



Audit Department

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

June 2, 2016

Mr. Don Burnette
Clark County Manager
500 South Grand Central Parkway, 6th Floor
Las Vegas, Nevada 89106

Dear Mr. Burnette:

We recently completed a follow up audit of the General Liability and Auto, Property, and Crime Insurance audit dated March 18, 2015. The objective of our audit was to determine whether Risk Management, with assistance from Real Property Management, took adequate corrective action on the findings included in the original audit report. Our procedures included testing through the last day of fieldwork, May 11, 2016.

To accomplish our objective, we performed the following:

- Interviewed management from Real Property Management and Finance Automotive Division.
- Interviewed the Insurance Broker.
- Obtained and reviewed insurance policies.
- Reviewed policy for cyber liability coverage that includes data breach, cloud, and confidential information.
- Selected 10 of the largest checks, \$252,738 of \$507,589 claims paid (50%), from the loss run check registers and traced these to SAP (Clark County's financial system) recorded payments and general ledger.
- Selected 7 of the largest valued buildings, \$787 million of \$1.5 billion total building value (52%), and reviewed appraisals. Determined that the buildings, identified as errors in the original audit are properly included or excluded in the current Statement of Values.
- Reviewed the insurance policy to determine whether vacant buildings are insured at replacement cost.
- Reconciled the current Statement of Values for vehicles and equipment to the Automotive Division reconciliation of M5 (Automotive Division computer application) inventories to SAP capital assets.
- Determined that all vehicle and equipment errors identified in the original audit were corrected.
- Reviewed the insurance policy to determine whether the value of vehicles is at replacement cost.
- Reviewed a letter by the District Attorney's Office dated January 6, 2016 attempting to collect on the fraud case that remains open.

As part of the audit procedures, we determined that internal controls related to audit findings are sufficient. Our scope included the period January 1, 2016, through March 31, 2016.

We believe that Risk Management took adequate corrective action or is in the process of taking corrective action on all eight of the findings reported in the original audit. The implemented corrective actions significantly resolve the findings. Risk Management, in efforts with the Insurance Broker, obtained a group purchased commercial insurance policy through the Public Entity Property Insurance Program (PEPIP) under Alliant Property Insurance Programs that is specifically designed for public entities. Insurance coverage is up to \$1 billion including automatic coverage for new acquisitions and course of construction and includes a cyber liability policy for coverage of data breaches, cloud computing, and related confidential information. Insurance coverage also generally provides for replacement cost, not only for buildings and course of construction, but also of vacant properties and vehicles and equipment. Vacant properties are now included in the insurance coverage for increased cost for building code/ordinance changes.

Risk Management also implemented strong internal controls to improve processes for the deficiencies noted in the original audit report over the Statement of Values (SOV). Risk Management now holds quarterly coordinated meetings with Real Property Management and the Insurance Broker to discuss any issues with the SOV for buildings and construction projects. One person in Real Management is reconciling the SOV for buildings and construction projects and is coordinating the valuations with the insurance broker. Further, the insurance broker is now providing appraisal values for select buildings. The Finance Automotive Division is reconciling their vehicle and equipment inventory to capital asset listings provided by the Comptroller's Office at least annually. The Automotive Division also provides corrected vehicle and equipment listings to Risk Management for insurance purposes. Additionally, Risk Management is now monitoring fraud cases presented for insurance claims.

Due to the size of the task, the dynamic nature of the data, and differing data formats, Real Property Management continues to work on corrections to the Statement of Values for buildings and construction projects. Further, Real Property Management identified vacant buildings and continues to monitor building status.

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.

We appreciate the cooperation and assistance provided by Risk Management, Department of Real Property Management, and the Automotive Division of Finance during the course of this follow up audit.

Sincerely,



Angela M. Darragh, CPA
Audit Director