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Angela M. Darragh, CPA, CFE, CISA, Director

March 18, 2015

Mr. Don Burnette
Clark County Manager
500 South Grand Central Parkway, 6th Floor
Las Vegas, Nevada 89155

Dear Mr. Burnette:

We recently completed an audit of General Liability and Auto, Property, and Crime Insurance. The audit was conducted as part of our annual audit plan. The objectives of our audit were to determine whether insurance coverage is sufficient but not excessive, reserve funding is reasonable, and broker fees are in accordance with contract provisions. Our audit included the general liability policies for the period July 31, 2013 to July 31, 2014 and the crime and property policies for the period April 1, 2013, to April 1, 2014. The last day of fieldwork was September 5, 2014.

We found that property and crime insurance broker's fees are in accordance with contract provisions.

We also identified several areas for potential improvement during the course of our audit. We found that there is a lack of coverage for of data breaches, cloud computing, and confidential information. We believe controls could be strengthened over listings of insurable property provided to the broker, as several significant properties including buildings, projects in development, vehicles, and equipment were found not to be insured and values of vehicles were not always correct. We also found that vacant buildings were insured at actual cash value rather than replacement costs. We further noted that all County property is valued and insured at historical cost that may not reflect current replacement cost.

We believe vehicles may be overinsured, as 97% of the County's vehicles are over 5 years old, and included on the Statement of Values at cost, but only insurable to cash value. Further, controls could be improved over reporting of loss run activity for general liability by reconciling to the County's financial system. Finally, we found that one fraud case amounting to $158,000 was closed without payment by the insurance due to a lack of response from Clark County. This case is now reopened.

We did not have sufficient audit evidence to perform procedures over business personal property valued at $452 million. We also did not evaluate policy exclusions for gaps on the property insurance, as provisions were not sufficiently clear on coverage.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

A draft report was provided to the Director of Risk Management for comment and her response is included. We appreciate the cooperation and assistance provided by the Las Vegas Justice Court.

Sincerely,

Angela M. Darragh

Angela M. Darragh, CPA
Audit Director

AUDIT DEPARTMENT

Audit Report

General Liability and Auto, Property, and Crime Insurance

March 2015

Angela M. Darragh, CPA, CISA, CFE
Audit Director

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BACKGROUND

Cooperative Agreement

In January 1986, Clark County established a liability insurance pool with affiliated local governments to provide for self-insurance of liability claims and related expenses. The Board of County Commissioners approved the renewal of the Cooperative Agreement among Clark County, Clark County Regional Flood Control District, and the Southern Nevada District Board of Health on June 1, 2010. The Regional Transportation Commission exercised its option to withdraw from the liability pool as of fiscal year 2011. Separate general liability, property, and specialty insurance policies are held by UMC and DOA. Clark County Insurance Pool Internal Service Fund 6610 was established to account for large liability claims and expenses. County Liability Fund 6600 was also established to process smaller claims and the administrative costs associated with the operation of the Risk Management Division of the Finance Department, which is responsible for overseeing the process. The County has contracted with brokers to place insurance coverage, review and maintain renewal policies and all endorsements, provide assistance in maintaining up-to-date property values, and other services.

General Liability and Crime

The entities are self-insured for general and auto liability for up to $2 million for each occurrence. Excess liability policies cover any additional losses up to $20 million. Actuarial studies are performed based on past experience of losses to determine an appropriate amount to hold in reserve funds to meet self-insurance retention limits.

A crime policy is renewed annually to cover fraudulent occurrences of up to $500,000, with a deductible of $25,000.

Property

Clark County owns $2.8 billion in capital assets that are potentially insurable, excluding land and infrastructure. The County's property policy covers a maximum of $1.5 billion per occurrence in property coverage. Property currently insured includes: buildings and improvements, business personal property, radio towers, vehicles and equipment with a value in excess of $50,000, and builder's risk for construction projects. Deductibles for property range from $10,000 to $1,000,000. The insurance company will insure only the properties on the lists provided by the County and at their stated values.

The County's broker works with various County departments to obtain lists of insurable property and their values. The broker maintains the Statement of Values that lists all the insured County property and provides this information to the property insurance company.

The County's property is insured at replacement cost up to 125% of the stated value, including debris removal. The County's vehicles and equipment valued at over $50,000 are insured at actual cash value. Vacant property is also insured at actual cash value if not covered by a vacancy permit. The insurance company must be notified when a vacant building exists, as special coverage must be provided to protect against additional losses, such as theft and vandalism. Actual cash value is determined as replacement cost less allowances for physical deterioration, depreciation, obsolescence, and depletion. It is a value that can be significantly less than replacement cost.

The County is usually responsible for carrying the builder's risk insurance on construction contracts. Builder's risk insurance covers loss and damage that occurs during construction. It expires 30 days after the date of occupancy, date the property is placed in service, construction completion, or when construction is abandoned. Property insurance must be purchased after the 30 day expiration period for property to remain insured.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objective

The objectives of this audit are to determine whether:

- Insurance coverage is sufficient but not excessive.
- Reserve funding is reasonable.
- Broker fees are in accordance with contract provisions.

Scope

The audit includes the general liability policy for the period July 31, 2013 to July 31, 2014 and the crime and property policies for the period April 1, 2013 to April 1, 2014. General liability and property policies held separate from Clark County are not included in this audit. We are unable to audit business personal property, which is insured to a value of $452 million as supporting detail of how the amounts are derived is not available and values recorded in the County's financial system could not be reconciled. We also did not evaluate exclusions for gaps on the property insurance, as provisions were not sufficiently clear on coverage. Our last day of fieldwork was September 5, 2014.

Methodology

General Liability and Crime

We obtained policies for the period ended July 1, 2014 and loss runs for the past 5 years. We reconciled expenditures from financial records in Fund 6600 and 6610 to the loss runs. We then judgmentally selected 25 invoices and traced names, expenditure type, and amount to the loss runs and performed an analysis on closed dates to determine whether amounts were paid out after the closed date. We performed these procedures on the loss runs to substantiate that the amounts reported were reasonable. We then reviewed retention amounts based on the latest actuarial studies, cash and reserved financial amounts, actual loss amounts incurred as recorded in financial records, financial record for large expenditures on specific cases that could affect retention amounts, and retention amounts specified on the policy. We further charted losses by type (from loss runs) to determine whether upward trends are occurring that could affect retention amounts. We performed gap analyses on the general liability and crime policies based on existing exclusions in policies and comparing to Cooperative Agreement provisions. We then reviewed loss runs for crime, determining reasons for losses paid and not paid.

Property

We compared the Statement of Values list for buildings and improvements valued at $1.3 billion provided by Risk Management to inventory lists downloaded from the financial system. We also obtained a list of all community centers and fire stations from respective department websites. We determined that all community centers and fire stations appeared on the Statement of Values. We then judgmentally selected 11 building and improvements from the Statement of Values list for testing. We examined a total of $858.6 million or 64% of the values listed on the Statement of Values of $1.3 billion.

We verified that each of these buildings was owned by the County by reviewing Assessor’s information and obtained construction documents from Real Property Management as necessary. We also obtained endorsements for all property from the insurance broker, as it became apparent during the audit that the Statement of Values lists for all insurance types were not complete.

We obtained a current list of all vehicles and equipment from Finance Automotive Division and analyzed 100% of this list to the vehicles and equipment valued at $55.6 million on the Statement of Value list provided by Risk Management for vehicles with a historical cost of $50,000 or more. We reviewed endorsements provided by the broker for the most recent amount of vehicles and equipment insured and aged the Finance Automotive Division vehicle list.

We obtained a Statement of Values list from Risk Management for construction projects insured under Builder's Risk valued at $45.3 million. We judgmentally selected three items valued at $32.8 million, representing 72% of total Statement of Values. We obtained and compared supporting construction documents for determination of proper inclusion. We then obtained project reports for the months of March 2013 and May 2014. We judgmentally selected 3 projects valued at $113 million for detail testing and obtained and compared supporting construction documents for determination of proper inclusion/exclusion.

We also performed an overall evaluation of property insured by comparing to County capital assets recorded in the financial system. All capital assets were downloaded as of March 31, 2014. We compared totals by categories of capital assets to total amounts insured by type. Finally, we reviewed loss runs by year and determined whether open claims existed and verified current status of payments.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

RESULTS IN BRIEF

We believe the County is exposed to risks through policy exclusions that could result in significant losses, such as in the event of a data breach. We also found that loss runs are not reconciled to County financial records, and property schedules are not reconciled to asset listings, potentially resulting in insufficient coverage.

As identified in the scope of the audit, we did not have sufficient audit evidence to perform procedures over business personal property valued at $452 million. We also did not evaluate policy exclusions for gaps on the property insurance, as provisions were not sufficiently clear on coverage.

Finally, we found that property and crime insurance broker's fees are in accordance with contract provisions.

DETAILED RESULTS

Lack of Coverage for Data Breaches and Cloud Computing – High Risk

We performed an analysis of exclusions for the General Liability and Crime policies to determine whether items specially excluded from coverage should be considered for additional coverage. We did not perform this analysis for the Property Policy, as the provisions are not organized in a manner where coverage is readily interpreted.

We found that the General Liability policy lacks coverage for data breaches and cloud computing environment, and the Crime policy lacks coverage for confidential information. According to the Ponemon Institute, in 2014, the average cost of a loss of sensitive and confidential information to US organizations was $201 per record, with the total average cost totaling $5.9 million. The Ponemon Institute further found that public sector organizations have the highest estimated probability for risk of a data breach involving over 10,000 records over a two year period, at 23.8%.

Recommendation

1. Evaluate whether additional insurance should be purchased to cover cloud computing, data breaches, or theft of confidential information.

General Liability Loss Runs are not Reconciled to Financial Records – High Risk

We found discrepancies between amounts reported on Risk Management loss runs and financial records, as reconciliations between the two are not done. Amounts expended on cases can be continual when a case remains open. Cases may also remain open for a number of years, further complicating the tracking of losses. Since losses are tracked on spreadsheets, there is an increased risk for errors and misreported amounts.

We attempted to reconcile the loss runs to financial records and found that the information was difficult to reconcile, as consistent identifiers were not maintained in financial records, and losses could go back farther than 5 years, as included on the loss runs
Actuarial reserves are based on claims and exposure (loss runs) and payroll data. Loss runs are used by County management to manage risk exposure. Further, actuarial companies do not audit data provided. Without accurate information on losses, the entities covered by the Cooperative Agreement could be exposed to insufficient funding on known claims.

Recommendation

1. Develop and implement a procedure to verify the accuracy of loss runs using SAP financial data for larger cases upon case closure.

Buildings and Improvements Not Included on the Statement of Values – High Risk

The Statement of Values is used to identify properties and their insured values. We judgmentally selected 4 properties from the County's property inventory and compared them to the Statement of Values and found the following exceptions:

1. The Shooting Park buildings and structure have not been included on the Statement of Values as completed property since their completion in 2009. The Shooting Park has 6 buildings and various structures, with building costs totaling $7 million. The Shooting Park also contains other structures that the County may want insured, such as canopies. The park buildings were initially insured through builder's risk, but that insurance lapsed 30 days after the completion date in 2009. The broker, who is responsible for ensuring property is transferred from builder's risk onto the property insurance, failed to do so.

2. The Desert Breeze Community Center building is included on the Statement of Values at $3 million for the center and $931,571 for the soccer complex restroom and concession stand. However, the values recorded in the County's capital assets total $11 million for building and building improvements, leaving an underinsured amount of $6.8 million. The difference is primarily attributable to an expansion to the center recorded as a capital asset in 2009. The skateboard park, tennis complex, and pools, additional recorded capital assets of $4.2 million, are also not included in the Statement of Values.

3. The Desert Bloom Park concession and storage valued at $278,253 are not included in the Statement of Values.

When buildings and values are not included in the Statement of Values or included in an insurance endorsement, the County could have difficulty in receiving reimbursement for losses from the insurer. During testing, we found that capital asset recorded amounts are not reconciled to insured amounts on the Statement of Values. We compared total building and improvement amounts recorded in the County's financial system to total insured amounts and noted a variance of $201 million more than the total insured amount on the Statement of Values. (Note that the difference may include amounts that are not insurable, such as land.) We believe Risk Management should perform periodic reconciliations between the Statement of Values and asset values in SAP to ensure all properties are included at an amount approximate to the asset's value.

Recommendation

1. Reconcile insured properties listed on the Statement of Values to the County's financial capital assets and inventory to ensure that all properties are included at values reasonable as compared to the asset's recorded value.
2. Request the Certificate of Completion for construction projects and verify that newly completed properties are included on the appropriate policy.
3. Add the Shooting Park, Desert Breeze expansion, and Desert Bloom Park structures to the Statement of Values.

4. Develop policies and procedures for determining Statement of Values amounts and insuring buildings, improvements, and structures.

Vacant Building Insured at Lower "Actual Cash Value" – High Risk

The County has a property insurance vacancy permit for two buildings (one of which is sold). The County also owns a building on Shadow Lane valued at $10.6 million on the Statement of Values that has been vacant since 2012 and is not included in the Vacancy Permit. According to written provisions of the property policy, vacant buildings are valued at actual cash value as opposed to replacement cost. If damage occurred to any vacant County building, the County would be responsible for providing the additional funds to repair, rebuild, or replace the building for losses above actual cash value. We were informed by the insurance broker that the insurance will cover replacement of a vacant building listed on the vacancy permit at replacement cost. However, we believe that the County is accepting a risk when this is not clearly stated in the written policy. In addition, vacant buildings are excluded from the Ordinance or Law Coverage under the Property Coverage (B)(2)(f)(4) provision. This leaves the County at further risk of incurring non covered losses due to changes in building codes, ordinances, or laws.

Finally, we found that the vacant building on Shadow Lane is not covered for loss or damage caused by vandalism, sprinkler leakage, building glass breakage, water damage, theft or attempted theft since it is not specifically listed on the vacancy permit. Real Property Management does not maintain a comprehensive vacant building list. According to the property policy, a building is considered vacant when less than 70% of the square footage is occupied. Therefore, there may be other County buildings not identified by us that are considered vacant and are at risk of uninsured losses.

Recommendation

1. Obtain a list of buildings with less than 70% occupancy every quarter. Risk Management should have these buildings covered under a vacancy permit and verify when buildings are either sold or occupied for removal from the vacancy permit.
2. Request the broker to include specific language for replacement cost and coverage for changes in ordinances and laws on the vacancy permit.

Builder's Risk Insurance and Completed Projects Left Uninsured – High Risk

We selected 3 projects from the May 2014 Project Report the property insurance broker receives monthly from Clark County. We found the following exceptions:

1. The Detention Center North Tower Renovation, Phase II project totaling $99 million, with expended amounts of $4.8 million as of April 2014, was not insured under Builder's Risk insurance. The insurance broker was provided a Notice to Proceed on Construction letter dated December 20, 2013. Builder's Risk insurance should have been effective as of this date.
2. The Parkdale Community Center was expanded from 5,000 square feet to 12,300 square feet. The project was completed on March 15, 2013. The project is correctly not on the Builder's Risk policy. However, the project is not on the Statement of Values or insurance endorsements. Therefore, the property is uninsured for the expansion value of $5 million.

Since property insurance is not "blanket" coverage, claims for properties that are not specifically insured through endorsements may be denied, potentially leading to litigation with the insurer.

At the time of our audit, Clark County Risk Management was not monitoring projects to ensure they were appropriately included on the Builder's Risk policy and moved to the property policy within 30 days of completion. The broker receives notification of construction activities through e-mail, which may or may not be received. While notification to the broker is sufficient to insure a property, good business practice would be to implement a more formal notification process to avoid any potential disagreement.

Recommendation

1. Develop a coordinated process with RPM in order to verify projects insured on the Builder's Risk policy.
2. Develop a procedure to verify property transitioning from the Builder's Risk policy to the property policy and provide a more official notification to the broker.

Errors on the Statement of Values for Vehicles and Equipment – High Risk

The Automotive Division, which maintains the list of vehicles provided to the insurer, does not maintain information as to whether a vehicle is insured. A reconciliation of vehicles insured to either the Automotive Division vehicle and equipment lists or the general ledger amounts is not performed. Since reconciliations are not performed, there is a risk that vehicles and equipment may unintentionally be excluded from being insured.

We compared the Statement of Values listing provided by Risk Management to a listing of County vehicles and equipment with values of $50,000 or more from the Clark County Automotive Division. We found the following exceptions:

1. The Finance Automotive list shows 64 vehicles and equipment with a net insured amount of $1.4 million over total asset value.
2. Five vehicles and equipment were duplicated on the insurance Statement of Values list, resulting in paying premiums unnecessarily for vehicles with a combined value of $557,319.
3. One item with a value of $100,315 was included twice on the Statement of Values but was not on the Automotive list as County property.

Since the Statement of Values is not updated for additions or deletions and would have a variance with a current Automotive Listing, we compared the latest insurance endorsement (dated January 6, 2014) of $58.5 million to the total recorded amounts in the County's financial records. Amounts in the County's financial system for transportation not including RTC of $48.6 and road equipment of $9.2 million varied from the policy amount by $700,000.

Further, we believe vehicles may be overinsured, as 97% of the County's vehicles are over 5 years old, and included on the Statement of Values at cost, but only insurable to cash value. Values used to set premiums should be consistent with the potential amount recovered after a loss.

Recommendation

1. Verify total amounts for insured vehicles and equipment annually to amounts recorded for capital assets.

2. Determine whether premiums are adjusted based on age of vehicles. If not, insure vehicles and equipment at replacement cost or annually adjust the Statement of Values amount for vehicle depreciation.
3. Develop written policies and procedures for these processes.

Property May Not Be Insured to Replacement Cost– Medium Risk

All County property is valued at historical cost for insurance purposes. County properties were purchased at varying times since 1968. Therefore, historical costs may not be comparable with current market trends and replacement costs. While insurance coverage is 125% of the stated value (including debris removal), the County is at risk of incurring losses in excess of the policy, particularly if an old property is a total loss and needs to be replaced.

The County's contract with the insurance broker includes providing assistance in maintaining up to date property values. However, the broker does not update values unless a value is questioned by the County.

Recommendation

1. Contract to have the County's significant assets valued for insurance purposes.
2. Review and adjust the broker's contract for scope of work that is not provided.

Fraud Case Remains Unresolved – Low Risk

A claim in the amount of $158,000 was filed with the crime insurance policy dated May 3, 2012. The case was closed by the insurance company with the loss not paid due to a lack of response from Clark County. The claim was subsequently re-opened once information on the related criminal complaint was provided to the insurer. However, we believe there should be additional monitoring and communication between the insurance company and Risk Management to assure that claims are not closed due to inaction on the part of the County.

Recommendation

1. Develop and implement policies and procedures for periodic monitoring of claims processing.

MEMORANDUM

DEPARTMENT OF FINANCE

OFFICE OF RISK MANAGEMENT

YOLANDA T. KING
Chief Financial Officer

LES LEE SHELL
Director

TO: Angela Darragh, Director, Internal Audit

FROM: Les Lee Shell, Director, Office of Risk Management

SUBJECT: Response to Internal Audit of General Liability and Auto, Property and Crime Insurance

DATE: March 13, 2015

Thank you for the opportunity to provide management's response to the Audit Department's General Liability and Auto, Property and Crime Insurance Audit.

The Office of Risk Management maintains the ultimate responsibility for the placement and administration of the County's multiple insurance programs including, but not limited to, those addressed in this audit. However, the day-to-day active participation of multiple parties at various levels both inside and outside of the organization is necessary for the successful administration of these programs. The complexity and difficulty of ensuring effective coordination and communication among these integration points is highlighted by certain findings of this report.

The Office of Risk Management continues to work to identify areas for improvement including enhancing the services we provide to departments, educating the organization about risk management functions, continually improving communication and coordination within the organization and ensuring placement of appropriate and fiscally responsible coverages. It is in line with this commitment to improvement that the Office of Risk Management provides the following responses to specific findings noted in the audit report.

- **Finding # 1 – Lack of Coverage for Data Breaches and Cloud Computing**

Risk Management works closely with department representatives, District Attorney, Information Technology, and Purchasing staff to ensure that language is included in applicable contracts to provide comprehensive protection against third-party liability regarding data breaches, including the compromise of confidential data. This includes ensuring that contracting parties maintain proper cyber-based and/or errors and omissions insurance with acceptable deductibles naming Clark County as an additional insured under any contract involving the harvesting, storing, or exchange of confidential data. In addition any limitation of liability clauses or other clauses affecting the financial and legal responsibilities of contracting vendors in the case of a data breach are carefully reviewed in all known contracts.

In 2014, Risk Management purchased the County's first cyber liability policy. The policy provides coverage for certain cyber exposures that were previously uninsured, including information security and privacy liability, privacy notification costs, regulatory defense and penalties, and website media content liability.

Clark County's cyber liability policy is in place from July 1, 2014, through July 1, 2015, and Risk Management intends to renew coverage in all applicable future renewal periods. Additionally, Risk Management will ensure that the broker leverages market opportunities to expand and enhance coverage if and when fiscally feasible.

- **Finding # 2 – General Liability Loss Runs Not Reconciled to Financial Reports**

Loss runs generally do not lend themselves to financial reconciliation. Loss runs are used to document aggregate claim activity. They are used by actuaries to determine appropriate reserves and by insurers to determine risk exposure and calculate premium. Data on loss runs is based on policy coverage periods, not fiscal year. Therefore, a loss run from 2014 may not include a claim made under the 2013 policy even though the 2013 claim may have payments in 2014. In this case, payment on the 2013 claim would not show on the loss run, but a payment would exist in the County's 2014 financial records.
Risk Management utilizes the services of a claims adjuster for the adjudication of general liability claims, including property and bodily injury claims. The adjuster maintains a database of all liability claims (opened or closed). Claim data is not maintained on a spreadsheet. In addition to claim notes and reports, the adjuster maintains detailed expenditure and reserve information in this database. At the direction of Clark County and after payment has been initiated and made by County staff, the adjuster adds this payment detail to the claim record. Additional information is also maintained in the database regarding expected future expenses, or reserves. All payments are subject to County's internal accounting procedures which includes multiple levels of validation. Additionally, effective analysis can be made between Clark County's financial system and the adjuster's check register (not the loss runs), which allows for the identification of payments between certain date periods rather than coverage period identified in loss runs.

Each year Clark County's financial records are subject to review by an independent outside auditor. Items reviewed by the auditor include Risk Management's claims incurred but not reported (IBNR) reserves and claims payments made over the life of a claim. The outside auditor validates the loss runs by selecting a statistically significant sample of claims and payments (regardless of year) to ensure reserves are proper. The auditor relies on the County's disbursement controls included in SAP to validate claims expenses on the fund statements. The general ledger represents only amounts on claims that are paid out, they do not represent the actual loss incurred or relied upon by the actuary. As such, this would not be helpful in validating the reserves.

Clark County has never received an audit finding for discrepancies regarding Risk Management's reserves or claims payments. Based on this information, Risk Management believes that appropriate procedures are in place to ensure expenditures and reserves are being properly reported, accounted for and reconciled. However, we will review existing practices to identify any needed areas of improvement.

- **Finding # 3 – Buildings and Improvements Not Included on the Statements of Values**

Risk Management is reliant upon Real Property Management to provide notice of new projects, building improvements and completed projects. Real Property Management does have a formalized process by which this communication takes place, which is a direct e-mail from a single Real Property Management staff person to the broker and Risk Management.

Statements of Value (SOV) are somewhat fluid documents, and it is possible that at any given time property could be missing from the list for various reasons. In the last two years the property broker has worked closely with department representatives to improve the quality of the maintained SOV as well as the communication process to identify additions and deletions to the schedule. As a result, County's current SOV is greatly improved over previous years' SOVs. However, there is room for improvement, and Risk Management will coordinate with Real Property Management on this finding to identify areas of concern to recommend improvements. Risk Management and Real Property Management have already agreed to meet on a quarterly basis with the broker to review the SOV for accuracy including new projects, updates and deletions. Additionally, although Risk Management is not responsible for maintaining the County's capital asset listing, we will coordinate with Finance to ask for their assistance in reviewing the SOV.

All properties identified in the audit have been appropriately added to the covered property list.

Finding # 4 – Vacant Buildings Insured at Lower "Actual Cash Value"

In 2014, Risk Management placed a new property policy that does not require vacancy permits to be actively placed on County property. Vacant property and applicable content are now covered at replacement value.

- **Finding # 5 – Builders' Risk Insurance and Completed Projects Left Uninsured**

In accordance with the Supplemental Coverage Declaration A, Policy Limit of the policy covered by this audit, a building which is not listed on the SOV would be still covered by the policy. Risk Management does not believe that failure to move a property from the builders' risk schedule to the covered property schedule would exclude a property from coverage. However, it may result in a variance in calculating coverage, and provide for coverage at a lower value.

Risk Management is reliant upon Real Property Management to provide notice of capital projects that need to be either added under the Builders' Risk policy or moved to the covered property schedule. Risk Management will coordinate with Real Property Management on this finding to identify areas of concern and recommend improvements. Risk Management and Real Property Management have already agreed to meet on a quarterly basis with the broker to review the SOV for accuracy. All properties identified in the audit have been appropriately added to the covered property list.

- **Finding # 6 – Errors on the Statement of Values for Vehicles and Equipment**

Risk Management is reliant upon Clark County Automotive to provide the inventory of vehicles and equipment valued over $50,000. Risk Management will coordinate with Automotive on this finding to identify areas of concern and recommend improvements.

Issues identified in this audit have been reconciled by Automotive and Finance, and a corrected vehicle and equipment asset listing has been provided to the broker. Additionally, under the auto liability policy placed in 2014, vehicles and equipment are now insured at replacement value.

- **Finding #7 – Property May Not be Insured to Replacements Cost**

In 2014, Risk Management placed a new property policy that insures property at replacement value. Additionally, the new insurance provider has completed an initial on-site appraisal inventory of all Clark County facilities valued at more than $5 million to ensure that insured properties are appropriately listed on the SOV.

- **Finding # 8 – Fraud Case Remains Unresolved**

This finding deals with an unusual claim regarding a County employee who fraudulently received insurance benefits for a non-qualified dependent. Initially, it was communicated by the insurer that the claim may not be eligible for coverage under the crime policy, and it was denied. Once it was determined that criminal charges were being made against the former employee, the claim was reopened by the insurer.

Risk Management will work to improve the process of monitoring these types of open claims and ensure that they are not improperly closed by insurer.