

**BRIEFING SHEET**Report 15-16  
November 2015

State Auditor

[Joe Chrisman](#)**Local Government  
Property Insurance Fund****Background**

The Local Government Property Insurance Fund makes property insurance available for local government property, such as municipal buildings and motor vehicles. The Property Fund is administered by the Office of the Commissioner of Insurance (OCI).

To fulfill our statutory requirement to audit the Property Fund at least once every three years, we conducted a financial audit of the Property Fund by auditing the financial statements in accordance with applicable government auditing standards, issuing our auditor's opinion, reviewing internal controls, and making recommendations for improvements.

**Audit Results and Key Findings**

We provided an unmodified opinion on the Local Government Property Insurance Fund's financial statements for fiscal year (FY) 2013-14, FY 2012-13, and FY 2011-12. We provide an unmodified opinion when audit evidence supports the conclusion that the financial statements provide a fair view of an entity's financial activity in accordance with generally accepted accounting principles. Our audit report also includes the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters.

We found:

- As of June 30, 2014, the Property Fund insured \$51.9 billion in property owned by 983 units of local government.
- Enrollment in the Property Fund declined from 1,085 units of local government as of June 30, 2012, to 983 as of June 30, 2014, due, in part, to the availability of other insurance options in the market and increasing Property Fund premiums.
- The Property Fund's net position as of June 30, 2014, was a deficit of \$703,000.
- We emphasize in our audit opinion that the net position of the Property Fund may decline pending the outcome of a lawsuit related to a loss involving the Milwaukee County Courthouse.
- OCI did not take steps to address our prior internal control concerns related to maintaining claims documentation in an orderly manner and applying aggregate deductibles. Further, we identified noncompliance with statutes related to assessing interest on past-due premiums. OCI indicates our concerns in these areas either have been or will be addressed.
- Subsequent to our audit period, the Property Fund's cash was depleted in September 2015 and it borrowed \$2.0 million from the General Fund as provided for under statute. Statutes do not establish a limit on the extent to which the Property Fund may borrow from the General Fund for purposes of paying claims when Property Fund assets are insufficient.

**Audit Recommendation**

We recommend that OCI report certain information to the Joint Legislative Audit Committee by July 8, 2016, after which we will provide an interim update to the Legislature on the financial condition of the Property Fund.

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