Report 05-22
December 2005

An Evaluation

Volunteer Fire Fighter and Emergency Medical Technician Service Award Program

Department of Administration

2005-2006 Joint Legislative Audit Committee Members

LEGISLATIVE AUDIT BUREAU

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

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

State Auditor - Janice Mueller

Audit Prepared by

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

CONTENTS

STATE OF WISCONSIN
Legislative Audit Bureau

22 E. Mifflin St., Ste. 500
Madison, Wisconsin 53703
(608) 266-2818
Fax (608) 267-0410
Leg.Audit.Info@legis.state.wi.us

Janice Mueller
State Auditor

December 20, 2005

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

Dear Senator Roessler and Representative Jeskewitz:

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

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

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

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

Respectfully submitted,

Janice Mueller

Janice Mueller
State Auditor

JM/KW/ss

Report Highlights ▪

The program is funded by municipalities and with GPR.

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

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

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

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

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

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

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

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

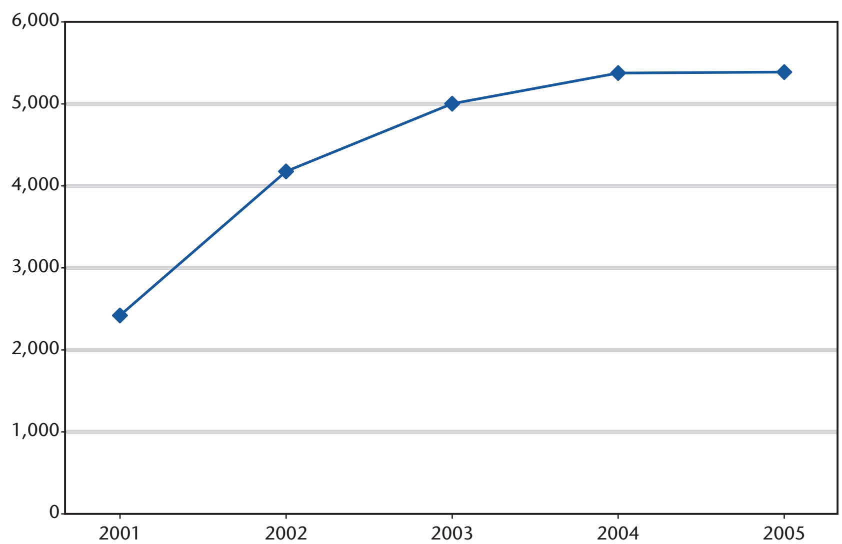
Participation and Funding

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

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

Figure 1

Individual Enrollments



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

Vendor Selection

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

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

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

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

Future Considerations

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

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

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

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

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

The Department of Employee Trust Funds (ETF), which administers the Wisconsin Retirement System, does employ staff with expertise in those areas. When 1999 Assembly Bill 187 was introduced to create the length-of-service award program, the program was to be attached to ETF for administrative purposes. However, ETF officials expressed concern about the adequacy of available funding to support program administration, and the board was instead attached to DOA.

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

Recommendations

Our report includes recommendations that the board:

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

☑ improve its annual reporting to the Legislature *(p. 31)*.

We also recommend that DOA:

☑ work with ETF to develop an interagency agreement that will make ETF staff available to assist the board during its next request-for-proposals process *(p. 29);* and

☑ report to the Joint Legislative Audit Committee by March 31, 2006, with a plan for conducting a request-for-proposals process that addresses concerns raised in this audit *(p. 29)*.

Finally, we recommend that the Legislature:

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

▪ ▪ ▪ ▪

Introduction ■

The length-of-service award program is intended to enhance recruitment and reduce turnover.

The length-of-service award program was created to offer a tax-deferred retirement benefit to volunteer firefighters and volunteer emergency medical technicians that would enhance recruitment, reduce turnover, and meet Internal Revenue Service requirements. The State does not administer the program. Instead, a board—created under s. 15.105(26), Wis. Stats., and attached to DOA for administrative purposes—is responsible for developing and managing contracts with private vendors that provide account administration, including investment services.

Program Creation and Structure

Fire protection services in Wisconsin are operated by cities, towns, or villages, or jointly by two or more municipalities. Municipalities may form public fire departments or fire companies, which are non-stock corporations organized under ch. 181, Wis. Stats. Unlike larger municipalities, which typically operate fire departments staffed by paid, full-time firefighters, many smaller Wisconsin municipalities operate with all-volunteer departments or companies, or with a combination of paid and volunteer firefighters. Reliable estimates of the current number of volunteers, which changes continually, were not available. However, of the 860 fire departments—including commissions, companies, or brigades—operating in Wisconsin as of August 2005:

- 703 departments (81.7 percent) operated exclusively with volunteers;
- 102 (11.9 percent) operated with a combination of paid and volunteer staff; and
- 55 (6.4 percent) operated with all paid staff.

Emergency medical services in Wisconsin are provided by ambulance services, which may be operated by municipalities, private for-profit or nonprofit entities, or tribes. Emergency medical personnel, who may be certified first responders or licensed emergency medical technicians, also may be volunteers. The Department of Health and Family Services, which tracks data for the 734 ambulance services operating in Wisconsin as of August 2005, does not identify which services are solely or primarily staffed by volunteers.

To address growing concerns about emergency services departments' ability to continue recruiting qualified volunteers and retaining highly trained volunteer firefighters and emergency medical technicians, the Legislature created the length-of-service award program in April 2000. While volunteer fire departments or ambulance services sometimes serve multiple municipalities, each department or service chooses one municipality through which it will participate in the program. Although emergency services departments in Wisconsin have operated similar programs independently for many years, these programs historically have not received state funding.

A board attached to DOA oversees the program, but private vendors administer it.

The program's board meets on an ad hoc basis. Its eight members are appointed by the Governor and include the DOA Secretary or his designee and seven other members who serve staggered three-year terms, including:

- a volunteer firefighter who is a member of the statewide organization representing fire chiefs;
- a volunteer firefighter who is a member of the statewide organization representing firefighters;
- a volunteer emergency medical technician;
- three members representing municipalities that use volunteer firefighters; and
- an individual with financial planning experience.

To date, the board has entered into contracts with three program vendors:

- Penflex, Inc., a pension plan, actuarial, and administrative firm located in Latham, New York;
- VFIS, Inc., a division of the Glatfelter Insurance Group of York, Pennsylvania, that provides insurance and consulting services for emergency services organizations; and
- The Advisory Group, Inc., a financial planning and employee benefit firm located in Appleton.

Initial vendor contracts covered a three-year period beginning in 2001 and included options for two one-year extensions.

Contracts with the two current program vendors expire in 2006.

As shown in Table 1, the board initiated one-year contract extensions with Penflex and VFIS in both 2004 and 2005. However, it did not extend its contract with The Advisory Group after the initial three-year period, citing the marketing of certain types of investment products and dissatisfaction with the vendor's administrative reporting. In anticipation of its contracts with the remaining vendors expiring in 2006, the board began planning a new request-for-proposals process in late 2005.

Table 1

Program Vendors

Vendor	Date of Initial Contract	Contract Extensions: Date of First Extension	Contract Extensions: Date of Second Extension	Expiration Date
The Advisory Group	09/05/2001	–	–	09/05/2004
Penflex	08/30/2001	08/30/2004	08/30/2005	08/30/2006
VFIS	09/05/2001	09/05/2004	09/05/2005	09/05/2006

In 2004 and 2005, the board conducted customer satisfaction surveys to measure participating departments' satisfaction with the program and program vendors. Specifically, the surveys were intended to evaluate vendor performance, ease of program use, and whether departments intended to remain with the vendor they initially selected. These surveys were used as part of the board's decision on extending vendor contracts.

Program Funding

Since 2002, DOA has provided $4.0 million of GPR matching funds for the program.

As shown in Table 2, as of September 1, 2005, $10.3 million had been contributed to the length-of-service award program to fund program benefits for eligible volunteers: municipalities have contributed $6.3 million on behalf of participating departments, while DOA matched $4.0 million of these contributions with GPR funds. Although the program was created by the Legislature in 1999, municipal contributions were not made until 2001, after the board had selected program vendors and had begun enrolling departments in the program.

Table 2

Length-of-Service Award Program Funding

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

[1] Includes contributions beyond the State's maximum match amount.
[2] State matching funds for prior year's municipal contributions.
[3] As of September 1. Municipal contributions are typically made in December each year.

In addition to making contributions toward program benefits, DOA has spent $104,000 for program operations since the program's inception. Program operations costs include funding for 0.1 full-time equivalent position dedicated to working with the program's board.

The program's financial assets—which reflect income from state and municipal contributions, as well as deductions for benefit distributions and investment income or losses—totaled $10,346,700 as of September 1, 2005. We reviewed the program's operations in greater detail to better understand fees charged to participating departments by vendors, and changes in the program's financial assets.

■ ■ ■ ■

Program Participation ■

Participating departments establish eligibility rules, and municipalities determine the amount they will contribute to each volunteer's account on behalf of participating departments. As of September 1, 2005, 5,388 volunteers from 182 participating departments were enrolled in the program. Through December 2004, a total of $255,200 in program benefits had been distributed to 68 participants or their beneficiaries.

Eligibility and Participation

Participating departments establish eligibility requirements for volunteers.

Public or private fire departments or ambulance services are eligible to participate in the program, provided they use volunteers. Participating departments define program eligibility requirements for their volunteers by establishing the amount of service required to be eligible for annual contributions. Because emergency calls are unpredictable and the number and duration of the calls can vary widely, it is difficult for departments to base eligibility solely on hours of volunteer service or the number of calls attended. As a result, many departments also consider training and other factors when determining eligibility. For example, the Village of Athens Fire Department uses a system under which volunteers receive points for participating in fire calls, fire drills, or other activities. Volunteers must accumulate 180 points during the year to be eligible for a program contribution.

Municipalities determine the amount they will contribute to program accounts on behalf of participating departments. While most contribute an amount that is equal to the maximum amount the State will match, contribution amounts can vary widely. For example, in 2004 the Town of Mercer and the City of Montello contributed an average of $100 per volunteer, while the Town of St. Germain contributed an average of $1,114 per volunteer. The State's annual GPR match per eligible volunteer is specified in s. 16.25(3)(d), Wis. Stats., and is adjusted annually for inflation. As of July 2005, the maximum match amount was $274. We estimate that if a municipality annually contributed an amount equal to the State's maximum match, a volunteer with 20 years of service could receive a benefit of approximately $20,000 upon retirement at age 60.

As of September 1, 2005, 182 departments were enrolled in the program.

As shown in Table 3, the number of departments actively participating in the program increased from 85 in 2001 to 182 as of September 1, 2005, or by 114.1 percent. Only one new department enrolled in the program in 2005. While nine additional municipalities have passed resolutions to participate in the program, they have made no specific plans to enroll. Officials anticipate future enrollment increases will be limited because they believe the majority of departments have already determined whether they will participate based on their interest in the program and their available financial resources.

Table 3

Number of Departments and Individuals Participating in the Length-of-Service Award Program
As of December 31

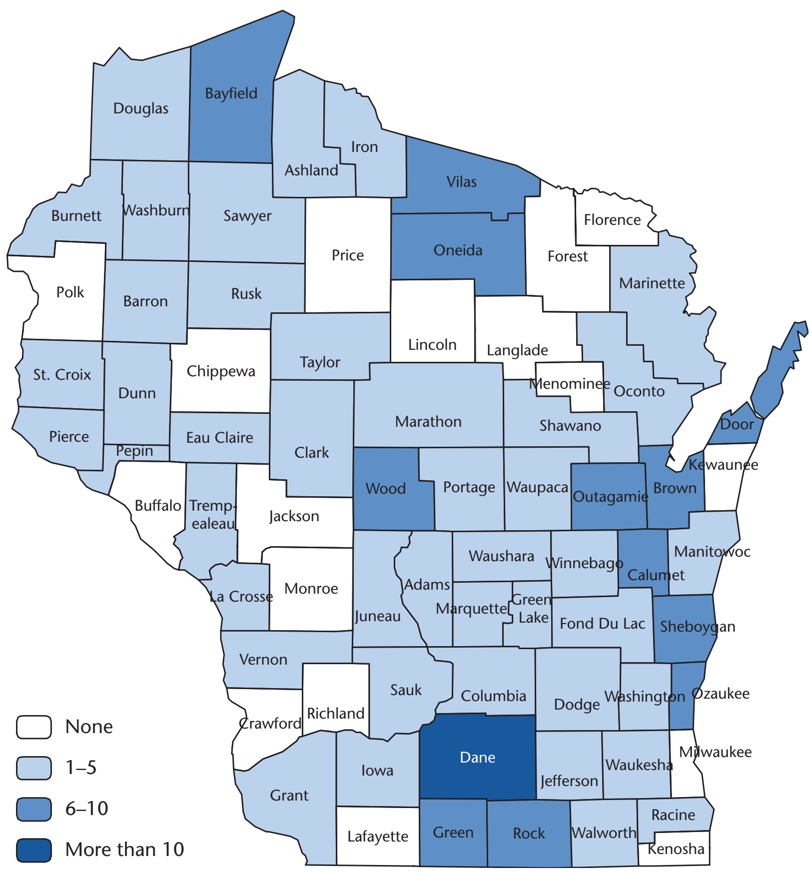
Year	Number of Departments Participating	Number of Individuals Participating[1]
2001	85	2,420
2002	147	4,176
2003	172	5,003
2004	181	5,376
2005[2]	182	5,388

[1] Participants must meet service eligibility requirements to receive an annual contribution.
[2] As of September 1.

As of September 1, 2005, 117 of the 182 departments participating in the program were enrolled with VFIS, and 65 were enrolled with Penflex. As shown in Figure 2, departments participating in the program are distributed across the state. Seventeen counties—Buffalo, Chippewa, Crawford, Florence, Forest, Jackson, Kenosha, Kewaunee, Lafayette, Langlade, Lincoln, Menominee, Milwaukee, Monroe, Polk, Price, and Richland—have no participating departments, while Dane County has 13. All departments currently participating in the program are listed in the appendix.

Figure 2

Locations of Participating Departments



To receive full benefits, volunteers must be 60 or older and have provided at least 20 years of service.

Volunteers who have reached age 60 and provided at least 20 years of creditable service receive full benefits under the program. Volunteers who have reached age 60 and have provided at least 10 but less than 20 years of creditable service have two options: continue to earn creditable service, or apply for a partial benefit. The partial benefit—

which is not available until age 60—is equal to 50 percent of the net value of the account for ten years of service, and an additional 5 percent of the value for each additional year of service. If a volunteer resigns before meeting eligibility criteria, or if a partial benefit is received, the volunteer agrees to forfeit the account balance, which is distributed equally among remaining volunteers in that department. Volunteers or their beneficiaries typically receive their benefit in a lump sum, after which the account is closed.

Investment Options

Departments prefer conservative, low-cost investments that can be easily transferred.

Overall, local officials are hesitant to risk the principal of funds they invest and are interested in minimizing investment costs. Moreover, officials generally do not have the time or expertise to monitor investment performance and are reluctant to limit their department's flexibility in selecting among investment options or program vendors. As a result, local officials tend to prefer conservative, low-cost investment options that are straightforward and that can be easily transferred to other investments or other program vendors.

Departments have invested in annuities and mutual funds.

Investment options exist in a wide variety of categories, including insurance products such as cash-value life insurance policies and annuities, as well as securities such as certificates of deposit, money market funds, treasury bills, corporate stock, and mutual funds. In addition, multiple options exist within each category. Currently, participating departments hold only two general categories of investments: annuities and mutual funds.

Fixed annuities are contracts issued by life insurance companies that provide income benefits, guarantee principal, and specify a rate of interest. The rate of interest can be determined either by contract or by the performance of a particular financial index, such as the Standard and Poor's 500. Currently, the 117 departments enrolled with VFIS have entered into separate fixed-annuity accounts for each of their volunteers.

Mutual funds allow departments to combine a variety of security types in a single investment portfolio that is managed by an investment firm. The level of risk depends on the type of investments within each individual portfolio. For example, money market mutual funds typically include a mix of government securities and certificates of deposit. These funds are considered a low risk for loss of principal but have relatively lower rates of return. Alternatively, mutual funds can consist of corporate stocks that involve higher risk but also offer the potential for higher rates of return. Currently, each of the 65 departments enrolled with Penflex are invested in mutual funds. While each department has only one mutual fund account, Penflex prepares separate statements for each volunteer to track individual benefits.

Benefit Distributions

Chapter VFF-EMT 1, Wis. Adm. Code, allows departments to make contributions for a volunteer's prior service under certain limited conditions. This paid prior service then becomes a factor in determining when the volunteer will be eligible to receive program benefits. In addition, program distributions may be made because of a volunteer's death or disability. A volunteer who becomes disabled while on duty may apply to receive the balance of his or her account. If an active volunteer dies, whether on duty or not, a designated beneficiary is eligible to receive the balance of the account.

Through December 2004, vendors paid $255,200 in program benefits on behalf of 68 eligible volunteers.

As shown in Table 4, through December 2004, program vendors paid $255,200 in benefits to 68 volunteers who met eligibility requirements, or to their beneficiaries. Of this total, VFIS paid $24,800 to 11 volunteers or their beneficiaries, and Penflex paid $230,400 to 57 volunteers or their beneficiaries. Benefit distributions for 2005 will be calculated in early 2006.

Table 4

Benefit Distributions Paid on Behalf of Volunteers

Year	VFIS	Penflex	Total
2001	–	–	
2002	$ 700	–	$ 700
2003	2,600	$125,900	128,500
2004	21,500	104,500	126,000
Total	**$24,800**	**$230,400**	**$255,200**

Program vendors have distributed relatively few program benefits to date, and they anticipate that program distributions will increase only modestly for the next 10 to 15 years. However, benefit distributions will increase significantly at that time because current volunteers will begin to meet retirement eligibility criteria.

■ ■ ■ ■

Providing Program Oversight ■

The board plays a key role in ensuring the program's success by selecting vendors and reviewing the investment options they offer. We found that one program vendor's contract was not extended because of concerns about the types of investment options it offered, although the options had not changed since the vendor's selection. The vendor's failure to meet reporting requirements was also a concern. Some current investment options include fees that could be costly for departments that selected those investments. These fees may limit the board's contracting alternatives in the future.

Selecting Program Vendors

Administrative code requires the board to contract with one or more program vendors.

Section VFF-EMT 1.12(1), Wis. Adm. Code, requires the board to contract with one or more vendors to provide the administrative services and investment plans required for the length-of-service award program. The procurement process must be competitive, as provided in s. 16.75, Wis. Stats. In addition, the board is required to consider the financial strength of prospective vendors, which must have at least five years' experience administering either a length-of-service award or a deferred compensation program having at least 1,000 participants.

The board conducted an initial request-for-proposals process in the summer of 2001.

During the summer of 2001, the board conducted a request-for-proposals process to select initial program vendors. The board created a subcommittee—which included its chair and two other board members, the DOA staff person assigned to the program, and a DOA attorney—to score submitted proposals. A DOA staff member with capital finance experience, who was not a member of the subcommittee, was also asked to review the proposals and report on whether the vendors were financially sound and offered investment options of similar quality.

The board received four proposals. In August 2001, citing the comparable scores it awarded to each proposal and the belief that municipalities would benefit if multiple vendors competed for their business, the subcommittee recommended to the board that contracts be awarded to Penflex, VFIS, and The Advisory Group. The subcommittee did not recommend granting a contract to a fourth vendor because its proposal was considered incomplete.

To determine whether the board conducted an appropriate and competitive request-for-proposals process, we reviewed its solicitation of proposals; public notices; the four proposals that were submitted; and minutes and other materials available from the board's meetings, including a meeting to provide information to prospective vendors. In addition, we discussed the process with board members and DOA staff.

We found that the board's request-for-proposals process generally followed the required procedures set forth in statutes and the State's procurement manual. However, although it met legal requirements, the process was ineffective for several reasons. First, the request for proposals indicated that 35 percent of a vendor's score would be based on investment management, costs, fees, and returns, but how vendors were evaluated on this basis was unclear from the materials made available to us.

Second, although each vendor received a distinct cumulative score from the subcommittee, and a single vendor could have been selected, the board chose to select all three vendors that submitted complete proposals. As a result, the board's process did little to simplify the vendor-selection process for departments.

Third, it is not clear that the investment options offered by each selected vendor were best suited to the length-of-service award program. For example, although it cited concerns about a life insurance option when it did not extend The Advisory Group's contract in 2004, the board initially approved this option when it selected the firm as a vendor in 2001.

Finally, we note that the scoring committee did not include the board member with financial planning experience during its deliberations.

Reviewing Investment Options

The board is responsible for reviewing investment plan options and vendor fees.

While ch. VFF-EMT 1, Wis. Adm. Code, assigns departments ultimate responsibility for the selection of investment options, key requirements that directly affect those investments are assigned to the program's board. As a result, the board's selection of vendors plays an important role in determining which investment options are made available to departments. In addition, the board is required to:

- approve descriptions of vendors' investment options before they are provided to participating departments, including making a determination of whether the materials clearly describe the options and their costs;
- annually review the vendors' disclosures of all direct and indirect fees and other costs of the investment, to ensure that departments understand the full costs of the various investment options available to them; and
- review the performance of all investment options, to ensure that performance is meeting expectations.

The board has had difficulty meeting each of these requirements. For example, although it approved The Advisory Group's description of its investment options and its annual disclosure of fees, not extending that vendor's contract suggests the board could have questioned the reasonableness of the description and the completeness of disclosures at an earlier date. Moreover, although investment performance is determined by contract for departments that have invested in annuities, and is reported quarterly for those with mutual funds, the board has not established expectations or benchmarks for investment performance.

Fees and Other Charges

Vendors charged departments $601,600 for program administration from 2001 through 2004.

The program fees paid by participating departments include both administration fees that are paid to program vendors and investment fees that are linked to selected plans. We found that administration fees are simply calculated and clearly disclosed. For example, Penflex charges an annual fee of $1,000 per department, plus $8 per individual account. VFIS charges an annual fee of $500 per department, plus $15 per individual account. The Advisory Group charged an annual fee of $500 per department, plus $5 per individual account. As shown in Table 5, departments paid administration fees to vendors totaling $601,600 from 2001 through 2004. Vendors will calculate 2005 fees in early 2006.

Table 5

Program Administration Fees Departments Paid to Program Vendors

Year	VFIS	Penflex	The Advisory Group[1]	Total
2001	$ 45,500	$ 37,900	$ 2,000	$ 85,400
2002	73,500	70,200	5,200	148,900
2003	90,200	80,700	6,400	177,300
2004	105,000	85,000	–	190,000
Total	**$314,200**	**$273,800**	**$13,600**	**$601,600**

[1] The Advisory Group contract was not extended in 2004.

Program vendors work with affiliated entities that provide insurance or investment services.

While administration fees are clear, investment fees and other charges are typically more complex. Because current program vendors are administrators and not investment firms, each vendor works with affiliated entities that provide insurance or investment services. Penflex selected UBS Financial Services—an international financial advising firm based in Switzerland with a local office in Madison—to provide investment options to program participants. VFIS selected Laub & Horton, Inc., an insurance brokerage firm located in Milwaukee and a subsidiary of The Horton Group, to manage its programs in Wisconsin. In addition, VFIS has an agreement with Lincoln Benefit Life Company, an insurance firm and a subsidiary of Allstate Life Insurance Company, to sell annuities.

These business arrangements can make it difficult for the board or participating departments to determine all fees they are charged, for which services, and by whom. For example, in return for program administration fees, contracted vendors are to provide departments with account statements for each volunteer, investment plan information, and customer support. However, we found that although departments pay their program administration fees to VFIS, Laub & Horton staff serve as their primary contact and perform most customer support activities. Furthermore, although Laub & Horton receives no direct program administration fees, it receives commissions from Lincoln Benefit Life for selling annuities to departments.

One firm received commissions of $218,200 for departments' purchases of annuities.

As shown in Table 6, Lincoln Benefit Life paid $218,200 in commissions to Laub & Horton through August 1, 2005. Participating departments do not bear these costs directly, but the commission payments are included in Lincoln Benefit Life's overhead costs, which could result in Lincoln Benefit Life offering lower rates of return than might otherwise be included in its annuity contracts for program participants.

Table 6

Commissions Paid by Lincoln Benefit Life to Laub & Horton[1]

Year	Commissions Paid
2002	$ 38,400
2003	52,400
2004	65,600
2005[2]	61,800
Total	**$218,200**

[1] Commissions are paid for previous years' investments.
[2] As of August 1.

Some fee disclosures have been limited.

Although a simple statement of the commission percentages is included in VFIS's investment plan literature, we found the disclosure to be limited because it does not provide the dollar amount of commissions paid or explain how the commissions could affect investment accounts. Moreover, it would be difficult for a person with limited investment expertise to discern from the information provided that if different commission percentages are charged for each type of annuity, incentives may exist for agents to suggest purchasing one annuity over another.

In addition, because firms typically include other charges as overhead expenses—such as account maintenance and contract fees—comparing total costs and rates of return for annuities is highly complex. Moreover, each firm typically has a different method for calculating its rate of return. Given these complexities, it is not clear whether the program's board had sufficient financial expertise to effectively evaluate annuity products.

Other fees or charges—which can either be deducted directly from departments' investment accounts or reduce the rate of return on program investments—also affect current investment options. For example, the accounts of departments enrolled with Penflex often include more than one mutual fund, and each mutual fund charges annual operating expenses typically ranging from 0.69 percent to 1.42 percent of the fund's value. These fees are disclosed in fund prospectuses. In addition, UBS Financial Services charges departments enrolled with Penflex 1.5 percent of their account value each year as an investment management service fee. This fee is disclosed before departments select a vendor.

Investment Portability

The ability to move program investments among vendors easily and at low cost is important.

The ability to move program accounts among vendors easily and at low cost, which is known as investment portability, is important because departments may choose or be required to move program accounts. Departments could be required to move accounts if the program's board chooses to not extend a program vendor's contract, as it did with The Advisory Group in 2004, or if the board selects new vendors as a result of its periodic request-for-proposals process. In addition, because the board indicated that it selected multiple vendors to enhance competition, departments should have the option to easily transfer accounts among the investment options of its current vendor, or to select a different vendor. However, substantial financial penalties, which were detailed in investment plan materials reviewed by the board during its 2001 request-for-proposals process and annually since that time, have limited departments' flexibility.

We specifically noted concerns about the portability of annuities, which often include provisions whereby a percentage of the account value is forfeited if funds are transferred for any reason during an agreed-upon period. Annuities sold by Lincoln Benefit Life through Laub & Horton—which have been purchased by approximately two-thirds of departments participating in the program—include such a provision for the first seven to ten years of the contract. For example, one type of annuity offered through VFIS subjects 90 percent of an account's value to a 7.0 percent fee if the account is transferred. If a department with an annuity valued at $45,000 transferred its funds to a different investment or program vendor, it could be subject to a fee of approximately $2,800. Such charges will likely raise concerns if the program's board selects new vendors as a result of its 2006 request-for-proposals process, subjecting 117 departments with $5.8 million of assets invested with VFIS to potential financial loss.

Three departments forfeited $119,000 in life insurance premiums when the board did not extend a vendor contract.

If investments are not portable, departments are at risk for financial losses. For example, in addition to annuities, The Advisory Group also offered investments that required departments to purchase a life insurance policy for each volunteer. The premiums paid for these policies represented the majority of departments' contributions, and the policies were not transferable. As shown in Table 7, three departments that had purchased life insurance policies forfeited a total of $119,000 in premiums when they were required to select a different vendor because the board opted to not extend The Advisory Group's contract. In addition, a fourth department—the Village of Kimberly—forfeited $22,200 it had paid in insurance premiums when it withdrew from The Advisory Group's plan before the board acted to not extend that vendor's contract.

Table 7

Insurance Premiums Forfeited to The Advisory Group
2001 through 2003

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

Of the ten departments enrolled with The Advisory Group when its contract was not extended:

- seven departments—the Village of Athens, the Village of Hilbert, the Town of Phelps, the City of Shell Lake, the Village of Suamico, the Village of Tigerton, and the Town of Townsend—remained in the program and enrolled in plans with VFIS;

- one—the Town of Stockbridge—remained in the program and enrolled in a plan with Penflex; and

- two that had purchased life insurance policies through The Advisory Group—the Town of Buchanan and the Town of Land O' Lakes—maintained those policies and opted out of the State's program. Buchanan is considering rejoining the State's program.

Our review of plan documents provided to the board and DOA staff during the request-for-proposals process—as well as documents provided to the board during vendor presentations in 2002—indicate that the investment options offered by The Advisory Group did not change significantly over time. As a result, the board had at least two opportunities to consider the advantages and disadvantages of including life insurance policies as part of the length-of-service award program. Nevertheless, local officials indicated that the board was unaware The Advisory Group was including life insurance policies in its program until November 2003, when a concern was raised by a participating department that most of its contributions were applied toward premiums.

▪ ▪ ▪ ▪

Future Considerations ■

Although the board intends to issue a request for proposals in February 2006, length-of-service award program losses and other concerns suggest that additional consideration should be given to the program's structure before the board establishes new contracts with program vendors. Significant action is necessary to ensure that the board's next request-for-proposals process is more effective and that the board has access to adequate financial expertise to meet its ongoing responsibilities.

2006 Request for Proposals

Because contracts with the two remaining vendors will expire in August and September 2006, the board has begun preparing a request for proposals that it plans to issue in February 2006. However, given the significance of the concerns we have identified, it is highly unlikely the board will have sufficient opportunity to address these concerns and incorporate necessary changes into its request for proposals by February 2006. We believe the board should obtain adequate financial expertise before it moves forward with its current request-for-proposals process. If necessary, s. 16.75(6)(c), Wis. Stats., could give the board authority to extend existing contracts as it obtains this expertise.

The financial expertise obtained by the board should allow it to address a number of issues prior to issuing a request for proposals, including:

- the types of investment products that are best suited to the program and best meet the needs of participating departments;
- how the program can be managed most effectively;
- how administrative and other costs to departments can be minimized;
- the appropriate duration for new contracts, including extension options;
- whether it would be less costly and more effective to select a single vendor that offers different types of investment options than to select multiple vendors;
- how to ensure that investment options are clear and easily understood by participating departments; and
- how participating departments can best be assisted in making future investment decisions, including how to limit fees associated with the transfer of investments.

As noted, limited staff support is currently provided to the program's board by DOA. The primary responsibilities of DOA relate to budgeting, centralized purchasing, and managing the State's capital projects; DOA has little involvement in analyzing benefit or investment programs. In contrast, as the primary agency responsible for administering retirement and benefit programs for state employees and most local governments, the Department of Employee Trust Funds has staff with significant financial program management expertise that could assist the program's board. Having such staff support available would improve the board's ability to thoroughly review the program's goals and current structure and identify possible recommendations for program or contracting changes before conducting its 2006 request-for-proposals process.

Although ETF staff have expertise related to financial program management, such as preparing requests for proposals, administering contracts, and examining fee structures, they do not have expertise related to the evaluation of specific investment products. Consequently, ETF officials noted they often contract with independent financial experts to review particular investment options or evaluate proposals from investment firms. Such expert advice is likely needed by the board if it is to make informed decisions on future investment options. The board's need for periodic outside expertise is recognized in its current vendor contracts, which include a provision allowing the board to hire a consultant to review current program services, including investments.

☑ Recommendations

We recommend the Volunteer Fire Fighter and Emergency Medical Technician Service Award Board:

- *determine whether it will need to extend current vendor contracts to ensure it has obtained adequate financial expertise before moving forward with its next request-for-proposals process.*

In addition, we recommend the Department of Administration:

- *work with the Department of Employee Trust Funds to enter into an interagency agreement to provide staff support to the Volunteer Fire Fighter and Emergency Medical Technician Service Award Board during its next request-for-proposals process; and*

- *report to the Joint Legislative Audit Committee by March 31, 2006, with a plan for conducting a request-for-proposals process that addresses concerns raised in this audit.*

Addressing Long-term Issues

While the board's need for financial expertise is greatest during the request-for-proposals process, its ongoing responsibilities also require such expertise. For example, we believe the board would benefit from assistance in reviewing any investment plan changes proposed by vendors, including fee revisions, during the next contract period. Although a limited-term interagency agreement to provide specialized support could greatly assist the program's board in the immediate future, additional action would help to ensure that adequate expertise is available on a long-term basis.

First, because the board's duties focus almost exclusively on relatively complex financial decisions—such as reviewing and approving investment options offered by program vendors—the current appointment of only one board member with financial experience is inadequate. The appointment of additional board members with such experience is needed if a minimum level of financial expertise is to be ensured. For example, the Secretary of ETF or a designee could be included as a permanent member of the program's board. Moreover, it may be beneficial to require that a specified number of board members representing participating departments be financial managers. In addition, it would be reasonable to require that board members represent those local departments that are actively participating in the program, which has not always been the case in the past.

Second, it is important that the Legislature be provided adequate information on which to base future programmatic and funding decisions. Section 16.25(6), Wis. Stats., requires the program's board to submit a report describing its activities to both houses of the Legislature by December 31 of each year. However, the board has not included sufficient detail about the program's status in its reports. Future annual reports to the Legislature could include additional program detail. For example, the board's staff could work with program vendors to estimate when state matching funds may approach the $2.0 million statutory limit, at which time the board will be required to prorate matching funds for individual accounts. The report could also detail program distributions and fully report administrative and other fees charged.

In addition, because all activity for each program year, which runs from January through December, is typically not completed until the following spring, it may be useful to change the board's required annual reporting date from December 31 to June 30. Doing so would allow the board to report detail for a full program year.

☑ Recommendation

We recommend the Legislature:

- *revise membership requirements for the Volunteer Fire Fighter and Emergency Medical Technician Service Award Board to provide additional financial planning expertise among its members; and*

- *revise s. 16.25(6), Wis. Stats., to require the Volunteer Fire Fighter and Emergency Medical Technician Service Award Board to submit its required legislative report by June 30 of each year.*

In addition, we recommend the Volunteer Fire Fighter and Emergency Medical Technician Service Award Board:

- *include in its annual report sufficient detail for the Legislature to more fully understand the program's current status.*

Finally, the Legislature may wish to consider whether the program could be more effectively administered by another agency, such as ETF, which has more experience managing programs that focus on the investment of retirement funds. If such a change is considered, ETF officials believe provisions would be needed to ensure ETF is provided adequate funding and staffing authority to support this responsibility.

■ ■ ■ ■

Appendix

Departments Enrolled in 2004

	Resolution Passed	Vendor	2004 Average Department Contribution[1]	Number of Participants[2]
Adams County				
City of Wisconsin Dells	10/20/2003	VFIS	$180.56	36
Ashland County				
City of Ashland[3]	12/11/2001	VFIS	267.12	7
Barron County				
Village of Cameron	12/10/2001	VFIS	267.12	30
Bayfield County				
Town of Barnes	11/19/2002	VFIS	250.00	12
City of Bayfield	10/09/2002	VFIS	267.12	20
Town of Bayfield	01/28/2002	VFIS	211.54	13
Town of Cable	12/21/2001	Penflex	267.12	11
Town of Clover	12/12/2001	VFIS	267.12	22
Town of Keystone	01/30/2002	VFIS	267.12	31
Town of Namakagon	09/11/2002	VFIS	267.12	9
Town of Port Wing	11/12/2001	VFIS	250.00	16
City of Washburn	12/10/2001	VFIS	220.00	43
Brown County				
Village of Bellevue	11/28/2001	Penflex	264.71	34
Town of Lawrence	11/12/2001	Penflex	267.12	23
Town of Ledgeview	12/03/2001	Penflex	267.00	31
Town of Morrison	09/03/2002	Penflex	267.12	30
Village of Suamico	07/01/2002	VFIS	341.02	39
Town of Wrightstown	12/12/2001	VFIS	267.00	33
Burnett County				
Town of Scott	11/11/2002	VFIS	267.12	6
Village of Siren	12/30/2002	VFIS	265.00	19
Town of Wood River (Grantsburg Fire)	10/29/2004	Penflex	194.71	14

	Resolution Passed	Vendor	2004 Average Department Contribution[1]	Number of Participants[2]
Calumet County				
City of Brillion	12/10/2001	Penflex	$250.00	31
Town of Harrison	12/04/2001	VFIS	250.00	58
Village of Hilbert	12/09/2003	VFIS	109.09	22
City of Kaukauna	12/17/2002	VFIS	203.57	14
City of Kiel[3]	12/11/2001	VFIS	150.00	38
Town of Stockbridge	11/11/2002	Penflex	262.63	35
Clark County				
City of Colby[3]	11/07/2001	VFIS	200.00	48
City of Greenwood	01/21/2003	VFIS	150.00	13
City of Neillsville	11/27/2001	VFIS	267.00	26
City of Owen	12/11/2001	Penflex	250.00	25
Columbia County				
Village of Arlington	12/10/2001	VFIS	267.12	34
City of Columbus[3]	11/03/2003	VFIS	158.08	26
Village of Fall River	12/11/2001	Penflex	224.96	29
Village of Rio	12/10/2002	Penflex	232.76	41
Dane County				
Village of Belleville	12/01/2003	Penflex	200.00	55
Town of Black Earth	12/10/2004	VFIS	250.00	30
Town of Cross Plains	01/10/2002	VFIS	369.62	52
Village of Cross Plains	12/10/2001	VFIS	500.00	40
Village of Cross Plains (EMS)	12/10/2001	VFIS	500.00	42
Village of DeForest	12/20/2004	VFIS	270.00	45
Town of Madison	12/10/2001	VFIS	267.12	26
Town of Madison (EMS)	12/10/2001	VFIS	267.12	18
Village of Maple Bluff	03/12/2002	VFIS	433.33	21
Village of McFarland	12/10/2002	VFIS	292.84	37
Village of McFarland (EMS)	12/10/2002	VFIS	238.80	30
City of Monona	12/03/2001	Penflex	267.00	24
Village of Shorewood Hills	11/19/2003	VFIS	308.00	13

	Resolution Passed	Vendor	2004 Average Department Contribution[1]	Number of Participants[2]
Dodge County				
City of Beaver Dam	09/16/2002	VFIS	$250.00	27
Village of Brownsville	12/27/2001	VFIS	267.12	35
City of Hartford[3]	12/09/2003	VFIS	392.49	39
Town of Hustisford	12/06/2001	VFIS	270.00	38
City of Waupun[3]	11/13/2001	VFIS	250.00	16
Door County				
Town of Baileys Harbor	10/14/2002	Penflex	267.00	36
Village of Egg Harbor	10/15/2003	Penflex	288.55	28
Town of Forestville	12/30/2002	Penflex	267.12	41
Village of Sister Bay	11/12/2002	Penflex	250.00	25
City of Sturgeon Bay	12/03/2002	Penflex	250.00	11
Town of Washington	12/17/2001	VFIS	267.00	39
Douglas County				
Town of Amnicon	12/13/2001	VFIS	250.00	9
Town of Brule	01/27/2002	VFIS	267.12	12
Town of Hawthorne	01/07/2003	VFIS	267.12	13
Town of Maple	12/12/2002	VFIS	285.75	4
Village of Solon Springs	11/26/2001	VFIS	250.00	21
Dunn County				
Village of Colfax	11/08/2004	VFIS	267.00	26
Eau Claire County				
Town of Fairchild	12/04/2002	VFIS	267.12	20
Fond du Lac County				
Village of Campbellsport	12/08/2003	VFIS	267.12	49
Town of Eden	12/10/2001	VFIS	267.12	46
Town of Fond du Lac	11/10/2003	VFIS	250.00	36
Town of Friendship	12/12/2002	Penflex	267.00	20
Grant County				
Town of Jamestown	10/28/2002	VFIS	128.00	25
City of Platteville	09/10/2002	Penflex	117.65	51

	Resolution Passed	Vendor	2004 Average Department Contribution[1]	Number of Participants[2]
Green County				
Village of Albany	12/10/2001	Penflex	$267.12	18
City of Brodhead[3]	12/10/2001	Penflex	248.01	38
City of Brodhead (EMS)[3]	12/10/2001	Penflex	212.37	21
Town of Jefferson (Juda Fire)	12/27/2001	Penflex	267.12	36
City of Monroe	12/04/2001	Penflex	482.96	45
Village of New Glarus	12/28/2004	Penflex	267.12	36
Green Lake County				
City of Green Lake	11/12/2001	Penflex	250.00	28
Iowa County				
Village of Ridgeway	12/29/2001	Penflex	272.46	25
Iron County				
Town of Mercer	12/06/2001	VFIS	100.00	13
Town of Oma	12/10/2001	VFIS	267.12	10
Jefferson County				
City of Jefferson	12/18/2001	Penflex	511.36	44
City of Whitewater[3]	12/07/2004	VFIS	267.12	59
Juneau County				
City of Elroy	12/27/2001	VFIS	267.12	20
La Crosse County				
Town of Shelby	07/22/2002	Penflex	267.12	31
Manitowoc County				
Town of Two Creeks	11/20/2001	VFIS	234.88	29
Marathon County				
Village of Athens	09/16/2002	VFIS	274.62	35
Marinette County				
Village of Crivitz	11/20/2001	Penflex	267.12	13
Town of Lake	12/18/2001	VFIS	267.12	14
City of Peshtigo	02/03/2004	VFIS	267.00	21
Town of Peshtigo	12/18/2001	VFIS	267.12	9

	Resolution Passed	Vendor	2004 Average Department Contribution[1]	Number of Participants[2]
Marquette County				
City of Montello	12/05/2001	VFIS	$100.00	27
City of Montello (EMS)	12/05/2001	VFIS	267.12	49
Village of Oxford	11/06/2002	VFIS	267.12	20
Oconto County				
Town of Brazeau	11/27/2001	VFIS	262.54	44
Town of Riverview (Mountain Ambulance)	11/09/2004	Penflex	110.53	29
Town of Riverview[4] (Riverview Fire)	11/09/2004	Penflex	–	
Town of Stiles	09/09/2003	VFIS	267.12	21
Town of Townsend	11/12/2002	VFIS	267.12	32
Oneida County				
Town of Hazelhurst	12/20/2001	VFIS	267.12	18
Town of Lake Tomahawk	11/13/2002	VFIS	267.12	20
Town of Minocqua	01/21/2003	Penflex	151.12	33
Town of Schoepke	12/16/2003	VFIS	221.84	19
Town of Sugar Camp	12/17/2001	VFIS	267.12	24
Town of Three Lakes	10/15/2002	VFIS	100.00	22
Outagamie County				
Village of Bear Creek	12/10/2001	VFIS	272.68	18
Village of Combined Locks	12/03/2002	VFIS	267.12	23
Town of Greenville	10/14/2002	Penflex	267.12	45
Village of Kimberly	12/17/2001	VFIS	328.48	25
Village of Nichols	12/11/2002	Penflex	176.47	34
Ozaukee County				
City of Cedarburg	11/12/2001	Penflex	267.12	59
Town of Fredonia	11/14/2002	Penflex	267.12	31
Village of Fredonia	09/19/2002	Penflex	267.12	35
Village of Grafton	12/20/2001	Penflex	267.12	71
Village of Newburg	12/13/2001	Penflex	267.12	45
City of Port Washington	12/17/2002	Penflex	267.12	52
Pepin County				
City of Durand	09/12/2002	VFIS	250.00	32

	Resolution Passed	Vendor	2004 Average Department Contribution[1]	Number of Participants[2]
Pierce County				
Village of Ellsworth	09/09/2002	Penflex	$267.12	45
Village of Spring Valley[3]	11/07/2001	Penflex	268.00	32
Portage County				
Village of Amherst	11/27/2001	Penflex	267.12	30
Village of Plover	01/15/2003	VFIS	267.12	33
Racine County				
Town of Burlington	12/13/2001	VFIS	267.12	32
City of Burlington[3]	10/01/2002	VFIS	600.00	46
Rock County				
City of Evansville	04/13/2004	VFIS	367.12	11
Village of Footville	09/14/2001	Penflex	267.12	18
Village of Orfordville	12/10/2001	VFIS	197.50	30
Town of Union	12/13/2001	Penflex	267.12	27
Rusk County				
Village of Hawkins	12/02/2002	Penflex	267.12	23
Sauk County				
Village of North Freedom	12/10/2001	VFIS	200.00	34
Village of Plain	12/22/2003	VFIS	240.11	45
Village of Sauk City	05/28/2002	Penflex	234.98	40
Sawyer County				
City of Hayward	06/09/2003	VFIS	250.00	19
Town of Hayward	12/11/2001	VFIS	172.41	29
Shawano County				
Town of Navarino	11/17/2004	VFIS	121.32	33
Village of Tigerton	12/03/2001	VFIS	267.12	20

	Resolution Passed	Vendor	2004 Average Department Contribution[1]	Number of Participants[2]
Sheboygan County				
Village of Howards Grove	12/18/2001	Penflex	$267.12	48
City of Plymouth	11/27/2001	VFIS	246.56	39
Village of Random Lake	12/03/2001	VFIS	267.12	41
Town of Sheboygan Falls	12/02/2002	Penflex	102.59	39
Town of Sheboygan Falls (Johnsonville Fire)	12/02/2002	Penflex	278.70	23
Town of Sherman (Silver Creek Fire)	11/26/2001	Penflex	206.21	28
St. Croix County				
Town of Eau Galle	12/10/2001	Penflex	267.12	73
Village of Roberts	11/12/2001	VFIS	256.73	30
Town of St. Joseph	12/27/2001	VFIS	250.00	20
Taylor County				
Village of Gilman	11/11/2002	VFIS	250.00	32
Town of Jump River	12/23/2003	VFIS	265.00	11
Town of Westboro	01/30/2003	VFIS	250.00	20
Trempeleau County				
Town of Hale	12/03/2001	VFIS	200.00	18
Vernon County				
Village of Stoddard	12/03/2002	VFIS	267.12	27
Vilas County				
Town of Arbor Vitae	12/05/2001	VFIS	294.11	34
Town of Boulder Junction	12/17/2002	VFIS	267.12	11
Town of Lac du Flambeau	12/19/2001	VFIS	245.58	31
Town of Manitowish Waters	12/23/2003	Penflex	267.12	20
Town of Phelps	12/09/2002	VFIS	267.12	26
Town of Plum Lake	10/12/2004	VFIS	267.12	20
Town of Presque Isle	01/03/2002	VFIS	230.88	17
Town of St. Germain	12/09/2002	VFIS	1,114.42	12
Town of Winchester	12/02/2002	VFIS	267.12	11
Walworth County				
City of Delavan	12/10/2002	VFIS	250.00	33

	Resolution Passed	Vendor	2004 Average Department Contribution[1]	Number of Participants[2]
Washburn County				
City of Shell Lake	04/14/2003	VFIS	$250.00	14
City of Spooner	12/11/2002	VFIS	166.38	26
Washington County				
Town of Addison	06/20/2002	Penflex	284.15	35
Town of Farmington	12/04/2001	VFIS	250.00	66
Village of Germantown	12/16/2002	VFIS	267.12	30
Town of Richfield (Volunteer Fire Dept.)	12/10/2001	Penflex	267.12	42
Village of Slinger	10/21/2002	Penflex	267.12	46
Waukesha County				
Town of Eagle	09/17/2003	Penflex	244.09	29
Waupaca County				
City of Weyauwega	02/18/2003	VFIS	267.00	30
Waushara County				
Town of Bloomfield	12/04/2001	Penflex	267.12	17
City of Wautoma	12/09/2002	Penflex	250.00	21
Town of Saxeville	10/20/2003	VFIS	267.12	22
Winnebago County				
Town of Neenah	11/26/2001	VFIS	257.07	31
Wood County				
Village of Arpin	11/12/2002	Penflex	250.00	4
Village of Biron	12/10/2001	VFIS	250.00	10
Town of Cameron	12/14/2004	VFIS	250.00	9
Town of Grand Rapids	10/14/2003	VFIS	267.12	29
City of Nekoosa	01/08/2002	Penflex	267.12	27
City of Nekoosa (EMS)	01/08/2002	Penflex	267.12	26
Village of Port Edwards	01/15/2002	VFIS	250.00	25
Town of Richfield (Rural Fire Dept.)	12/10/2001	Penflex	267.12	18
Town of Rock	10/10/2002	VFIS	267.12	15

[1] The State provides a GPR match for departments' contributions, which was $267.12 per participant in 2004.
[2] Volunteers who met contribution eligibility requirements for 2004.
[3] Municipality crosses county lines.
[4] Enrolled in 2004 but did not make contributions.

WISCONSIN DEPARTMENT OF
ADMINISTRATION

JIM DOYLE
GOVERNOR

STEPHEN E. BABLITCH
SECRETARY

Office of the Secretary
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1741
Fax (608) 267-3842

December 13, 2005

Ms. Janice Mueller
State Auditor
Legislative Audit Bureau
22 E. Mifflin Street, Suite 500
Madison, WI 53703

Dear Ms. Mueller:

On behalf of the Department of Administration (DOA), I thank the Legislative Audit Bureau (Bureau) for its thorough and thoughtful evaluation of the Volunteer Fire Fighter and Emergency Medical Technician Service Award Program.

In its evaluation, the Bureau makes recommendations that we view as appropriate, and with which we will comply. We will forward the evaluation to the Volunteer Fire Fighter and Emergency Medical Technician Service Award Board (Board) for its consideration.

The program must maintain its focus on providing appropriate resources to attract and retain those community volunteers that safeguard lives and property. To that end, DOA and the Board will in 2006 issue a Request for Proposals that addresses, among other things, investment offerings, vendor fees, program management and account portability. Additionally, we will continue to conduct an annual customer satisfaction survey to ensure program vendors consistently meet department and volunteer needs.

We commend your staff for conducting this evaluation in a professional manner. Thank you for this opportunity to comment on the Bureau's report.

Sincerely,

Gina Frank-Reece for

Stephen E. Bablitch
Secretary