of Fire Service Instructors
- Wisconsin State Firefighters Association
- Wisconsin State Fire Chiefs Association

Daniel Clancy, President

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Moreover, to ensure that the fire training provided meets industry standards, WTCS has voluntarily sought and received accreditation by the International Fire Service Accreditation Congress, a peer driven, self-governing system that accredits both fire service certification programs and higher education fire-related degree programs. Furthermore, the curriculum is derived from National Fire Protection Association Standards and vetted with subject matter experts from around the state through three separate committees (Fire Officer I, Fire Inspector I, and Fire Fighter I & II Certification Practical Exam). It is also important to note that 12 of the 19 current members of these committees are either Fire Chiefs, Deputy Chiefs, or retired Chiefs.

The third issue raised in the letter is the desire for more detailed budget information. The Fire Service program is funded through two appropriations, one for administration of the program by the System Office and the other for local assistance to the 16 technical college districts that provide the training. Table 5 of the Audit Bureau's report provides the appropriation amounts over six years. Like most State agencies, the largest budget categories for administrative appropriations are salaries, fringe benefits, and supplies and services. In FY 2006-07, WTCS was appropriated \$434,200 for administration of the Fire Service program and budgeted \$167,900 for salaries, \$84,400 for fringe benefits, and \$181,900 for supplies and services.

In addition to budget information, Table 6 of the report and its supporting language provides significant detail on how the Fire Service funds were expended and analyzes changes over the past three fiscal years. For example, the report notes that in addition to the expenses for moving to a new facility discussed above, the WTCS experienced increased lease payments to DOA for the new facility, purchased scanning equipment and training to convert paper records into electronic records due to limited storage space in the new facility, and paid for the printing of new hazardous materials publications. In addition, the Audit Bureau found that overhead paid by the WTCS amounted to only 3.6 percent of administrative expenditures related to the Fire Service program in FY 2005-06.

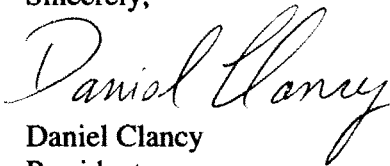
Finally, there appears to be some confusion over the \$308,000 in unspent funds identified in Table 7 of the report. I want to reiterate the point made by the Audit Bureau; that these funds are not part of the local training assistance appropriation, but instead are part of the administration appropriation. As shown in Table 8 of the report, all but \$200 of the \$1.8 million appropriated for local training assistance was distributed over the past three fiscal years. On the other hand, the \$308,000 in the administration appropriation has accumulated over several years and can not be spent without the approval of the Joint Committee on Finance (JFC). Historically, these unspent funds have been used to cover the cost to purchase more expensive training equipment for the districts. For example, in FY 1998-99, the JFC approved using the unspent funds in this appropriation to construct "splashboard" training structures at the technical college districts.

The Fire Chiefs Association expressed concern that that these unspent funds may be used by policymakers to support budget-strapped state agencies rather than the Fire Service. We share their concern. Accordingly, it is important to point out that the JFC recently voted to allow the WTCS to request expenditure authority under §16.515 *Wis. Stats.*, to use the \$308,000 for fire fighter training equipment by the end of FY 2007-08. Consequently, we intend to obtain final JFC approval to upgrade the technical college districts fire fighter training equipment in the coming months. It should also be noted that under the JFC action, in future years any unspent funds in the administration appropriation would lapse back to the fire dues distribution appropriation.

Senator Jim Sullivan and
Representative Suzanne Jeskewitz, Co-chairpersons
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July 31, 2007

I would like to again thank you for your continued support of the Wisconsin Technical College System. If you have any further questions regarding this matter, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Daniel Clancy".

Daniel Clancy
President

DC:JEZ:kss

cc: Janice Mueller, State Auditor
Bruce A. Fuerbringer, President, WI State Fire Chiefs Association





commerce.wi.gov

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(608) 266-1018
TDD #: (608) 264-8777

Jim Doyle, Governor
Mary P. Burke, Secretary

August 1, 2007

The Honorable Jim Sullivan
Co-Chairperson
Joint Legislative Audit Committee
Room 15 South, State Capitol
Madison, Wisconsin 53707-7882

The Honorable Suzanne Jeskewitz
Co-Chairperson
Joint Legislative Audit Committee
Room 314 North, State Capitol
Madison, Wisconsin 53707-8952

Dear Senator Sullivan and Representative Jeskewitz:

Thank you for the opportunity to review and comment on the budget and expenditure issues shared with you by the Wisconsin State Fire Chiefs Association, in response to the Legislative Audit Bureau's limited-scope review of the Fire Department Dues Program. The Legislative Audit Bureau's report was very thorough and timely. We appreciated the Audit Bureau's efforts in conducting the review and in preparing the report. We worked cooperatively with Bureau staff in providing information and responding to their inquiries. We understand that the Wisconsin Technical College System will respond to their specific budget and expenditure issues in a separate letter.

We were rather surprised to read the comments and views expressed in the letter from the Fire Chiefs Association, specifically in view of our regularly-scheduled on-going consultations with the organization. The time period covered by the Audit Bureau review was from FY 04 to FY 06. During this period, the Department of Commerce staff held quarterly joint meetings with the Fire Chiefs, Fire Inspectors and Firefighters Associations, and we continue to hold these meetings. We have listened to, discussed, and tried to address their concerns. In view of this well-established framework of open consultation, it is perplexing to learn that the Fire Chiefs assert their requests have been "stonewalled." We have provided information on the Fire Dues Program budget and expenditures. In fact, the Fire Chiefs posted the information we provided them on their web-site. We have always been more than willing to share specific line-item details on the Fire Department Dues Program budget, and we will continue to welcome and respond to specific line-item expenditure requests in the future. Thus far, in the course of our discussions, the Association representatives have not expressed the depth of concern and dissatisfaction with the Department's administration of the Fire Dues Program as is conveyed in the letter.

The Fire Chiefs state that they have heard unsettling stories of fire dues monies being spent very freely on office equipment that benefit other internal state agencies. As we have reviewed this audit and the Fire Chiefs' letter, the allegation is simply inaccurate and untrue. The Department of Commerce takes the statutory responsibility for the Fire Department Dues Program, and the expenditures necessary to administer it, very seriously. We, too, are accountable to the taxpayers! We have made expenditures in accordance with state statutes and to address specific program needs.

We were also rather surprised at the comments about budgeting and the use of funds, especially the updating of office equipment "before the need," in view of recent legislation. 2003 Act 219, which became effective relatively early in this review period, April 23, 2004, specifically directed the Department to promulgate administrative rules defining "administrative expenses." The Department held hearings on these administrative rules before they became effective. The Department has been extremely sensitive to the concerns of the Fire Service community, and has administered the Fire Dues Program in accordance with state statutes. Equipment replacements, such as those for laptop computers utilized by the Fire Safety Coordinators, are replaced according to the Department-wide policy of replacing equipment upon warranty expiration.

2003 Act 219 also changed the eligibility standard for the payment of fire dues to a city, village, town or fire department. Prior to the act, a locality had to be in "total" compliance with the requirements set forth under ss. 101.575 (6) and 101.14 (2), Stats. Act 219 changed the eligibility standard to read, "In substantial compliance" with the program standards. The Fire Chiefs supported this act, and thus, this change. Presently, local officials on an annual basis submit a form certifying that the fire department is in "substantial compliance" with the program requirements. Each year, the Department of Commerce distributes the fire department dues to eligible local units, based on a statutory established process. By May 1 of each year, the Office of the Commissioner of Insurance reports to Commerce on the amount of the fire dues paid by insurers that is available for distribution. There is no discretion involved in allocating the total amount of the fire dues payments that are available for distribution to eligible local units. As the Audit Bureau identified in its report, the Department awarded grants to municipalities in the amount of \$13,153,700 in FY 04, \$13,332,500 in FY 05 and \$14,572,500 in FY 06.

We do not agree, as the Fire Chiefs state, that the "spirit of the charge" to help fire departments implement and sustain fire prevention inspection has been lost at the state level. The Department of Commerce has worked in partnership with other state agencies, most recently with the Legislative Fiscal Bureau, to ensure that the maximum amount of funding is available for distribution to eligible local units. During the recent Joint Committee on Finance action on 2007 Senate Bill 40 (the biennial budget bill), the Department of Commerce worked carefully with the Legislative Fiscal Bureau to ensure that the fire dues awards appropriation reflects anticipated revenues. The Committee re-estimated the appropriation to \$14,870,000 in FY 09. The funding available through the Chapter 20 budget schedule for distribution locally has increased from \$9,554,000 in FY 00 to \$14,870,000 in FY 09.

With respect to the specific budget-related expenditure concerns of the Wisconsin State Fire Chiefs Association, it is important to note that the overall trend for the Department of Commerce's expenditures in the administration of the fire department dues program is declining, after taking into account adjustments for salaries and fringe benefits. In FY 04, the Audit Bureau notes administrative expenditures of \$717,000, while in FY 06 it notes expenditures of \$641,900. The reduction in administrative expenditures has provided additional funding for awards to local fire departments.

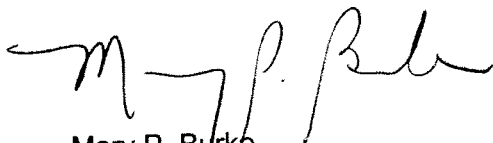
The Fire Chiefs' letter expressed a particular concern that the printing expenditures had decreased by 15%, while expenditures indicative of increased customer service, such as supplies and training/travel, had increased. We assume this percentage represents the \$3,800 decrease in expenditures from \$25,700 in FY 05 to \$21,900 in FY 06. The reason for the reduction in printing expenditures is that in FY 06, the Fire Dues Program began utilizing a "print and mail" service for large mailings. These costs are coded to the "miscellaneous" category, rather than the printing category. This partially explains the increase in "miscellaneous" costs in FY 06. We have also found that individuals are increasingly retrieving documents via the Internet, rather than ordering paper copies.

The Fire Chiefs also expressed concern that the "miscellaneous" line is up 72%. It is not clear which expenditures were used in this calculation. In FY 04, the expenditures were \$29,700, while they were \$12,300 in FY 05 and \$17,000 in FY 06. "Miscellaneous" expenditure items include: dues and subscriptions, mailing expenses, post office box rental costs, meeting-related expenses, and print and mail service charges. There are two reasons for the overall decrease from FY 04 to FY 06. First, in FY 04, the mailing costs were \$13,803, compared with costs of \$9,334 in FY 05 and \$6,159 in FY 06. In FY 04 there were increased mailing costs related to the distribution of the fire prevention code.

Second, the State has moved to a new and more efficient purchasing system. It allows a program area to direct charge an expenditure, such as a fee charged for renting a meeting space or for a conference registration, rather than processing a lengthy purchase order request. The Fire Service Program moved into this system in FY 05. As a consequence, some purchases that previously would have been posted to the "Miscellaneous" line were now made utilizing the direct charge system with the expenditures posted to the "Supplies" line.

The Wisconsin State Fire Chiefs Association raised a number of concerns. We have tried to focus on their primary issues. Thank you again for the opportunity to respond to these issues and concerns. If you have any further questions, I will be pleased to address them.

Sincerely,



Mary P. Burke
SECRETARY

cc: Janice Mueller, State Auditor



July 31, 2007

Senator Jim Sullivan and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, WI 53702

Dear Senator Sullivan and Representative Jeskewitz:

This letter is in response to your July 12, 2007 correspondence requesting additional information regarding the *Fire Department Dues Program* letter report. Specifically, you asked us to respond to the issues raised in a letter you received from the Wisconsin State Fire Chiefs Association.

The first issue is regarding the 61.3 percent increase in administrative expenditures from FY 2003-04 to FY 2005-06 identified by the Audit Bureau. As noted in the report, the primary reason for this increase was the System Office's move to a new facility in April 2006. That move was required by the Department of Administration (DOA) in order to more fully utilize unoccupied State owned office space rather than continuing to have the WTCS lease privately-owned office space. Accordingly, DOA renovated a portion of the former Department of Revenue building in Madison as our new offices. The letter report provides detailed information on the Fire Services' expenditures related to that move, including the purchase of office furniture, a file storage system, and supplies. The expenditures associated with the move were funded by all WTCS cost centers as appropriate, including general purpose revenue, federal grant funds, and program revenue appropriations such as Fire Service, based on office space usage.

The second issue is the level of input into curricula development. There are multiple stakeholders of Fire Service training within the State of Wisconsin, and we have established several mechanisms to ensure that these stakeholders provide advice and support regarding the training of fire fighters. The most prominent mechanism is the Fire Service Advisory Committee that we established several years ago to provide recommendations, feedback and support to the WTCS as it relates to educational, training, testing, and certification delivery in the Fire Service program. Broad participation on the committee was established with representation from the following stakeholder groups:

- Emergency Medical Services
- Madison Fire Department
- Milwaukee Metro Fire Department
- Office of Justice Assistance
- Professional Fire Fighters of Wisconsin
- Technical College District Fire Service Coordinator
- Wisconsin Emergency Management
- Wisconsin Fire Inspector Association
- Wisconsin Department of Natural Resources
- Wisconsin Society of Fire Service Instructors
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The third issue raised in the letter is the desire for more detailed budget information. The Fire Service program is funded through two appropriations, one for administration of the program by the System Office and the other for local assistance to the 16 technical college districts that provide the training. Table 5 of the Audit Bureau's report provides the appropriation amounts over six years. Like most State agencies, the largest budget categories for administrative appropriations are salaries, fringe benefits, and supplies and services. In FY 2006-07, WTCS was appropriated \$434,200 for administration of the Fire Service program and budgeted \$167,900 for salaries, \$84,400 for fringe benefits, and \$181,900 for supplies and services.

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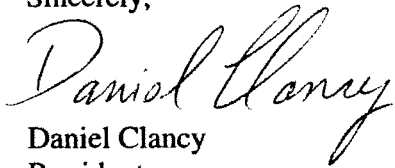
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Daniel Clancy
President

DC:JEZ:kss

cc: Janice Mueller, State Auditor
Bruce A. Fuerbringer, President, WI State Fire Chiefs Association