



PRINCE WILLIAM COUNTY, VIRGINIA

Prince William County, Virginia

**Public Disclosure Document of the
Internal Audit of
Length of Service Award Program (“LOSAP”)
of the Fire and Rescue Volunteers
March 20, 2013**

Prepared By:



INTRODUCTION

As part of its fiscal year 2013 audit plan, Internal Audit performed an audit of the internal controls over the Length of Service Award Program for Fire and Rescue Volunteers or "LOSAP". Our audit fieldwork and testing was conducted between December 2012 and February 2013. Authority for the audit was provided by the Board of County Supervisors through the Board Audit Committee. In addition to a review of internal controls, the Board of County Supervisors requested follow up on the items previously noted in an Audit Services report dated June 22, 2012, related to LOSAP.

BACKGROUND

In July 1997, the Board of County Supervisors endorsed a proposed LOSAP program and approved each volunteer department of the FRA to enter into a contract with the Plan Trustee for provision of the program. The LOSAP Plan Document became effective at that time, including the appointment of a Board of Trustees to govern the plan and its daily administration. Members are eligible to participate in the Plan if they have attained age twenty-one and are credited with at least one year of service. The Plan provides benefits payable monthly in the amount of \$10 for every year of service, payable when the participant attains age 60, and based upon a phased vesting schedule. As of December 2012, there are more than 1,600 members included in the Plan census, with 112 beneficiaries currently receiving monthly payments. LOSAP is currently funded in full by the county-wide fire levy.

Audit Objective

This audit was conducted to examine and evaluate the adequacy and effectiveness of the system of internal controls. We were also requested to review and follow up on observations previously noted by Prince William County's Audit Services department in an audit report dated June 22, 2012. Our audit work was conducted to achieve this objective and accordingly included testing, analysis and other audit procedures.

Audit Scope

The scope of this audit included gaining an understanding of LOSAP by conducting interviews and gathering documentation from the parties involved, including the LOSAP Board of Trustees, Plan Administrator, Plan Trustee and contracted actuary. Based on the records obtained, we performed detailed testing of participant eligibility, benefit payments, plan contributions, the use of an actuary, and the overall governance of the Plan. At the conclusion of our work, we summarized our findings and reviewed the results of the testing with the Plan Administrator, members of the LOSAP Board of Trustees and the Chair of the Fire and Rescue Association, as well as the County Executive. The LOSAP Plan Administrator's response to this audit is included.

Follow-Up on the Audit Services report dated June 22, 2012

The following table provides a summary of the items identified by the Audit Services Department in an audit report issued to the Fire and Rescue Association Executive Committee dated June 22, 2012, as well as a status of the item as determined during the course of our internal audit. The details for these items are located in the Follow-Up section of this report. A reference has been included where the issue has been superseded and expanded upon in the Issues Matrix section of this report and as summarized on the following page.

Observation	Status	Issues Reference
1. Board of Trustees Membership Excludes DFR and Finance	Closed	
2. No diversification of LOSAP funds	In Progress	#11
3. Non-payment of \$172,617 by Dale City	Closed	
4. Excess payment of \$30,215 to Gainesville	Closed	
5. Plan not earning expected rate of return	In Progress	#6
6. Lack of financial records and reconciliation	Open	#10
7. High actuarial fee	Open	#8
8. Lack of policies and procedures governing LOSAP	In Progress	#10

Summary of Issues Identified and Relative Risk Ratings

The following section provides a summary of each issue identified during our procedures as well as the relative risk rating assigned to the issue. We have assigned relative risk factors to each observation identified. A summary of issues identified and their relative risk rating is provided below. This is the evaluation of the severity of the concern and the potential impact on operations. There are many areas of risk to consider including financial, operational, and/or compliance as well as public perception or 'brand' risk when determining the relative risk rating. Items are rated as High, Moderate, or Low.

- High Risk Items are considered to be of immediate concern and could cause significant operational issues if not addressed in a timely manner.
- Moderate Risk Items may also cause operational issues and do not require immediate attention, but should be addressed as soon as possible.
- Low Risk Items could escalate into operational issues, but can be addressed through the normal course of conducting business.

Following is a high level summary of the issues identified during our internal audit, along with their relative risk rating.

Issues	Risk Rating
1. Consolidation of LOSAP Plan	
<p>During our audit, we noted that the process for managing the participant census, estimating Plan liabilities, and remitting Plan contributions to the Plan trustee is decentralized. There are several factors leading to the recommendation to consolidate the LOSAP Plan. They are as follows:</p> <p>GASB 68 – The implementation of this new governmental accounting standard puts pressure on the County to monitor the timing, reporting and actuarial calculations of the Plan, its funding level, and the assumptions used for estimated liabilities. The heightened awareness and scrutiny of the Plan will require additional oversight and monitoring of the Plan to ensure completeness and accuracy of the Plan accounting, as well as reduce the risks related to misstating the County’s overall financial statements as it relates to the Plan, including required disclosures.</p> <p>Actuarial Assumptions, Calculations, and Plan Contributions– Currently each Company has its own actuarial calculations, annual recommended contributions and plan assets account. The budgeting for LOSAP is done in conjunction with each Company’s annual operational budget and is approved by the FRA. The process for estimating and remitting Plan contributions to the Plan trustee is decentralized and we have noted missing and delayed contribution payments, as well as inconsistency in recordkeeping for actuarial use and Plan management. See also issues #3 and #4.</p> <p>Standardized Hours Definition – Currently the definition of hours of eligible service for LOSAP purposes are not standardized across the Companies. What qualifies for LOSAP hours for one Company may not qualify for another, and the tracking is not consistently documented within the Companies. See also issues #4 and #10.</p> <p>Supporting Documentation – During our testing, we noted limited supporting documentation for the Participant Census, as well as inconsistent procedures in the methodology and timing for collecting and maintaining the information within each Company. See also issue #4.</p> <p>We believe LOSAP could potentially realize savings in both dollars and resources if the Plan were consolidated. We recommend that management consider consolidating the LOSAP Plan into one account with a single county-wide census, single actuarial valuation, and single budget line in the County’s fire levy budget. The County could also consider using their current pension actuary in to order realize economies of scale and reduce valuation expenditures. Statistics by Company participation would still be maintained, with the Companies continuing to be responsible for enrollment and certification of the census information.</p>	<p style="text-align: center;">High</p>

Issues	Risk Rating
<p>2. Board of Trustees Composition</p> <p>The LOSAP Board of Trustees is currently made up of volunteers from the 11 volunteer fire companies with 8 alternates, as well as the Chief of the DFR and the Deputy Finance Director from the County. Changes were made in response to the original audit. Each trustee has the ability to appoint an alternate.</p> <p>Size - The current Board is double the recommended best practice size of 5 to 7 members, making it difficult to establish a quorum and make decisions at meetings. Studies show large groups may hinder communication and interactive discussion. Bigger boards may not be able to engage all members, which can lead to apathy and loss of interest. Since April 2012, the Board has met seven times and there was one instance (November 2012) where a quorum was not established, and actions could not be taken by the trustees that did attend the meeting.</p> <p>Independence - The Board of Trustees duty is to represent the Trust in its entirety. Currently the majority of the Board (all but 2 members) is eligible to participate in the Plan. We utilize a checklist developed by the Corporate Library to help stakeholders evaluate the objectivity and effectiveness of a board. A key attribute of an effective board is that it is comprised of a majority of independent outsiders. An outsider is someone who has never worked at the entity, is not related to any of the key employees and has never worked for a major supplier, customer or service provider, such as lawyers, accountants, consultants, investors, bankers, etc.</p> <p>We strongly recommend the BOCS adopt a Resolution to reflect current intentions for the LOSAP Board of Trustees. We recommend that the LOSAP Board of Trustees amend the LOSAP Plan Document to reflect the structure noted in the updated BOCS Resolution.</p> <p>Size - Best practices recommend having 5 to 7 members for a highly functioning Board. Advantages to smaller boards include:</p> <ul style="list-style-type: none"> • Increase the probability of reaching a quorum. • Hasten the decision-making process. • Board members feel more ownership and responsibility for the work. • Communication and interaction may be easier and more flexible. • Board members know each other as individuals, creating unity. • Every person's participation counts. • Board members may gain more satisfaction from their meaningful involvement. <p>Independence - The majority of the trustees should not be eligible to participate in the Plan in order to have an independent Board. An independent Board will allow it to provide a higher level of governance to its members.</p> <p>There are several alternatives for the composition of the Board of Trustees. It should include 5 to 7 members and be independent. Composition should include:</p> <ul style="list-style-type: none"> • the FRA Chair (or designee), • the Director of Finance (or designee), • one, two or all three of the Presidents of the Volunteer Companies, • two or three independent citizens appointed by the County. <p>This structure compliments best practice as it relates to size and independence for a fully functioning and effective Board. It will foster ongoing communication between the LOSAP Board of Trustees, the companies, the FRA as well as the County, and it will emphasize the Board's responsibility for the due care of the trust as a whole, rather than the needs of the individual Companies.</p>	<p>High</p>

Issues	Risk Rating
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3. Missed or Delayed Plan Actuarial Valuations and Contributions

During our testing of contributions into the Plan, we noted that at December 31, 2012, only three (3) Companies had made an annual contribution to the Plan during 2012. Upon further review and inquiry, the actuarial valuations had not been updated for 2010 – 2012; however the Companies did estimate their annual required contribution amounts in their operating budgets for each year. Per review of records provided by DFR Accounting, contributions were made for each Company during 2010 and 2011, some varied from the recommended amounts. During FY2012, the Companies were hesitant to continue making contributions without updated actuarial valuations, and began the process to have the valuations updated. At the March 11, 2013 LOSAP Board of Trustees meeting, it was reported that all Companies had recently received updated actuarial valuations for 2010 and 2011 (fiscal years 2011 and 2012) and the 2012 valuations (current fiscal year) were in process.

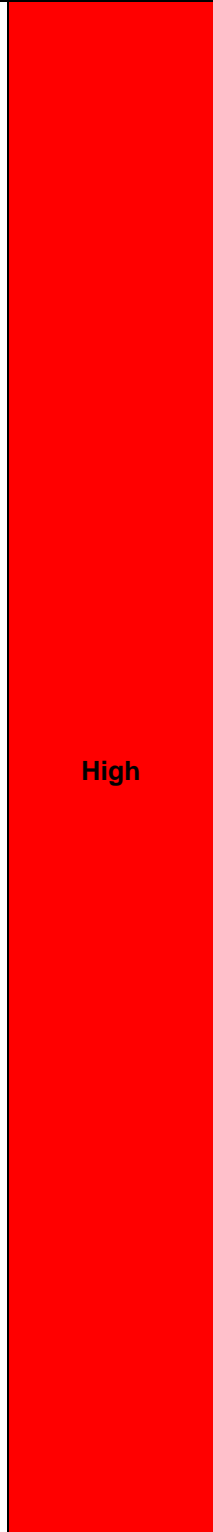
The table below shows the actuarially determined contribution amounts by Company for fiscal years 2010, 2011 and 2012 as well as a manual compilation from the County Purchasing records of the total contributions actually made.

Department Name	7/1/2009 Annual Recommended Contribution (FY 2010)	7/1/2010 Annual Recommended Contribution (FY 2011)	7/1/2011 Annual Recommended Contribution (FY 2012)	3-Year Total Annual Recommended Contributions	3-Year Actual Contribution Payments Made*
OWL VFD	\$ 272,350	\$ 330,432	\$ 413,180	\$ 1,015,962	\$ 722,350
Dumfries-Triangle RS	\$ 136,994	\$ 69,323	\$ 28,154	\$ 234,471	\$ 305,348
Dumfries-Triangle VFD	\$ 129,198	\$ 157,003	\$ 160,034	\$ 446,235	\$ 476,878
Gainesville District VFD	\$ 18,494	\$ 17,907	\$ 14,803	\$ 51,204	\$ 50,431
Nokesville VFD	\$ 140,245	\$ 163,263	\$ 203,244	\$ 506,752	\$ 256,575
Coles District VFD	\$ 41,316	\$ 40,497	\$ 34,791	\$ 116,604	\$ 98,596
Yorkshire VFD	\$ 38,807	\$ 61,397	\$ 76,692	\$ 176,896	\$ 89,795
Dale City VFD	\$ 172,617	\$ 303,764	\$ 352,000	\$ 828,381	\$ 346,261
Stonewall Jackson VFD	\$ 74,542	\$ 62,871	\$ 63,739	\$ 201,152	\$ 242,056
Evergreen VFD	\$ 90,798	\$ 80,401	\$ 59,155	\$ 230,354	\$ 198,615
Buckhall VFD	\$ 80,760	\$ 56,214	\$ 31,211	\$ 168,185	\$ 189,129
Lake Jackson VFD & RD	\$ 94,962	\$ 138,960	\$ 165,152	\$ 399,074	\$ 105,552
Total	\$ 1,291,083	\$ 1,482,032	\$ 1,602,155	\$ 4,375,270	\$ 3,081,586

*Data taken from the County's Purchasing records

We recommend that actuarial valuations be performed annually in accordance with the Plan Document, and that contributions be made into the Plan based upon the valuations. Appropriate facilitation of the annual budget process should be considered when determining that timing. If actuarial valuations are delayed, contributions should be made in good faith into the Plan. Further, the actuarial valuations assume Plan contributions are made at the beginning of the Plan year. Missed or delayed contributions impact the interest earnings of the Plan, which in turn changes the underfunded liabilities of the Plan. See also issue #6.

In conjunction with the recommendation at issue #1, if the Plan is consolidated, actuarial calculations and contributions into the Plan could be consolidated into one valuation. If actuarial valuations are performed bi-annually (as with the County's Police and Fire Supplemental Pension Trust), annual contributions should still be made.



High

Issues	Risk Rating
4. Supporting Documentation	
<p>Each Company maintains some form of recordkeeping for hours worked by the volunteers, as well as employs a methodology for determining who should be on the participant census for LOSAP purposes. Historically, however, the hours data had not been uniformly safeguarded and is not readily available upon request for various reasons, including weather events, facility transfers, trustee or other custodial changes, etc. More recent support is generally available, but burdensome for the stations to compile into an auditable format. Therefore, we were unable to fully complete our testing procedures around the calculation of years of eligible service and benefits paid.</p> <p>We recommend that all information in the Participant Census be supported by reliable and complete source documents. We understand that the County is implementing a new web-based public safety records management system (RMS) during the summer of 2013, which is a broad-based solution being adopted by the DFR, FRA, the Police Department, and the Public Safety Communications Center. This automated system has built in controls and is already planned to be utilized by the operational volunteer members. It is our understanding that this new RMS system can be configured to track LOSAP hours for operational and administrative volunteer members – but that further design work is required. The remaining effort required in order to bring all LOSAP participants onto the system is the addition of the administrative or non-operational members so that all volunteer hours can also be tracked and approved by the respective volunteer companies. We understand this modification can occur at no additional cost.</p> <p>We strongly recommend standardized utilization of this tool across the Companies, for all participants, as soon as implementation is possible. This will ensure that eligibility records are housed in one system using a consistent methodology, as well as eliminate the manual recordkeeping that is currently maintained and, in some cases, transcribed into electronic format utilizing spreadsheets, etc. This comprehensive records management system is intended to provide efficiencies in recordkeeping, staffing and training management as well as offer reporting for use in trend analysis and other needs.</p> <p>With regard to the years of past service, the LOSAP Board of Trustees, in conjunction with the FRA and the BOCS, should consider “drawing a line in the sand” as it relates to the support of past eligibility, census and the benefit payment accuracy. Any existing beneficiaries and eligible hours can be accepted as accurate either through the honor system or signed statement by the member and supervisor. Contacting the terminated or inactive members for this purpose will also help to ensure the completeness of the Participant Census.</p> <p>In addition, as recommended at issue #10, the LOSAP Board of Trustees should develop a cohesive set of procedures and include a process for standardized recordkeeping that compliments the public safety records management system.</p> <p>Lastly, a periodic records review through the internal audit process should be implemented to monitor that the recordkeeping is being maintained in accordance with the needs of the Plan.</p>	<p>High</p>

Issues	Risk Rating
5. Benefits Payments Testing	
<p>We performed testing on the payments made by the Plan trustee (Hartford) to ensure proper calculation and taxation of benefits, as well as accuracy of those payments made. During this testing of benefits payments, we noted multiple exceptions, including:</p> <ul style="list-style-type: none"> • Variances between the total benefit payments withdrawn for a period and the listing of beneficiaries who were to receive payments; • Required forms that could not be provided by the Plan trustee for taxation purposes; • Improperly taxed benefit payments; • Inadequately supported changes to monthly benefit amounts paid to participants. <p>Based on our interviews and testing, there is no formalized reconciliation process in place which would detect timely errors by any of the parties involved. We recommend the roles and responsibilities for monitoring the Plan, the results of the Plan, and the day-to-day operations and reconciliation of the Plan statements be further defined in order to enhance the accountability for the Plan. The LOSAP Board of Trustees should also develop a cohesive set of procedures and include a process for standardized recordkeeping, a process for reconciling Plan records, and a process for periodic records review in order to ensure that errors by any of the parties involved are likely to be timely identified and corrected. See also issues #9 and #10.</p>	High
6. Monitoring Actuarial and Plan Investment Results	
<p>In addition to the monitoring activities described in issue #5, The LOSAP Board of Trustees does not formally evaluate the sufficiency of the actuarial valuation results. This includes understanding all of the assumptions used and determining whether different assumptions should be requested, as well as ensuring that any responsibilities the actuary requires of the Plan are being met by the Plan. We also noted that prior to 2013 the investment options of the Plan had not been formally reviewed and discussed. Per discussions, we understand that the LOSAP Board of Trustees has discussed investment options periodically. No changes were approved.</p> <p>We recommend that the LOSAP Board of Trustees obtain an explanation of the actuarial assumptions, evaluate impact if any assumptions were to change, and determine if the assumptions used are reasonable for the Plan. The LOSAP Board should also request an annual (if not more frequent) presentation by the Plan trustee of the investment options and comparative trends in investment income for the Plan. Further, changes to the Plan investment or actuarial assumptions should be voted on by the LOSAP Board of Trustees and presented as a recommendation to the BOCS (as the legal Plan Sponsor) for final approval.</p> <p>As previously described in issue #1, governance becomes increasingly more important with the implementation of GASB 68. If consolidation of the Plan is approved, a single set of assumptions will be used which will streamline the evaluation process for the LOSAP Board of Trustees.</p>	High

Issues	Risk Rating
7. Plan Actuarial Assumptions	
<p>Related to the lack of monitoring actuarial assumptions, the economic (interest rate) and demographic (withdrawal rates, mortality) actuarial assumptions utilized for the Plan are explained as well as the risks of each item. The inherent risk with any estimate is that estimates are based upon information known and assumed as of a date in time. As census data changes, contributions are not made, or assumptions are not realized (such as earning a different interest rate than the one assumed by the Plan), the actual liabilities will vary from these estimates. We consulted with an internal actuary in order to evaluate the assumptions used by the Plan's actuary. Examples to consider are detailed in the Issues Matrix and include interest rates, mortality tables, and demographic experience.</p> <p>As recommended in Issue #6, the LOSAP Board should determine whether the assumptions used by the actuary are reasonable. The LOSAP Board of Trustees should also continue benchmarking the assumptions used by the Plan to the assumptions used by similar plans at other agencies. The Board could then inquire of the actuary what the impact would be if any of the assumptions were changed. This evaluation should be done on an at least annual basis.</p> <p>Also in conjunction with the recommendations at Issue #1, if the Plan is consolidated and uses a single set of assumptions, this evaluation process will be streamlined and more efficient than if a separate valuation is prepared for each Company.</p>	Moderate
8. Selection of Third Party Contractors	
<p>There have been multiple changes in ownership for third party services and the contracts for Plan trustee and actuarial services are outdated. Further, the needs of the Plan may have changed based upon the LOSAP Board of Trustees intentions, as well as potential changes to the roles and responsibilities of the parties involved.</p> <p>We recommend that the LOSAP Board update the vendor relationships by, at a minimum, obtaining newly executed contracts for the existing vendors, including an updated section for roles and responsibilities of each party and required performance timelines and deliverables.</p> <p>Given the results mentioned in Issue #5, the LOSAP Board may wish to consider requesting quotes for professional services.</p>	Moderate
9. Defined Roles, Responsibilities and Governance	
<p>During our interview process, as well as testing procedures and various discussions with those involved with LOSAP, we noted that there are multiple parties responsible for administering portions of the Plan. The roles have evolved over time and have not been consistently applied by the parties. We noted there is no formalized direction or oversight defined in these roles.</p> <p>We recommend the LOSAP Plan Document be updated to define the roles and responsibilities of the parties involved in the LOSAP administration process. In consideration of the consolidation recommendation in issue #1, we have included example roles and responsibilities in detail in the Issues Matrix.</p>	High

Issues	Risk Rating
10. Operational Policies and Procedures	
<p>The Audit Services Department report dated June 22, 2012 noted that the Plan does not have formal policies and procedures. Further, during our audit we noted there is inconsistency across all Companies in how key terms are defined, how enrollment changes are tracked, and how Participant Census management and eligibility monitoring are performed.</p> <p>The LOSAP Board of Trustees began the process of adopting operational policies and procedures. The first policy or procedure addressed the timing and method for the submission of the annual census rosters. The LOSAP Board of Trustees has since adopted a policy directing each of the companies (including the Department of Finance and DFR) to appoint alternate trustees in order to ensure that all meetings have the required quorum in order to facilitate the conduct of business. We recommend that the LOSAP Board of Trustees continue to develop policies and procedures and formally document, a cohesive set of procedures that support the LOSAP Plan Document, as may be amended from time-to-time. Examples include defining key terms, standardizing enrollment forms and enrollment procedures, implementing a process for tracking hours of service, dual memberships, and transfers, and implementing a reconciliation process for Plan records and statements. We understand that as a result of our preliminary meetings and the previous internal audit results, the LOSAP Board of Trustees has discussed implementing such procedures.</p>	High
11. Plan Solvency	
<p>Related to the lack of monitoring actuarial assumptions, the Plan's ability to meet its future benefit requirements has improved considerably since 2009. The primary reason is because the amortization period for the underfunded Plan liability was changed from 4 years to 2 years in 2008. The annual required contribution amounts increased substantially because the underfunded portion was being 'caught up'. Theoretically, if all assumptions used were realized and all annual required contributions were made, after two years (2014) the Plan would be fully funded and the required annual contributions would be reduced to the actual benefits paid in each year. While a shorter amortization period is a positive trend, combined with other actuarial assumptions and the actual contributions made to the Plan, it may not be reasonable for this Plan.</p> <p>As previously recommended in Issue #6, the LOSAP Board of Trustees should determine whether the assumptions used by the actuary are reasonable. They could then inquire of the actuary what the impact would be if any assumptions were changed. In conjunction with Issue #1, if the Plan is consolidated, a single set of assumptions will be used which will streamline this evaluation process.</p>	Low

There were other observations discussed with management and the LOSAP Board of Trustees related to Plan 'housekeeping' items.

**PRINCE WILLIAM COUNTY
VOLUNTEER FIRE & RESCUE
LENGTH OF SERVICE AWARD PROGRAM**

BOARD OF TRUSTEES

Richard D. Rubino
Plan Administrator

1 County Complex Court, Prince William, Virginia 22192-9201
c/o Finance Department

Phone: 571-259-8551
E-mail: rrubino@sjvfd.org

May 25, 2013

The Honorable Corey Stewart, Chairman
Audit Committee
Prince William County Board of County Supervisors
1 County Complex Court
Prince William, Virginia 22192

**Re: Management Response to Internal Audit of Length of Service
Award Program FY2012/2013**

Dear Mr. Stewart:

This letter is being written in response to the above-referenced “draft” audit report prepared by McGladrey LLP (“McGladrey”) in connection with the Prince William County Length of Service Award Program (“LOSAP” or “LOSAP Plan”). The draft report, which was presented to the Audit Committee on April 16, 2013, and the LOSAP Board of Trustees (“LOSAP Trustees” or “LOSAP Board”) on May 13, 2013, raises several significant issues that must be addressed. Against this backdrop is the recognition that with the advent of Chapter 9.1 and other regulatory changes that require the inclusion of the LOSAP Plan in the County’s financial statements on a going forward basis, the structure of the LOSAP Plan today must change from the form envisioned by the Prince William County Fire and Rescue Association (“FRA”) and the Prince William County Board of County Supervisors (“BOCS”) when the LOSAP Plan was first adopted to one that meets Government Accounting Standards Board (“GASB”) Statement No. 68. It is also recognized that any changes to the LOSAP Plan governance and documents must be vetted through qualified outside counsel in order to ensure that the County and the LOSAP Trustees do not inadvertently slip into a violation of any statutory or regulatory requirements that may govern the Plan.

The LOSAP Trustees would also like to point out at the outset that any changes to the LOSAP Plan that could have a financial impact on the volunteer company budgets or on the Fire Levy itself would need to be vetted with the FRA Budget Task Group and possibly the FRA itself. The LOSAP Trustees recognize that these sorts of decisions cannot be made in a vacuum and must include the participation of outside stakeholders in order to ensure that there is adequate consultation and communication.

Issue 1 – Consolidation of the LOSAP Plan Contributions

The proposed LOSAP Plan consolidation has two facets – actuarial/contribution of funds and investment accounting. While the Hartford/Mass Mutual has confirmed to the Plan Administrator that the LOSAP Plan is a consolidated plan with a single account that has subaccounts for purposes of attribution to the individual volunteer companies, much like the fire levy and its subaccounts, USI has confirmed that for actuarial purposes, the LOSAP Plan is currently treated as twelve separate plans. USI indicated that this was a change from the original plan design due to a request of the prior Plan Administrator. The creation of the annual census rosters and the payments of the annual contributions have historically been decentralized to the individual volunteer companies since the census data for each volunteer company is compiled by the trustee for the respective volunteer company and the payments are likewise authorized by the individual volunteer companies and included in their respective expenditure budgets.

As will be discussed later in this management response, the Prince William County Fire and Rescue Association (“FRA”) will be deploying a new Records Management System (“RMS”) that should be capable of tracking volunteer hours and generating the report required for the LOSAP rosters. The Plan Administrator has advised USI that in future years, all of the volunteer companies will be using a common records management system that may facilitate the generation of a single system-wide LOSAP census roster. As a result, the Plan Administrator requested that USI provide a feasibility analysis for consolidating the actuarial services associated with the LOSAP Plan, including any impacts on costs/savings. With this information, the Plan Administrator would like the LOSAP Trustees to explore the pros and cons of consolidating the collection of census data and the generation of a consolidated invoice for the payment of the annual LOSAP contribution from the central Fire and Rescue Levy as opposed to the current method where separate census rosters and invoices are generated for each of the individual volunteer companies for payment from the respective expenditure budgets. The analysis would need to include a comparison of cost as well as a determination as to whether or not funds could still be appropriately attributed to each of the volunteer companies. Further, there would need to be a simple method for the volunteer companies to verify and certify the accuracy of the information against their personnel records and/or enrollment forms. Additionally, if the LOSAP Plan were consolidated, such that there was no attribution of monies and expenses to the individual volunteer companies, the LOSAP Trustees would also need to determine whether a consolidation in this manner would (a) be cost effective as suggested by McGladrey and (b) resolve existing issues concerning simultaneous membership and transfers of members from one volunteer company to another. The LOSAP Trustees would also need to obtain counsel in order to verify that there would be no adverse legal consequences by making this move.

The LOSAP Trustees recognize that there are issues in the tracking and reporting of hours and therefore, accurately calculating benefits. The LOSAP Trustees believe that a unified tracking system across all volunteer companies, along with a procedure that further defines what

counts and what does not count towards a “creditable hour of service” would be beneficial.¹ The new RMS system is scheduled to go live this summer. While the LOSAP Trustees have various concerns regarding the use of the new RMS system, the Plan Administrator is of the belief that this system will be a viable vehicle for the collection and maintenance of data provided that (a) the system can be adequately designed to capture the necessary data, (b) the system is secured and permissions set so that only the system administrators and designated representatives in the respective volunteer companies can view, input or modify the data for the LOSAP census rosters, (c) the cost for adding non-operational members to the RMS system is funded by the FRA on an annual basis and (d) the system is reliable and operates as intended by the respective stakeholders, including the LOSAP Trustees. Additionally, the Plan Administrator notes that it would also be necessary to include data for inactive or terminated legacy members in the new RMS system so that they can be included in the annual census rosters that are generated from the RMS system data-set.²

Issue 2 – Board of Trustees Composition

The Plan Administrator notes that the LOSAP Trustees voted on June 18, 2012 to add the Chief of the Department of Fire and Rescue (or his designee) to the LOSAP Board as the representative for the former members of the Gainesville District Volunteer Fire Department (“GDVFD”). The Chief of the Department of Fire and Rescue (“DFR”) was notified promptly of this appointment and has been copied on meeting announcements. Unfortunately, the Chief DFR has not sent a representative to the LOSAP meetings to date. On May 21, 2013, the Chief DFR appointed a member to the LOSAP Board to represent the former members of GDVFD.

On September 24, 2012, the LOSAP Trustees voted to adopt a new governance structure that would establish an FRA style of governance with an Executive Committee and Board structure. Under the structure adopted by the LOSAP Trustees, the Executive Committee would be comprised of five members – at least four of which must be a trustee for an active volunteer company. The fifth trustee could either be a trustee for an active volunteer company or a trustee from the Department of Finance or DFR. The LOSAP Trustees will draft and adopt procedures to implement this structure.

In its report, McGladrey has indicated that the LOSAP Board is double the recommended best practice size of five to seven members and has recommend that the LOSAP Board be comprised of the FRA Chair (or designee); the Director of Finance (or designee); one, two, or all three Presidents of the Volunteer Companies (presumably the regional FRA presidential representatives) and two or three citizen members appointed by the BOCS.

¹ After the March 2013 LOSAP meeting, one of the trustees asked what whether or not a particular activity should be counted towards LOSAP. The fact that this question was asked is indicative that further definition and guidance is required. The Plan Administrator believes that it would be appropriate to address this matter in a policy or procedure manual for the Trustees.

² The Plan Administrator is concerned that DoIT could assess a fee for including legacy members who are no longer active even though those legacy members would not require an individual “log-in” into the County system. Due to attrition and turnover in the volunteer system, this cost could be significant and should not be borne by the individual volunteer companies.

The Trustees are concerned that this structure will result in the under representation of the very stakeholders to the LOSAP Plan. In this regard, the Plan Administrator believes that a more suitable structure would be an Executive Committee and LOSAP Board structure that is similar to that described above – taking into account the “independence” concerns raised by McGladrey in its report. As a result, the Plan Administrator will recommend to the LOSAP Trustees that the Executive Committee be comprised, as follows: Plan Administrator (volunteer trustee), Assistant Plan Administrator (volunteer trustee), Director of Finance (or designee), FRA Chair (or designee) and one or two citizen members appointed by the BOCS.³ The LOSAP Board would be comprised, as follows: One member from each volunteer company, the Director of Finance (or his designee), the FRA Chair (or his designee), and two citizen members appointed by the BOCS. In this way, the Executive Committee would be in a position to complete the bulk of the work for ratification, modification or rejection by the LOSAP Board. Further, the LOSAP Board would be representative of the very stake holders making the significant financial investments in the Plan. There would be the element of “independence” urged by McGladrey inasmuch as citizens from the community would be members of both the Executive Committee and the LOSAP Board itself. The proposed governance structure will facilitate the completion of the necessary work that will be required over the next year. This is because the Executive Committee of the LOSAP Board will have a built in structure to task projects to members of the LOSAP Board and allow it to form committees that can capitalize on the expertise within the individual volunteer companies themselves.

Issue 3 – Missed or Delayed Plan Actuarial Valuations and Contributions

The LOSAP Trustees agree that rosters and payments should be submitted annually as required by the LOSAP Plan. In addition, the LOSAP Trustees also support making estimated payments based upon a prior year’s valuation with an established percentage increase (e.g., 10 percent) to cover reasonably anticipated growths in liability, provided that USI or the Hartford/Mass Mutual is able to generate an “estimated” invoice in order to permit the processing of the payment by the Department of Finance.⁴ This would be relevant if the work of the actuary were delayed for some reason or the LOSAP Trustees voted to modify the Plan in order to conduct the actuarial valuations on a bi-annual basis rather than annually.

On April 26, 2012 (and prior to the end of the Plan Year that ended June 30, 2012), the LOSAP Trustees adopted a procedure that required each volunteer company to submit its census roster to the actuary between July 1 and August 15 of each calendar year. This filing window was selected in order to ensure (a) that the trustees had the opportunity to collect data for the entire plan year and (b) that rosters were submitted early enough following the close of the plan year so that the actuary would have sufficient time to complete its work and render invoices as

³ If the BOCS determines that two citizen representatives should be on the LOSAP Executive Committee, then the Plan Administrator would recommend adding an additional volunteer company trustee to the Executive Committee in order to ensure that the Executive Committee is made up of an odd number of members.

⁴ The LOSAP Trustees recognize that the determination as to whether or not a payment may be made based upon an “estimated” invoice shall rest with the Director of Finance since this could create other potential issues for the County’s financial statements.

close as possible to the start of the following plan year and thereby minimize any interest payments.

Towards the end of the plan year that ended on June 30, 2012, the Plan Administrator learned for the first time that prior invoices had been estimated when USI, the actuary, stated for the first time that it had not received rosters for the plan years that had ended on June 30, 2010 or June 30, 2011 even though the former plan administrator states that the rosters had been forwarded to USI for processing. As a result, the volunteer companies were required to resubmit their 2010 and 2011 census rosters in addition to the 2012 census roster. Because of these issues with the 2010 and 2011 rosters, USI is only now completing work on the 2012 rosters. It is hoped that once the actuary has completed the 2012 rosters, it will be able to complete work on the 2013 rosters in a timelier manner so that contributions can be paid much earlier in the fiscal year.

The LOSAP Trustees are also concerned that some of the volunteer companies have not made their required contributions to the LOSAP Plan in a timely manner. In some cases, this is because the affected volunteer companies did not anticipate the additional costs associated with the four-year amortization adopted by the LOSAP Trustees and/or the 3% asset load. These additional costs were designed to bring the LOSAP Plan back into actuarial balance for the prior years and to make up for the difference in the actual Return on Investment ("ROI") versus the 6.5% ROI assumption on a going forward basis. Since June, 2012, the Plan Administrator has made periodic reports to the FRA Executive Committee and the FRA Board on an as needed basis. These improved communications provide the leadership of the fire and rescue system with valuable information regarding the LOSAP Plan, including necessary information to make appropriate budgeting decisions. Additionally, to the extent that decisions could have budgetary impacts, the Plan Administrator believes that collaboration with the FRA would be appropriate in order to ensure that decisions are not made in a vacuum and that the leadership of the individual volunteer companies has the necessary information to make appropriate budgeting decisions.

Issue 4 – Supporting Documentation

The LOSAP Trustees agree that there are issues with the methods for documenting member hours and that the documentation is not consistent across the volunteer companies. In some cases, the lack of documentation is structural throughout the system due to the informal nature that business was conducted in prior years – without the internal controls that are expected today. In other cases, the informal nature was due to the fact that the volunteer companies had actual knowledge as to who was and who was not providing the required service hours through their duty crew and ancillary programs. Nonetheless, there is no dispute that proper documentation is required in order to ensure that there is an audit trail, especially if questions arise in the out years as to the proper benefit for a particular beneficiary.

At the March, 2013 meeting of the LOSAP Board, DFR made a presentation regarding Orion/Agency Web – which will be the FRA's new RMS system. The Plan Administrator is hopeful that this new RMS system will provide the source documentation for collecting member information and creditable hours that can be used to generate the annual census rosters to be

certified by the individual LOSAP trustees and used by the actuary to make the annual valuations to determine the appropriate contributions by each of the volunteer companies (or the FRA if the cost is to be paid out of the central Fire Levy). The Plan Administrator is concerned, however, that there could be issues with the counting of creditable hours (which is integral to qualifying for a particular plan year) under the RMS system and will need assurances from DFR that hours can be counted in accordance with the definition of a creditable hour in the underlying LOSAP Plan document.

The LOSAP Board agrees with McGladrey that it would be appropriate to draw a “line in the sand” as it relates to eligibility for past years of service and the accuracy of benefit payments (including the plan year that will end June 30, 2013). The Plan Administrator believes that the volunteer companies, through their respective LOSAP Trustees, made the best judgments at the time as to who met or did not meet the required hours of service, and in certifying years of service provided by the actuary and the Hartford in connection with claims for benefits. The Plan Administrator does not support requiring the volunteer companies to contact any members who have been terminated or who are now inactive in order to verify prior hours of service since this would be administratively burdensome and likely impossible – especially if the former member has since moved and cannot be easily located. With respect to those who are still active members, the burden should be less – although this too will require the honor system depending upon the methodology that had been used by the individual volunteer company to calculate and certify hours of service for the prior legacy years.

Issue 5 – Benefits Payment Testing

The LOSAP Trustees agree that based upon the testing results, that real-time reconciliation of the LOSAP Plan is necessary. In this regard, each of the trustees now receives itemized monthly statements concerning benefit payments from the Hartford through USI. These statements are designed to permit the trustees for each of the volunteer companies to verify that the proper payments to its beneficiaries are being made (and where errors have occurred – that such errors are corrected in a timely manner).

The LOSAP Trustees do not believe that tracking tax withholdings is the responsibility of the LOSAP Board. As stated by McGladrey, proper taxation and payment of such taxes to the IRS and state taxing authorities is the responsibility of the beneficiary and not the LOSAP Plan. The determination as to whether withholdings are required is likewise up to the beneficiary and changes may be made without the LOSAP Trustees’ or Plan Administrator’s knowledge. The Plan Administrator believes that attempting to track tax withholdings, which in the first instant are not the responsibility of the LOSAP Trustees or the Plan Administrator, would be unduly burdensome.

Issue 6 – Monitoring Actuarial and Plan Investment Results

In the mid to late 2000s, the LOSAP Trustees has recognized that the LOSAP Plan was not achieving the 6.5% ROI through the Hartford. The LOSAP Trustees considered other investment options, but because of the volatility of the market since the late 1990s, the LOSAP

Trustees elected to stay out of the stock market and remain in the fixed investment portfolio through the Hartford. In an effort to bring the LOSAP Plan back into actuarial balance, the LOSAP Trustees voted to amortize the arrearage over a four year period (Fiscal Years 2010, 2011, 2012 and 2013). Realizing that the amortization payments would only make up for past arrearages, the LOSAP Trustees voted to front load the 3% deficit each year (3% asset load) so that the volunteer companies would make up the difference between the LOSAP Plan assumption for ROI and the actual ROI received from the Hartford on an annual basis. Periodically, the Trustees have had informal discussions with USI regarding different plan investment strategies and USI has recently indicated that they would like to meet with the Plan Administrator and/or the LOSAP Trustees.

In order to obtain an accurate picture of the ROI performance for the LOSAP Plan from plan inception, the Plan Administrator requested that the Treasury Management Division of the Department of Finance ("Treasury Management") provide a comparison of comparable investment returns as between the LOSAP Plan, the Police and Fire Supplemental Retirement Fund, the Virginia Retirement System and the County's Cash Investment Portfolio in order to determine the differences, if any in investment results. Based upon the data collected by the Department of Finance, the approximate 13-year ROI for these different retirement plans is, as follows:

P&FSRF – 5.32 percent
VRS – 4.81 percent
LOSAP Plan – 3.69 percent

Treasury Management also indicated that the County's Cash Investment Portfolio had a 3.43 percent return, but that the objectives for the cash management portfolio differ significantly from the objectives for a pension type plan.

The LOSAP Trustees will be evaluating a variety of different investment options, including the possibility of a mix of different options. The LOSAP Trustees understand that investments should not only be conservative, but also designed to meet long-term projections. As a result, the LOSAP Trustees should also look for comparable long-term results over a period of 20 – 25 years for similar plans to the extent that such results are available. Additionally, it is understood that investment strategies may need to be adjusted over the course of time. The Plan Administrator expects to have input from Treasury Management as well as the Assistant Plan Administrator who also sits on the board of the Police and Fire Supplemental Retirement Fund.

Issue 7 – Plan Actuarial Assumptions

The LOSAP Trustees agree that the current 6.5 % assumption needs to be reevaluated in order to determine the appropriate ROI assumption. The 6.5% assumption has been in place since plan inception, and was a reasonable assumption based upon market conditions at that time. Since the inception of the LOSAP Plan, interest rates have steadily declined. In 2010, the LOSAP Trustees attempted to bring the LOSAP Plan into actuarial balance by adding an asset load to the annual contribution in order to cover the difference between the actual ROI (3.0%)

and the assumed ROI (6.5%). Since that time, the LOSAP Trustees have learned that the actuarial calculation is not a simple math calculation and that while the asset load has been added, the mere addition of the asset load could be insufficient to actually ensure that the LOSAP Plan is in actuarial balance.

As a result, on March 27, 2013, the Plan Administrator and Assistant Plan Administrator had a conference call with representatives from USI, the actuary for the LOSAP Plan, regarding plan assumptions and investments. During this conference call, the consensus was that a 6.5% assumption was no longer appropriate given the changes in the market place since plan inception. USI stated that any assumptions for ROI needed to be long term in nature (i.e., 15 – 20 years)⁵ rather than short-term or mid-term. USI has suggested that an assumption of 5% for ROI would be more appropriate – although that decision would ultimately have to be made by the LOSAP Trustees in consultation with the FRA due to the potential fiscal impact on the contributions paid by the volunteer companies. Using Stonewall for illustration, the projected contribution schedule for FY2013 would be, as follows:

6.5% Assumption (with 3.0% asset load) -- \$52,722
5.0% Assumption (with 2.0% asset load) -- \$92,643

If the LOSAP Trustees make the decision to switch from the aggregate cost method to the unit credit cost method, Stonewall's projected contributions for FY2013 would be, as follows:

With 1 Year Amortization of Unfunded Accrued Liability

6.5% Assumption (with 3.0% asset load) -- \$55,986
5.0% Assumption (with 2.0% asset load) -- \$320,187

With 5 Year Amortization of Unfunded Accrued Liability

6.5% Assumption (with 3.0% asset load) -- \$43,364
5.0% Assumption (with 2.0% asset load) -- \$103,022

With 10 Year Amortization of Unfunded Accrued Liability

6.5% Assumption (with 3.0% asset load) -- \$41,810
5.0% Assumption (with 2.0% asset load) -- \$76,117

The fiscal impact of any decisions will be significant on the volunteer company expenditure budgets, especially if the decision is to change from a 6.5% ROI to a 5.0% ROI as suggested by USI. In that example, Stonewall's contribution would increase by \$39,921 just to meet the new ROI assumption. As a result, the LOSAP Trustees will need to coordinate with the FRA Budget Task Group and the FRA Executive Committee in order to determine the best course of action. If the cost method is changed, the difference between the recommended contribution for a 6.5% ROI and a 5.0% ROI would be even more substantial.

⁵ Treasury Management has indicated that a more appropriate forward looking time period would be greater than 20 years rather than the 15 to 20 years suggested by USI.

Issue 8 – Selection of Third Party Contractors

The LOSAP Trustees agree that the contractual arrangements with USI and the Hartford/Mass Mutual need to be evaluated in order to ensure that the LOSAP Plan is receiving the best services possible.⁶ Part of this evaluation will include a determination as to whether or not the contracts should go out for bid or whether it would be beneficial to use the County's current provider of actuarial services for the Police and Fire Supplemental Retirement Fund. With respect to the Hartford/Mass Mutual, the evaluation of the contract may be more complex depending upon whether that vendor will also to provide the investment services or if that will be provided by a different vendor.

Irrespective of the action that is ultimately taken by the LOSAP Trustees, the Plan Administrator will continue to refine the expectations, roles, responsibilities and performance timelines for each of the parties. In this regard, the Plan Administrator has been advised by USI that it should be able to turn the actuarial evaluations for the plan year ending June 30, 2013 (FY2014 invoicing) by late November/early December 2013 if the census rosters are turned in by the August 15, 2013 filing deadline. This speed of service will be a marked improvement over the prior year. USI has indicated that processing of last year's rosters (for the plan year ending June 30, 2012) was delayed due to issues in prior years that needed to be addressed before last year's rosters could be processed.

Issue 9 – Defined Roles and Responsibilities

The Plan Administrator agrees that as the LOSAP Plan evolves following the audit that roles and responsibilities will need to change. The suggested roles outlined by McGladrey provide a good starting point, but may need to be adjusted based upon the needs of the system – especially if there is an Executive Committee layer in the governance structure. Additionally, the LOSAP Trustees and the FRA LOSAP Task Group will need to determine the appropriate relationship between the LOSAP Board and the FRA in order to ensure that the open door communications between the two bodies that started last year continue on a going forward basis.

Issue 10 – Operational Policies and Procedures

The LOSAP Trustees agree that operational policies and procedures are important. In this regard, the LOSAP Trustees have adopted policies or procedures/processes that address the following subjects: alternates trustees, submission of annual census rosters, as well as the election and terms of office for the Plan Administrator and the Assistant Plan Administrator. The Plan Administrator believes that there are other areas that require further definition, including what constitutes an hour of service, census management, eligibility monitoring and the benefits payment process. Establishing policies and procedures will ensure that processes are uniform across the system and that the qualification for and the payment of benefits is uniform.

⁶ The LOSAP Administrator has confirmed with the Department of Finance that financial services, such as those provided by the Hartford/Mass Mutual and USI are exempt from competition under state procurement regulations. As a result, the procurement of these services should not be governed by Chapter 9.1 of the County Code.

While the Plan Administrator believes that the maintenance of a LOSAP Enrollment Form and a LOSAP Termination Form in a member's personnel file may be beneficial for the verification and certification of time when a claim is made for benefits, the Plan Administrator agrees that all census rosters should include all members regardless of eligibility or active status. In this way, the potential for inadvertent omission from a roster or the miscalculation of creditable years should be substantially reduced.

Issue 11 – Plan Solvency

As discussed under Issue No. 6, the Plan Administrator agrees that the LOSAP Board will need to determine the appropriate assumptions for ROI. In this regard, USI has indicated that an appropriate assumption would be 5.0% ROI, which is a 15 to 20 year forward looking estimate. Since ROI investments are supposed to be long-term, the Plan Administrator does not believe that the assumptions should be adjusted frequently. Rather, the Plan Administrator believes that it would be more appropriate to discuss assumptions on a periodic basis as part of its overall investment strategy in order to ensure that there has not been a fundamental change that would warrant an adjustment to the ROI assumption. Finally, the Plan Administrator agrees with the statement that once the amortization of unfunded liability is paid off that the subsequent annual contributions should be reduced assuming all other factors are equal. This is clearly illustrated by Stonewall's experience since its LOSAP payment for 2012 (FY2013) will be significantly lower than its payments had been in the prior 3 fiscal years.⁷

During the preparation of this management response, the Plan Administrator learned that an issue involving OWL could have a significant financial impact on the LOSAP Plan. As indicated by the OWL trustee, the prior Plan Administrator provided instructions to the actuarial vendor which resulted in certain of OWL's members being erroneously removed from its annual census. Upon discovery of the issue, OWL took steps to add the affected members back onto their annual census roster. This issue has caused a significant unfunded liability for OWL, which OWL proposes to amortize over the next 5 or 10 years. The Plan Administrator believes that there is a small likelihood that other volunteer companies are in the same situation given the fact that the volunteer companies did a fairly thorough scrub of their census rosters over the past year. Nonetheless, out of an abundance of caution, the LOSAP Trustees will be advised of the potential so that the individual volunteer companies can take appropriate steps.

Other Observations

Gainesville – McGladrey raises concerns that the LOSAP Plan does not define the process for handling assets of a volunteer company that has been dissolved. Based upon information provided by the Hartford/USI, the LOSAP Plan has a master account with 12 subaccounts merely for attribution purposes. Inasmuch as it appears that the money account is

⁷ The Plan Administrator questions some of the data on page 6 of the report since the actual recommended payments for Stonewall seem to differ from what was reported in the table. Nonetheless, these differences are not material to the underlying issues or discussions.

actually a single consolidated account, it would appear that no policy or procedure is required to transfer assets. That said, the Plan Administrator believes that the system still has a fiduciary responsibility to GDVFD's former members who are now vested in the LOSAP Plan. As discussed above, the DFR Chief or his designee is the responsible party.

The LOSAP Plan Administrator is concerned that there may no longer be an effective mechanism to reach the former members of GDVFD and advise them of their rights as beneficiaries. The Plan Administrator is concerned that at some point in the future one or more volunteer companies potentially could be dissolved or merged out of existence. In anticipation of this sort of an event, the LOSAP Plan Administrator urges the FRA to create policy or procedure so that personnel records can be preserved. This will enable the Plan Administrator to contact the respective volunteer members in order to provide information regarding the LOSAP Plan and their rights for benefits at the normal retirement age. The Plan Administrator is not comfortable with the prospect that volunteer personnel could inadvertently lose their benefits because the system did not do its part to ensure that they were aware of their rights and responsibilities.

Defined Benefit vs. Defined Contribution

McGladrey has indicated that the defined benefit plan design for the LOSAP Plan is atypical of similar type pension plans and suggested that a defined contribution plan be considered. The Plan Administrator believes that this is something for the LOSAP Trustees to evaluate – albeit a lower priority. If the LOSAP Trustees were to decide to convert the LOSAP Plan from a defined benefit to a defined contribution plan, care must be taken to ensure that benefits to existing members are protected in accordance with Section 9.2 of the Plan document. In that regard, existing volunteers should be given the choice of either retaining their defined benefit or converting from a defined benefit to a defined contribution.⁸ The Plan Administrator believes that most affected volunteers would elect to retain the defined benefit because of the uncertainty of the market and their experiences with 401k type plans.

While the Plan Administrator recognizes the fiscal argument for converting the plan to a defined contribution design – namely to bring certainty to the amount of money that is spent on LOSAP each year and to shift the risks from the County to the beneficiary, the Plan Administrator believes that a defined contribution model could cause the LOSAP Plan to lose its value to the FRA as a tool for the recruitment and retention of volunteers if members are uncertain as to the benefits that will be received at retirement. This could have the unintended consequence of increasing operational costs to the County for the provision of fire and rescue services if the system is not able to recruit and retain volunteers.

⁸ The Plan Administrator cautions that a “hybrid” plan of this nature could ultimately create additional administrative overhead and likely additional administrative costs due to the increased complexity of the plan.

Insurance Coverage

Following a discussion after February LOSAP meeting, the Plan Administrator determined that there was a need to ensure that the LOSAP Board and the Plan Administrator and Assistant Plan Administrator were covered by an Errors and Omissions policy. The Plan Administrator consulted with its insurance broker and learned that the Errors and Omissions policies for the volunteer companies would cover the trustees due to the fact that they were appointed to those positions by the volunteer companies. The insurance policies would not, however, cover the Plan Administrator or Assistant Plan Administrator positions since those were LOSAP Board appointments rather than volunteer company appointments. Additionally, the Director of Finance and the Chief DFR would likewise not be covered. Through the Department of Finance, the Plan Administrator requested quotes for insurance for the LOSAP Board. The County's Risk Manager is in the process of obtaining those quotes for coverage.

Conclusion

All of the stakeholders in the LOSAP Plan are committed to taking the appropriate steps in order to ensure that the Plan will be viable for many years to come. The FRA has established a task group that is chaired by Chief Brian Hickerson, and is comprised of Richard Rubino, the Plan Administrator; Todd Hewitt, the Assistant Plan Administrator; Chief Chris Hool, Vice Chair of the FRA; Michelle Attreed, Deputy Finance Director; and Asst. Chief Matt Smolsky. The Board of Trustees have taken steps in response to the initial Internal Services Audit and are committed to taking further steps in response to this audit in order to ensure the long-term health of the LOSAP Plan. Some issues can be addressed more promptly while others will take additional time. Nonetheless, the LOSAP Trustees recognize that appropriate steps need to be taken promptly so that the LOSAP Plan will not reflect negatively on the County's audit report for FY2014. And, as the Plan Administrator has done in the past with the FRA, he would be willing to make periodic reports to Executive Management, the Audit Committee and/or the BOCS.

Sincerely yours,



Richard D. Rubino
Plan Administrator

cc: Melissa Peacor, County Executive
Chris Martino, Deputy County Executive
Brian Hickerson, Chair – FRA LOSAP Task Group
Kevin McGee, Chair – FRA
Steve Solomon, Director of Finance
Michelle Attreed, Deputy Director of Finance
Todd Hewitt, Assistant Plan Administrator
LOSAP Trustees

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