

Letter Report

Fire Department Dues Program

April 2007



Legislative Audit Bureau

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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.

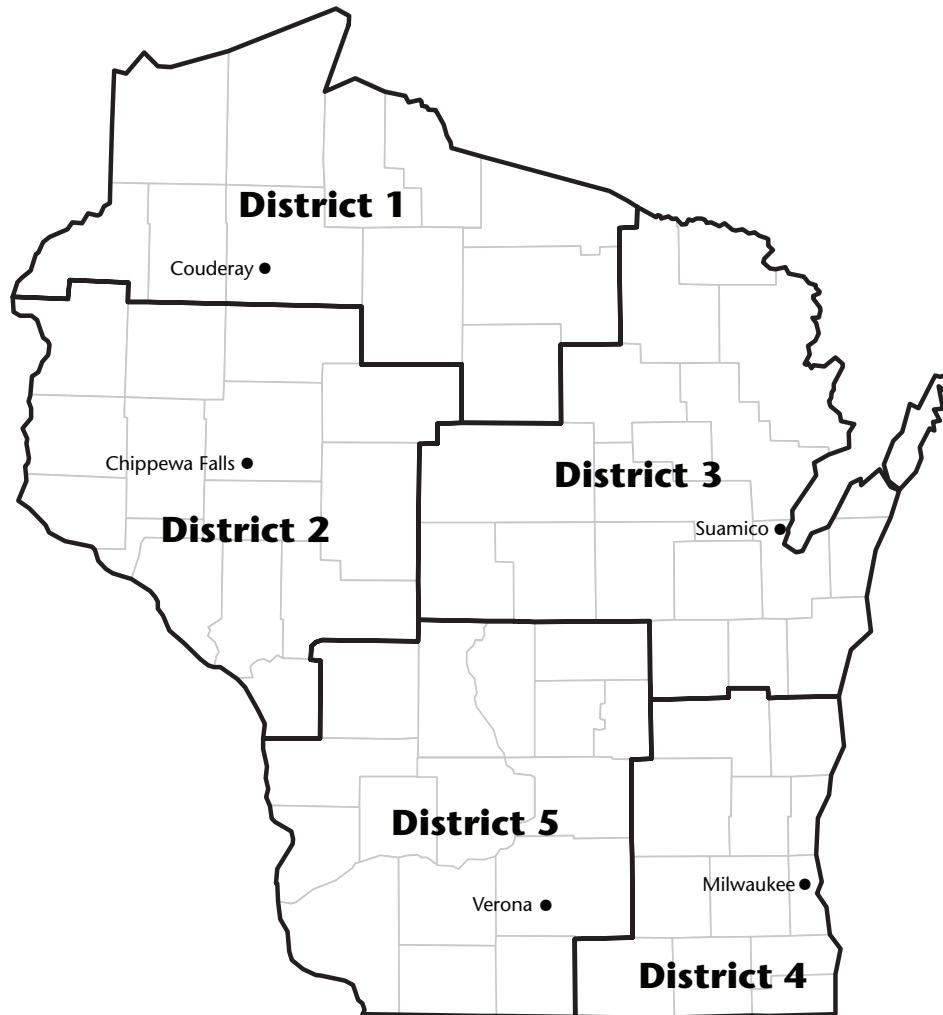
Because staffing costs accounted for the majority of Commerce's expenditures for administration of the program, we reviewed the responsibilities and accomplishments of staff funded through the program. To administer the program, Commerce is currently authorized 6.6 full-time equivalent (FTE) positions.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

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