

City of Palm Coast, Florida

Agenda Item

Agenda Date: September 23, 2025

Department CITY ADMINISTRATION Division	Amount Account #
Subject: PRESENTATION - PLANTE MORAN ENTITY-WIDE RISK ASSESSMENT	
Presenter: Tim Wilsey, Risk & Safety Administrator, and Briana Solorio, Plante Moran	
Attachments: <ol style="list-style-type: none">1. Presentation2. Report	
Background: <p>On June 17, 2025, City Council approved a master services agreement with Plante & Moran, PLLC for an entity-wide risk assessment. Plante Moran conducted an entity-wide risk assessment to help the City identify and prioritize critical operational, financial, compliance, and strategic risks. Departmental interviews across the City have been successfully completed and the insights obtained through these sessions have been systematically analyzed and assessed. The five highest-ranked residual risks to the City are:</p> <ol style="list-style-type: none">1. Political Climate2. Asset Management3. Public Services4. Information Technology (IT) Security and Infrastructure5. Reputation <p>The detailed report including results and recommended actions are attached and will be presented by Plante Moran Project Manager, Briana Solorio.</p>	
Recommended Action: FOR PRESENTATION	



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Wealth Management.

September 23, 2025

City of Palm Coast, Florida *Entity-Wide Risk Assessment Results*



Agenda

1. Project Methodology
2. Assessment Results
3. Monitoring Plan
4. Questions



Risk assessment team



Matt Bohdan, CPA, CIA
Partner



Briana Solorio, CPA
Manager



Noah Nicklin
Senior Consultant



Ally Houston
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Project Methodology



Importance to the City

Why we conducted the risk assessment

Value drivers and
target outcomes

1. Develop and report a comprehensive portfolio view of risk
2. Anticipate risks earlier to minimize losses, incidents, or failures
3. Increase resiliency and prepare for unexpected disasters
4. Establish a strong risk culture, risk awareness, and responsibility
5. Pursue opportunities in accordance with risk appetite and strategy
6. Improve collaboration, trust, and information sharing



Project objectives





Project approach

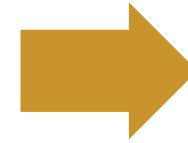
Planning & Kickoff

- Establish project plan
- Provide training
- Conduct due diligence
- Determine risk assessment methodology
- Develop risk listing and rating criteria



Surveys & Interviews

- Facilitate a collaborative risk assessment workshop and interviews to rate and prioritize risk
- Identify risk owners
- Develop recommended action plans



Reporting & Risk Assessment Delivery

- Draft risk assessment report and visualizations
- Present report and key deliverables



Inherent risk rating criteria

- Communicated a criteria-based rating scale to evaluate each risk based on the following:
 - **Impact** – the extent to which a risk event will impact the City, should it occur
 - **Likelihood** – the probability that a risk event will occur before considering internal controls
 - **Residual risk** – risk level after the consideration of internal controls
 - **Risk appetite** – level of risk the City is willing to accept
- Supported the risk rankings and assessment results



Palm Coast Risk Universe

Operational

- Asset Management
- IT Security & Infrastructure
- Catastrophic Event
- Public Safety
- Public Services
- Talent Management
- Human Resources

Financial

- Financial Management
- Financial Reporting
- Fraud, Waste, & Abuse
- Economic Conditions

Strategic

- Organizational Environment
- Political Climate
- Reputation

Compliance

- Grant Management & Compliance
- Regulatory Environment
- Records Management
- Legal



Assessment Results

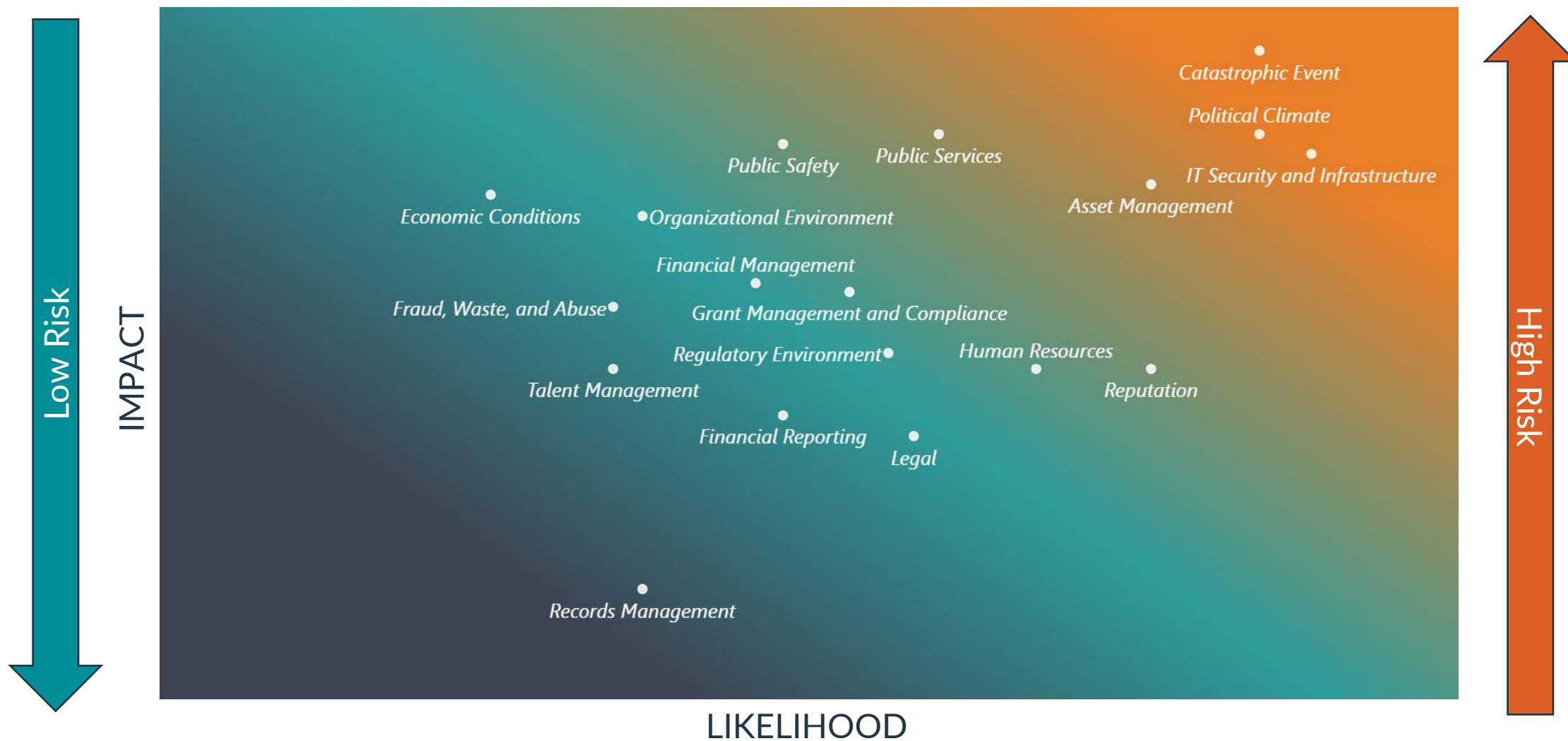


Summary of themes

No.	Area	Theme
1	Collaborative Culture	The City fosters a collaborative organizational culture, characterized by strong interdepartmental communication and mutual support.
2	Continuous Improvement	City staff demonstrate a proactive approach to improving processes and internal controls.
3	Technology Gaps	Technology and system limitations have resulted in inefficient or manual processes in several areas.
4	Staffing Challenges	Recruiting and retaining specialized talent remains a persistent challenge.
5	Infrastructure Strain	Growth and aging infrastructure place increasing strain on City resources and pose long-term risks.

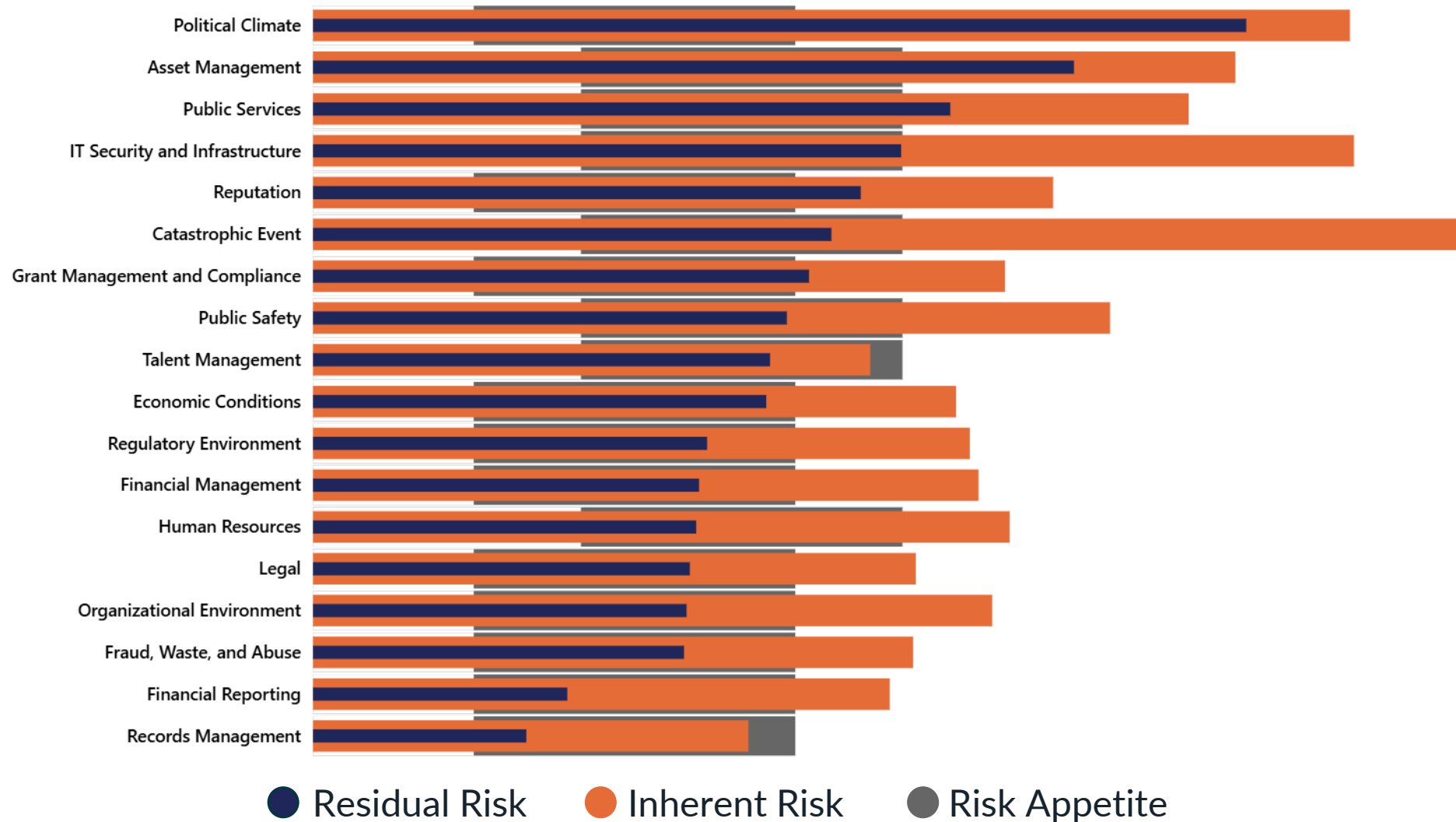


Inherent risk heat map





Risk relationship bullet chart





Top risks

#	Risk title	Risk description	Why it is a top risk	Key mitigating activities
1	Political Climate	Shifts in leadership or policy priorities disrupt strategic initiatives or funding.	<ol style="list-style-type: none">1. Strategic project reprioritization and delays create challenges for staff engagement and morale.2. Tensions and uncertainty regarding the current political climate.	<ol style="list-style-type: none">1. Citizen input is gathered via surveys and town halls to align priorities with community values.2. The Strategic Action Plan Dashboard tracks progress toward key priorities.
2	Asset Management	Inadequate management, tracking, maintenance, or safeguarding of City-owned assets and infrastructure.	<ol style="list-style-type: none">1. Aging infrastructure2. Rapid growth3. Reactive maintenance4. Capacity constraints	<ol style="list-style-type: none">1. Departments perform routine maintenance and use data to monitor asset health and prevent failures.2. Long-term plans and dedicated funds guide capital investment decisions.
3	Public Services	Inability to meet service expectations for residents, businesses, and visitors.	Gaps between community expectations and operational realities create challenges.	<ol style="list-style-type: none">1. Departments use Palm Coast Connect and CD Plus to track and respond to citizen inquiries and issues.2. Investments in crews, tools, and field tech have boosted service response.



Top risks (cont.)

#	Risk title	Risk description	Why it is a top risk	Key mitigating activities
4	IT Security and Infrastructure	The City's information technology systems are vulnerable to incidents or are insufficient to maintain operations.	<ol style="list-style-type: none">1. Technology issues force reliance on manual workarounds.2. Lack of documented business continuity plan for IT or cyber disruptions.	<ol style="list-style-type: none">1. Technology infrastructure has been modernized.2. Multi-layered set of tools is used to monitor and protect the network and systems.
5	Reputation	Negative public perception of City leadership, services, or decisions damages trust and engagement.	Public trust and understanding are highly sensitive to perceived gaps in transparency or unmet expectations.	<ol style="list-style-type: none">1. Initiatives in community engagement.2. Press releases, social media, video content, and newsletters are centrally managed.



Risk treatment action plans

Political Climate

Post-election, organize listening sessions or roundtable discussions between Council members and City staff to improve alignment and further integrate staff perspective in strategic priorities.

Asset Management

Establish documented Asset Management Plans for water and wastewater infrastructure, covering asset categories such as Storage Tanks, Membrane Systems, Pump Stations, Large Diameter Piping, Clay Pipe, Membrane Systems, Meters, PEP Tanks, etc.

Talent Management

Initiate an evaluation of compensation practices and performance evaluations to ensure pay is appropriately aligned with employee contributions, job responsibilities, and advancement opportunities.

IT Security and Infrastructure

Launch a project to assess and optimize the Munis ERP system with a focus on enhancing reporting capabilities and improving configuration for greater efficiency.

Reputation

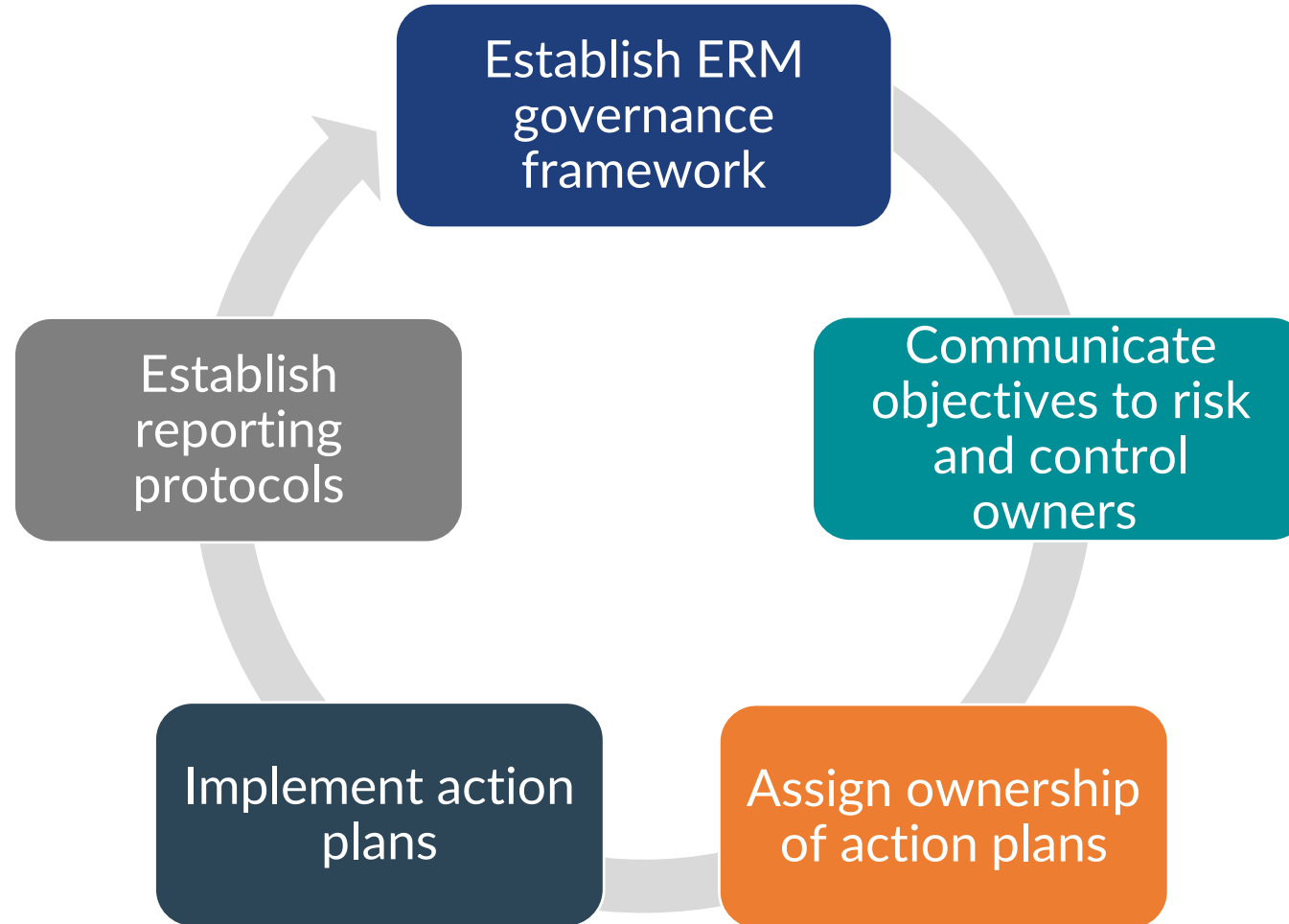
Establish an internal audit function to increase transparency, accountability, and citizen confidence in City operations.



Monitoring Plan



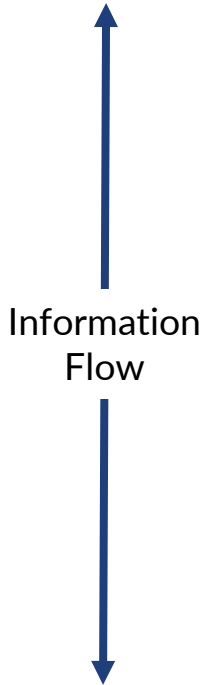
Action items





Example ERM governance framework

ERM Infrastructure				Responsibilities	
City Council				Receive quarterly risk management updates and provide oversight.	
City Manager				Program sponsorship, establish tone at the top, approve ERM charter, assign and delegate authority, and report to City Council.	
Enterprise Risk Management Committee				Program coordination, establish policy and procedures, create monitoring controls, assign of risk owners, and establish reporting protocols.	
Internal Audit Function				Assurance: Evaluate the first and second lines' effectiveness and assure regulators and external auditors of the City's effective control culture.	3rd Line of Defense
Financial Risk Owners	Strategic Risk Owners	Operational Risk Owners	Compliance Risk Owners	Risk Owners: Identify risks applicable to each function of the City and assume monitoring responsibility.	2nd Line of Defense
Department Directors, Deputy Directors, and Managers				Control Owners: Perform monitoring of each risk and report back to risk owners.	1st Line of Defense





Next steps

- Confirm decisions on implementing recommendations and set timelines
- Conduct a follow-up to confirm risk mitigation implementation after a set period
- Establish quarterly check-ins for reporting progress to the City Council
- Plan for a risk assessment refresh in FY2026



Questions?

Protect Value by Managing Risk.

PALM COAST, FLORIDA

SEPTEMBER 2025

Entity-Wide Risk Assessment Results and
Next Steps





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September 5, 2025

City Council
Palm Coast
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Palm Coast, FL 32164

We have performed an entity-wide risk assessment in alignment with the Committee of Sponsoring Organizations (“COSO”) Enterprise Risk Management – Integrating with Strategy and Performance framework. The objective of this assessment was to help the City identify, prioritize, and better manage its most significant operational, financial, compliance, and strategic risks, laying the foundation for a structured Enterprise Risk Management (ERM) program. This process supports the understanding of the City’s risk environment through the identification of key risks and their mitigation strategies, as well as recommending areas of improvement for risk mitigation.

This report contains our assessment of the key enterprise risks, including prioritization of risks, evaluation of the effectiveness of current internal controls to mitigate risk, development of plans to enhance the management of key risks, and best practices to strengthen risk management capabilities. This report is solely for the information and use of the City Council and City leadership and is not intended to be, and should not be, used by anyone other than the specified parties. We were not engaged to perform any specific internal control testing procedures beyond inquiry with management. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We would like to recognize and thank City leadership for the cooperation and courtesy extended to us throughout this process.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew Bohdan", written over a light blue horizontal line.

Matthew Bohdan, CPA, CIA
Partner

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Executive Summary

Plante Moran conducted an entity-wide risk assessment to help the City identify and prioritize critical operational, financial, compliance, and strategic risks. This process produced a ranked list of significant risks to help guide resource allocation and risk management efforts.

For each item in the risk universe, we assessed its inherent risk level and documented existing and ongoing mitigation efforts to understand how the City is currently applying internal controls. We then evaluated residual risk to highlight areas where mitigation could be strengthened.

The five highest-ranked residual risks to the City are:

1. Political Climate
2. Asset Management
3. Public Services
4. Information Technology (IT) Security and Infrastructure
5. Reputation

Inherent Risk: The effect of the risk event before consideration of mitigating activities.

Residual Risk: The level of assumed risk after consideration of mitigating activities.

Next Steps

We recommend the following immediate actions to advance the City’s efforts in establishing a structured approach to Enterprise Risk Management (ERM). These actions aim to implement a continuous monitoring framework and an annual risk assessment cycle to support ongoing evaluation and mitigation of risks. Additional recommended actions for the coming year are outlined in the ERM Roadmap on pages 30-34.

1. Establish an ERM governance framework, including design, structure, and authority of who will support the City’s risk management efforts.
2. Communicate the objectives of the ERM initiative to risk and control owners, as well as other stakeholders, to promote efficient cross-functional risk management.
3. Assign ownership of action plans to clarify responsibilities and ensure accountability for implementation.
4. Implement action plans for high risks to bring residual risk within tolerance (see Recommended Risk Treatment Action Plans on pages 9-29).
5. Establish reporting protocols to facilitate the flow of critical risk information to City leadership.

Results



Objectives & Scope

The entity-wide risk assessment consisted of the following:

1. **ERM Training Session:** Conducted an ERM training session for all City staff participating in the assessment, emphasizing our approach, elements of an ERM program structure, and expectations for their role in the assessment. We also solicited feedback to confirm that the draft risk universe reflected the City's unique risk landscape.
2. **Risk Workshop:** Facilitated a collaborative risk workshop with City Directors and Deputy Directors to identify, assess, and prioritize entity-wide risks. Participants shared department-specific and citywide risks, assigned risk ownership, validated inherent risk rankings, and rated the strength of mitigation strategies.
3. **Interviews:** Conducted in-depth interviews with City leadership to capture their perspective on key risks, current mitigating activities, areas of inefficiency, opportunities for improvement, and the City's risk appetite.
4. **Recommended Risk Treatment Action Plans:** Using the information obtained from the workshop and interviews, we identified top residual risks to the City and developed risk mitigation recommendations for the City's consideration.
5. **ERM Roadmap:** Developed an ERM roadmap, outlining next steps for the City to take to further build upon effective risk management best practices.

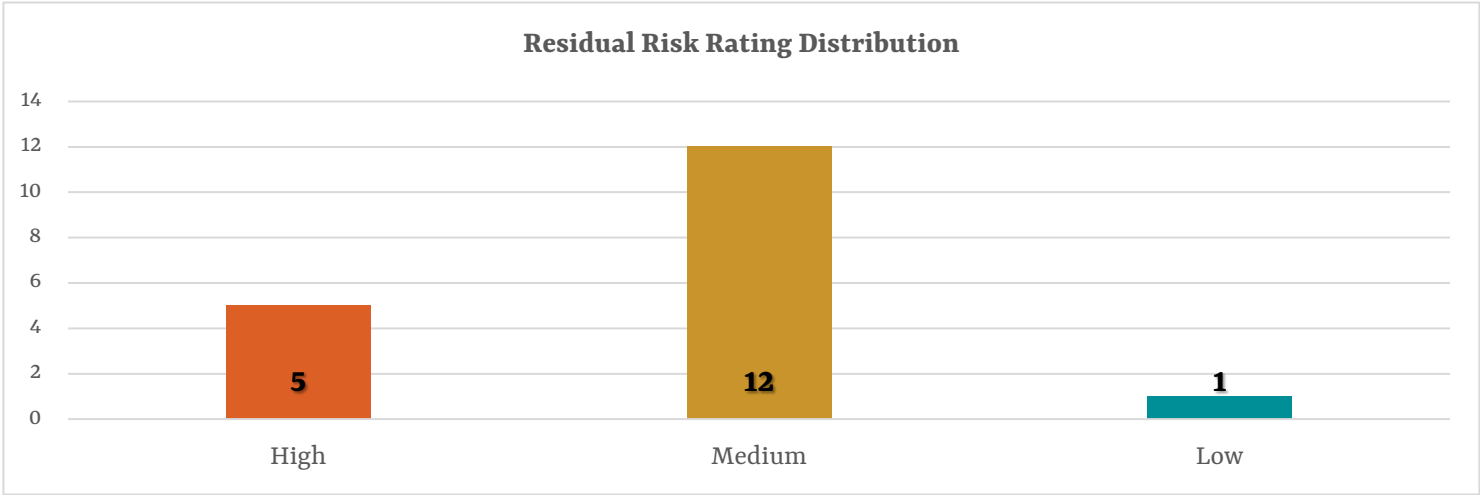
Summary of Themes

The table below outlines the overarching thematic areas identified during our assessment, highlighting the City’s strengths and opportunities for improvement.

No.	Area	Theme
1	Collaborative Culture	The City fosters a collaborative organizational culture, characterized by strong interdepartmental communication and mutual support. This environment enhances day-to-day operations and facilitates effective problem-solving. The positive culture is actively reinforced by City leadership through tone-at-the-top practices and mechanisms such as cross-departmental meetings and staff engagement initiatives. Preserving this culture is a strategic strength that enables the City to respond cohesively to emerging challenges.
2	Continuous Improvement	City staff consistently demonstrate a proactive approach to improving processes and internal controls. Across departments, employees initiate and embrace changes aimed at increasing efficiency and mitigating risk. This reflects a culture of continuous improvement, where staff recognize issues, such as system limitations or outdated practices, and take initiative to address them.
3	Technology Gaps	Technology and system limitations have resulted in inefficient manual processes in several areas. Departments frequently rely on manual workarounds to compensate for missing system functionality. These gaps increase the risk of errors and reduce operational efficiency. Enhancing system capabilities through upgrades or better configuration represents a significant opportunity to streamline workflows and reduce reliance on manual effort.
4	Staffing Challenges	Recruiting and retaining specialized talent remains a persistent challenge. While overall turnover is moderate and many teams benefit from long-tenured staff, certain roles requiring specific education or licensing are difficult to fill. These vacancies often remain open longer than desired, leading to workload imbalances and potential service delays. Addressing these staffing challenges is critical to maintaining service quality and operational resilience.
5	Infrastructure Strain	Growth and aging infrastructure are placing increasing strain on City resources and pose long-term risks. Rapid development in Palm Coast has outpaced the availability of commercial and industrial space, while utilities and transportation networks face mounting pressure. Concerns around water and sewer capacity, as well as traffic congestion, highlight the need for infrastructure upgrades. Additionally, aging assets across the City often require reactive maintenance due to limited resources for proactive upkeep. Investing in infrastructure improvements is essential to support sustainable growth, reduce emergency repairs, and meet the evolving expectations of residents and businesses.

Assessment Results

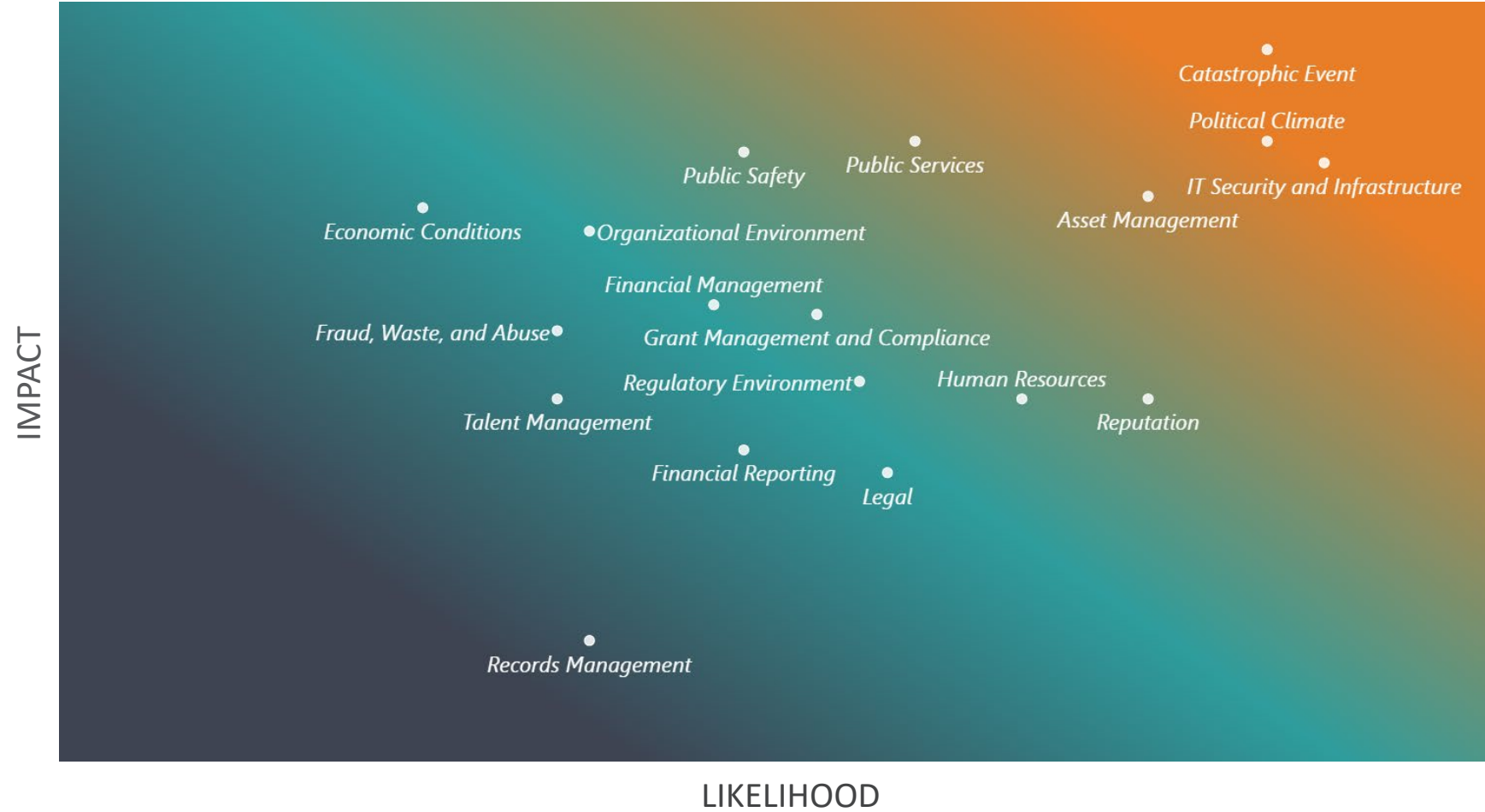
The following graph depicts the dispersion of the City’s risks between high, medium, and low residual risk (including the consideration of existing controls or mitigation activities) categories. High indicates that the residual risk score is beyond the City’s risk tolerance, necessitating the most attention and robust mitigation strategies. Medium indicates that the residual risk was within tolerance but warrants monitoring and targeted mitigation strategies to ensure it remains controlled. Low indicates that the residual risk was within tolerance but can be monitored with minimal action.



Financial, Strategic, and Compliance Risks			Operational Risks			All Risks	
Rank	COUNT	Residual Risk	Rank	COUNT	Residual Risk	Rank	COUNT
High	3	> 9	High	2	> 11	High	5
Medium	7	4 – 9	Medium	5	6 – 11	Medium	12
Low	1	< 4	Low	0	< 6	Low	1
Total	11	0 – 25	Total	7	0 – 25	Total	18

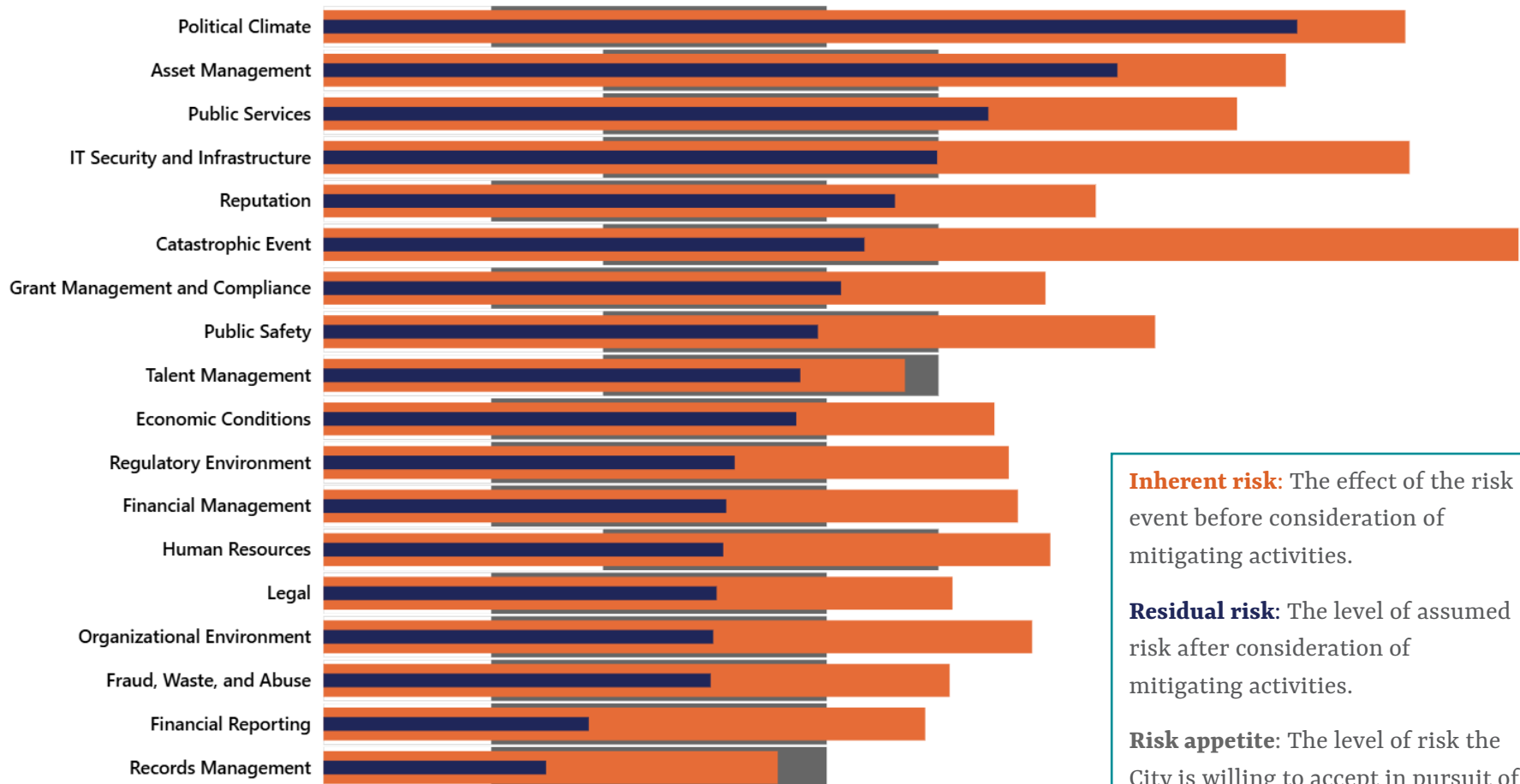
Inherent Risk Heat Map

The inherent risk heat map below illustrates the impact and likelihood of the City’s risks, without considering mitigating activities. Each risk is plotted on the map with impact rankings on the Y-axis and likelihood rankings on the X-axis. The closer the risks are to the orange in the top right corner, the higher the inherent risk score. In contrast, the closer the risks are to the blue in the bottom left corner, the lower the inherent risk score.



Risk Relationship Bullet Chart

The risk relationship bullet chart below illustrates the City's inherent risk scores in orange and residual risk scores in navy based on the risk assessment interviews. The distance between the orange lines and navy lines represents the strength of the City's mitigating activities. Risk appetite is illustrated in gray. Residual risk exceeding the risk appetite suggests the need for additional mitigation efforts, while residual risk below the risk appetite highlights opportunities for the City to potentially assume additional risk.



Inherent risk: The effect of the risk event before consideration of mitigating activities.

Residual risk: The level of assumed risk after consideration of mitigating activities.

Risk appetite: The level of risk the City is willing to accept in pursuit of business objectives.

Action Plans



Recommended Risk Treatment Action Plans

These plans are strategically crafted to address the risks we've identified and provide clear guidance on further mitigation strategies. Each plan outlines the top five current mitigation activities, highlights risk treatment actions underway, identifies potential responsible parties, and offers specific recommendations for next steps.

No.	Risk Information		Active Mitigation Activities
1	Risk	Political Climate	<ol style="list-style-type: none"> 1. Citizen input is gathered through biennial surveys and town halls to ensure strategic priorities reflect community values. 2. The Strategic Action Plan Dashboard keeps residents informed and engaged in progress toward key priorities. 3. The strategic planning framework is designed to extend beyond election cycles, with continuous tracking of progress toward key objectives. 4. The Council-Manager model and City Charter clearly outline roles and responsibilities, supporting accountability and administrative continuity. 5. An external facilitator supports Council in aligning strategic planning efforts with long-term objectives.
	Risk Detail	Shifts in leadership or policy priorities disrupt strategic initiatives or funding.	
	Residual Risk	High	<p>Risk Treatment Action Plans in Progress</p> <ol style="list-style-type: none"> 1. For projects in the next budget year, the City Manager creates an operational outlook to document a forward-looking plan for upcoming projects.
	Risk Owner	Administration	<p>Recommended Risk Treatment Action Plans</p> <ol style="list-style-type: none"> 1. Establish post-election internal listening sessions or roundtable discussions between Council members and City staff to complement resident town halls. These sessions should occur regularly and promote open dialogue, strengthen internal alignment, and further integrate staff perspectives when shaping strategic priorities. 2. Refine the survey feedback process for City staff by aligning the timing of the annual survey with the period when City Council sets its priorities. Ensure that documented feedback from the survey is available for the Council to consider and incorporate into their priority-setting process.

No.	Risk Information		Active Mitigation Activities
2	Risk	Asset Management	
	Risk Detail	Inadequate management, tracking, maintenance, or safeguarding of City-owned assets and infrastructure (e.g., roads, utilities, buildings, vehicles, equipment, infrastructure, parks) leads to loss, misuse, or service disruption.	<ol style="list-style-type: none"> 1. Departments conduct scheduled maintenance and routine inspections on fleet, facilities, streets, parks, water, wastewater, and stormwater systems to prevent failures. 2. Long-term plans such as the Capital Improvement Plan, Pavement Management Plan, and Stormwater Master Plan guide investments, supported by dedicated funds and regular rate studies. 3. Condition assessments and performance data are used to monitor asset health and prioritize maintenance. 4. Digital work order systems are used to receive, prioritize, and track maintenance and repair activities. 5. Fleet inventory audits are performed annually to verify asset existence and condition.
	Residual Risk	High	<div>Risk Treatment Action Plans in Progress</div> <ol style="list-style-type: none"> 1. Stormwater infrastructure is being mapped in a comprehensive GIS-based inventory, including condition ratings. 2. A long-range pipe maintenance and replacement plan is underway, supported by inspections using a new pipe camera. 3. Land acquisition is under consideration to establish additional stormwater drop lots that manage runoff and reduce flooding. 4. Planning is in progress for a Maintenance Operations Complex to address space constraints, with site work expected in 3–4 years and full completion in 8–10 years. 5. Fleet staff are cleaning up data in the Faster inventory system to correct parts records and remove obsolete entries.

			<p>6. Implementation of the 2025 Utility Strategic Plan is actively improving infrastructure resilience, operational efficiency, financial sustainability, customer experience, and environmental stewardship.</p> <p>7. Utilities Dept. is developing a plan to proactively replace aging, failure-prone Pretreatment Effluent Pumping (PEP) tanks before they fail.</p> <p>8. The City is actively working to implement dashboard cameras in city vehicles, including the integration of digital accident tracking into the Accident Review Board process to enhance documentation and accountability.</p>
	Risk Owner	<ul style="list-style-type: none"> • Public Works • Stormwater & Engineering • Utility • Parks & Recreation 	<p>Recommended Risk Treatment Action Plans</p> <p>1. Develop a long-term PEP System Management Plan to evaluate the feasibility of converting select areas from PEP to gravity sewer, prioritizing opportunities aligned with road projects, new developments, or closest to existing gravity sewer infrastructure.</p> <p>2. Establish documented Asset Management Plans for water and wastewater infrastructure, covering asset categories such as Storage Tanks, Membrane Systems, Pump Stations, Large Diameter Piping, Clay Pipe, Membrane Systems, Meters, PEP Tanks, etc.</p> <p>3. Perform regularly scheduled inspections of major infrastructure every 7 to 10 years to reassess facility conditions. For newly constructed facilities, conduct an initial condition assessment within 3 to 5 years of completion. Begin the recurring inspection schedule following the initial assessment.</p> <p>4. Equip vehicles or operators with devices to conduct digital pre- and post-trip inspections. Start equipping new vehicles with the devices, bundling device costs into procurement.</p> <p>5. Establish a scheduled process to verify a rotating subset of fleet parts and materials (e.g., weekly or monthly), prioritizing high-value and frequently used items to maintain real-time inventory accuracy.</p>

No.	Risk Information		Active Mitigation Activities
3	Risk	Public Services	1. Departments use Palm Coast Connect to capture and respond to citizen complaints with defined service targets and real-time status updates, improving accountability and responsiveness.
	Risk Detail	Inability to meet service expectations for residents, businesses, and visitors.	2. Field capabilities have expanded through investments in specialized crews and tools, improving response capacity. 3. Utilities billing staff review consumption anomalies and completed work orders before issuing bills, coordinating with meter technicians to catch and correct errors early. 4. Water conservation programs, including irrigation restrictions, help reduce peak demand. 5. Inspection results and code enforcement actions are digitally recorded in real time using tablets in the field. The tablets are interfaced with the CD Plus system, which the Community Development Department utilizes for monitoring permitting and inspection activities.
	Residual Risk	High	Risk Treatment Action Plans in Progress
			1. Communications and Stormwater staff are partnering on a targeted public education campaign to improve understanding of the stormwater system. 2. Formal agreements are being pursued with external entities to resolve jurisdictional boundaries and enable maintenance in areas outside city limits that affect the stormwater system.
	Risk Owner	Administration	Recommended Risk Treatment Action Plans 1. Develop and publish a handbook on the Palm Coast - Code Enforcement website that is used to educate the public on the code enforcement process, such as how complaints are handled, expected timelines, and regulatory considerations. Include a "Frequently Asked Questions" section to address common questions.

No.	Risk Information		Active Mitigation Activities
4	Risk	IT Security and Infrastructure	<ol style="list-style-type: none"> 1. Network and endpoint security is managed through Microsoft Defender, Tenable vulnerability scans, and SolarWinds monitoring. 2. Legacy infrastructure has been modernized, including the replacement of outdated firewalls, switches, and Wi-Fi equipment. 3. System redundancy and disaster recovery protocols include generator and UPS support at the primary data center. 4. Simulated phishing tests are sent to staff weekly; repeat failures trigger automatic training assignments. 5. The IT Department reviews weekly vulnerability reports for its systems, which are received from the Cybersecurity and Infrastructure Security Agency (CISA).
	Risk Detail	The City's information technology systems are vulnerable to unauthorized access, cyberattacks, and system failures or are insufficient to maintain operations.	
	Residual Risk	Medium	<div>Risk Treatment Action Plans in Progress</div> <ol style="list-style-type: none"> 1. The IT department is actively formalizing its policies and procedures, with 10–12 key documents in development, including a comprehensive Incident Response Plan. 2. A second data center is being established at a separate location, with procurement underway and full operational readiness targeted within two to three years; once complete, it will serve as the primary site, with the existing center functioning as a backup to enhance system resilience. 3. Last year, the IT department conducted its first tabletop exercise in collaboration with CISA as part of a broader plan to increase the frequency of scenario-based planning. 4. A formal change management process is being implemented using the service management platform, requiring all significant system changes to be submitted through a change ticket and reviewed by a Change Advisory Board (CAB). 5. The IT and GIS teams are enhancing integration between the GIS system and Palm Coast Connect.

Recommended Risk Treatment Action Plans			
	Risk Owner	Information Technology	<ol style="list-style-type: none"> 1. Launch a project to assess and optimize the Munis ERP system with a focus on enhancing reporting capabilities and improving configuration for greater efficiency. This should include identifying opportunities for automation, streamlining workflows, and reconfiguring settings to better support operational and decision-making needs. Consider using internal resources or engaging an independent third party as appropriate. 2. Establish a Business Continuity Plan that documents current procedures for responding to IT and cybersecurity disruptions, including system outages and technology failures. Review and update the plan annually. 3. Assess the feasibility of implementing a system to support daily operations in departments that currently lack one, such as the Parks and Recreation Department. Conduct a needs assessment to identify the specific functionalities and requirements the system must fulfill for departmental operations.

No.	Risk Information		Active Mitigation Activities
5	Risk	Reputation	1. Transparency Portal and Capital Improvement Plan Dashboard provide residents with access to departmental expenses and project statuses, promoting accountability.
	Risk Detail	Negative public perception of City leadership, services, or decisions damages trust and engagement.	2. Palm Coast Connect enables timely responses to citizen-reported issues with real-time status updates, improving service delivery and public trust. 3. Outreach efforts, including citizen surveys and community meetings, are used to gather feedback and respond to public input. 4. Press releases, social media, video content, and newsletters are centrally managed to maintain a consistent and professional public voice. 5. Public education campaigns are used to inform and engage residents when planned changes may impact the community.
	Residual Risk	High	Risk Treatment Action Plans in Progress
			N/A
	Risk Owner	Administration	Recommended Risk Treatment Action Plans 1. Establish an internal audit function to increase transparency, accountability, and citizen confidence in City operations. Publish audit findings to demonstrate the City's commitment to continuous improvement. Communicate proactively with residents about how internal audits work, why they matter, and how they lead to better services.

No.	Risk Information		Active Mitigation Activities
6	Risk	Catastrophic Event	<ol style="list-style-type: none"> 1. Departments maintain detailed emergency response checklist with actions to perform before, during, and after an emergency. 2. All employees are designated essential during disasters and assigned emergency roles, with policy and incident command led by the City Manager and Fire Chief when the Emergency Operations Center is activated.
	Risk Detail	Natural disasters or large-scale emergencies disrupt City operations, infrastructure, or public safety.	<ol style="list-style-type: none"> 3. Employees receive annual training on emergency management, incident command, and scenario-based exercises (e.g., active shooter, cyberattack, FEMA storm response). 4. The Everbridge system sends mass notifications to employees and tracks confirmations, with supervisors following up on non-responses to ensure accountability. 5. After-Action Reports are conducted following major events to capture lessons learned and update procedures.
	Residual Risk	Medium	Risk Treatment Action Plans in Progress
			<ol style="list-style-type: none"> 1. Steps have been initiated to increase the reserves for the Community Development – Building Division to maintain financial stability during the post-storm recovery and rebuilding phase. These reserves are intended to support extended permitting, plan review, and inspection activities, especially during periods when revenue from new construction permits may be significantly reduced.
	Risk Owner	Fire	Recommended Risk Treatment Action Plans <ol style="list-style-type: none"> 1. Develop a recurring schedule, timed before hurricane season each year, for a city-led, full-scale storm exercise that involves all key departments and coordinates with essential external partners.

No.	Risk Information		Active Mitigation Activities
7	Risk	Grant Management and Compliance	<ol style="list-style-type: none"> 1. Finance prepares and reviews reimbursement requests monthly or quarterly for large projects, with departmental grant managers approving each request to ensure compliance. 2. A formal grant management policy is in place to guide consistent and compliant practices. 3. Staff involved in grants management and compliance receive training. 4. A procurement checklist is used for federally funded purchases to ensure required documentation is captured, including reimbursable services, local match details, and monitoring expectations. 5. A grant consultant helps identify and pursue funding opportunities city-wide, while departments such as Stormwater & Engineering engage external consultants to assist with compliance.
	Risk Detail	The City is unable to identify and secure grant funding, or maintain compliance with federal regulations and the terms and conditions of awarded grants.	
	Residual Risk	High	<p>Risk Treatment Action Plans in Progress</p> <ol style="list-style-type: none"> 1. A grants module is currently being implemented in Munis to streamline tracking and reporting. 2. Utility staff are proactively identifying grant opportunities to secure funding for aging infrastructure needs.
	Risk Owner	<ul style="list-style-type: none"> • Community Development • Stormwater & Engineering • Utility • Administration 	<p>Recommended Risk Treatment Action Plans</p> <ol style="list-style-type: none"> 1. Raise departmental awareness of each department's designated grants liaison and their role. Implement a targeted communication and training strategy that includes internal briefings, periodic training sessions, and the distribution of supporting materials. In addition, ensure departments understand that both the external grants consultant and their grants liaison serve as resources to identify grant opportunities and provide support throughout the application process. 2. Implement a mandatory annual grants compliance training for departmental staff that oversee grants compliance, covering both general federal award requirements and specific compliance obligations related to their department's individual grants.

No.	Risk Information		Active Mitigation Activities
8	Risk	Public Safety	1. Closest-unit agreements, traffic signal preemption, and ISO-aligned response metrics improve dispatch efficiency and reduce response times.
	Risk Detail	Insufficient resources to support the health, safety, and well-being of the City.	2. Routine water testing, stormwater maintenance, and enforcement against hazardous dumping support public health and environmental safety. 3. Exposure risks are reduced through design and maintenance of facilities and equipment, including AEDs, surveillance cameras, protective barriers, and enhanced lighting.
	Residual Risk	Medium	Risk Treatment Action Plans in Progress
			1. The Fire Department is preparing to transition to the National Emergency Response Information System (NERIS), planning to train personnel on the new reporting standards. 2. The City is actively working with the County IT, City IT, and the fire station alert system vendor to resolve issues with the alerting system. 3. Risk Management is launching a recurring incentive program to recognize departments with the safest teams and the fewest safety incidents.
			Recommended Risk Treatment Action Plans
	Risk Owner	Fire	N/A

No.	Risk Information		Active Mitigation Activities
9	Risk	Talent Management	<ol style="list-style-type: none"> 1. New hire applications are reviewed by departmental supervisors in the hiring and onboarding system, NEOGOV. 2. Each department conducts technical training, while Human Resources (HR) manages mandatory citywide courses, such as harassment prevention and ethics. Training completion is actively monitored. 3. High-quality staff are consistently retained over long periods, often until retirement. A strong sense of morale and team support contributes to employee longevity. 4. Staff cross-training and resource sharing during emergencies, especially for PEP system maintenance and hurricane response. 5. Larger departments maintain succession plans for roles one to two levels below leadership. They plan for critical process areas and positions to be filled in the event of employee departures.
	Risk Detail	Difficulty attracting, developing, or retaining qualified personnel.	
	Residual Risk	Medium	<div>Risk Treatment Action Plans in Progress</div> <div>N/A</div>
	Risk Owner	Human Resources	<div>Recommended Risk Treatment Action Plans</div> <ol style="list-style-type: none"> 1. Launch a gap analysis initiative, led either by internal teams or an independent third party, to evaluate current practices across people, processes, and technology. The analysis should be aimed at uncovering inefficiencies, execution constraints, and reliance on manual procedures. Design future-state procedures to address identified gaps, clarify roles and responsibilities, and optimize automated system workflows. 2. Initiate an evaluation of compensation practices and performance evaluations to ensure pay is appropriately aligned with employee contributions, job responsibilities, and advancement opportunities.

			<p>3. Reassess the City’s recruitment strategy to ensure it effectively attracts qualified, certified candidates. This should include expanding formal partnerships with recruiters to enhance outreach efforts and leveraging digital platforms, such as LinkedIn and other web-based sourcing tools.</p> <p>4. Develop a succession planning framework for departments that currently lack one. This framework should clearly identify individuals designated to assume key roles in the event of retirements or departures. It should include a structured approach to recognizing high-potential employees at least two to three levels below leadership and preparing them through targeted training, mentorship, and expanded responsibilities.</p>
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No.	Risk Information		Active Mitigation Activities
10	Risk	Economic Conditions	1. The City has a formal fund balance policy that sets reserve targets to ensure financial stability.
	Risk Detail	Economic downturns or instability at the local, state, or national level.	2. The City's low per capita tax-supported debt and fixed-rate structure help minimize financial risk during downturns. 3. The City uses multi-year financial projections with both optimistic and pessimistic scenarios for major funds. 4. Business Retention & Expansion (BRE) visits support local companies with training grants, permitting, and growth planning. 5. The City boosts marketing by attending industry expos and refining pitch materials to attract site selectors.
	Residual Risk	Medium	Risk Treatment Action Plans in Progress
			1. The City restructured its Economic Development Department to formalize its initiative to diversify revenue streams by promoting and expanding commercial business activity. 2. Economic Development is actively working on its section of the Strategic Action Plan portal. Once launched, it will allow both officials and residents to track economic development initiatives and monitor progress online. 3. Economic Development developed a framework to offer incentives, such as grants or tax abatements, to companies meeting job and investment thresholds.
	Risk Owner	<ul style="list-style-type: none"> Community Development Economic Development 	Recommended Risk Treatment Action Plans N/A

No.	Risk Information		Active Mitigation Activities
11	Risk	Regulatory Environment	1. Utilities tracks usage trends daily and monthly against permitted capacity, monitoring water production, well pump run-times, and wastewater flows. Planning for expansion is initiated when usage reaches trigger points.
	Risk Detail	Failure to comply with city, state, or federal laws and regulations.	2. Annual Capacity Analysis Reports for water and wastewater are completed by Utilities and submitted to the Florida Department of Environmental Protection (FL DEP). 3. Regulatory compliance in Parks & Recreation is overseen by designated supervisors. Department of Health requirements for pools and splash pads are monitored daily, while annual tasks and renewals are scheduled to ensure timely completion and compliance with regulations. 4. Code enforcement officers patrol assigned city sections at least twice monthly, documenting violations and conducting re-inspections. Patrol routes are tracked via mapping software and stored for accountability. 5. City Administration monitors state legislation and collaborates with a lobbyist to stay informed on regulatory developments.
	Residual Risk	Medium	Risk Treatment Action Plans in Progress
			N/A
	Risk Owner	Administration	Recommended Risk Treatment Action Plans
			N/A

No.	Risk Information		Active Mitigation Activities
12	Risk	Financial Management	<ol style="list-style-type: none"> 1. Multi-level review by Deputy Finance Director, Finance Director, and City Manager ensures oversight before disbursement. 2. Segregation of duties is maintained for preparing, authorizing, and disbursing payments.
	Risk Detail	Inability to effectively allocate financial resources or ensure long-term fiscal stability.	<ol style="list-style-type: none"> 3. Invoice approval workflows in OnBase and weekly monitoring support timely processing, with executive updates to maintain accountability. 4. Quarterly budget reviews are performed to identify spending anomalies across departments. The City Manager and Finance meet with departments to review and address anomalies. 5. Charges for services are based on rate studies conducted every three to five years to ensure that the City's rates are sufficient to cover expenses. All rate adjustments are approved by Council.
	Residual Risk	Medium	<div>Risk Treatment Action Plans in Progress</div> <ol style="list-style-type: none"> 1. A bill pay system pilot with Wells Fargo is underway to automate payments and reduce manual check processing. 2. The Procurement Ordinance is being updated to align thresholds with current operational needs. 3. A new Munis module for project accounting will go live at the start of the new fiscal year to improve financial tracking and reporting.
	Risk Owner	Financial Services	<div>Recommended Risk Treatment Action Plans</div> <ol style="list-style-type: none"> 1. Transition from flat rate budgeting to a usage-based chargeback model for fleet services. Each department should be billed monthly or quarterly based on actual usage, such as variable costs of repairs, hours, or miles, encouraging asset accountability. 2. Evaluate the use of Amazon Business to enable lowest-cost purchasing, while maintaining adherence to procurement practices and requirements. Implement guardrails such as mandatory use of a City-issued Amazon Business account, category-based spending limits, and restrictions on non-essential purchase categories.

No.	Risk Information		Active Mitigation Activities
13	Risk	Human Resources	<ol style="list-style-type: none"> 1. Personnel Action Forms (PAFs) are used for all employee-related changes and follow an approval workflow in Munis. 2. The Wellness, Health, and Morale (WHM) program, along with the Daymaker initiative, are designed to foster a positive workplace culture and enhance employee well-being and morale. 3. HR consults with an employment attorney on labor law matters before proceeding with complex or ambiguous personnel issues. 4. The City follows a structured due process for disciplinary actions, with minor infractions handled by supervisors and serious actions requiring HR review and a formal hearing, including employee response and legal consultation. 5. The HR Department maintains documented personnel-related policies for City employees, including a Code of Conduct, Ethics Policy, Conflict of Interest Policy, and Employee Discipline Policy. Annual reviews are conducted for these policies and procedures.
	Risk Detail	Ineffective Human Resources practices hinder workforce performance, compliance, or morale.	
	Residual Risk	Medium	<p style="text-align: center;">Risk Treatment Action Plans in Progress</p> <ol style="list-style-type: none"> 1. The City is in the process of updating the Kronos timekeeping system to implement an employee sign-off feature. Timecards are approved in Kronos by supervisors and HR prior to payroll processing, however, employees are not currently required to formally verify or sign off on their timecards.
	Risk Owner	Human Resources	<p style="text-align: center;">Recommended Risk Treatment Action Plans</p> <ol style="list-style-type: none"> 1. Review the termination appeal process to ensure HR is actively involved in decisions to reinstate terminated employees. Their independent perspective supports the effective and consistent application of appeal outcomes, while maintaining equity and fairness throughout the process.

No.	Risk Information		Active Mitigation Activities
14	Risk	Legal	<ol style="list-style-type: none"> 1. The City Manager oversees the relationship with the City Attorney. They meet multiple times a week to discuss ongoing litigation. 2. Claims with potential payouts or litigation are escalated to the city's insurance carrier or City Attorney, ensuring independent review and proper handling. 3. The City Attorney reviews all City contracts. 4. Incident reporting procedures are in place to support thorough documentation and comprehensive information gathering for each incident to ensure all relevant facts are readily available in the event of litigation. 5. The City Attorney attends all Council meetings and many leadership team meetings, advising on proper procedures and legal boundaries.
	Risk Detail	Failure to effectively manage legal risks, disputes, or litigation.	
	Residual Risk	Medium	<div>Risk Treatment Action Plans in Progress</div> <div>N/A</div>
	Risk Owner	Administration	<div>Recommended Risk Treatment Action Plans</div> <div>N/A</div>

No.	Risk Information		Active Mitigation Activities
15	Risk	Organizational Environment	<ol style="list-style-type: none"> 1. Strategic priorities are tracked through assigned owners, dashboards, and quarterly reports to ensure alignment and accountability. 2. Departments track Key Performance Indicators that are reviewed regularly to support strategic goals and performance improvement. 3. Interdepartmental communication and coordination are encouraged by leadership. 4. Staff are introduced to expectations for integrity and professionalism through onboarding, ethics training, and policy acknowledgments. 5. The City Manager maintains visibility across departments to support staff and encourage engagement.
	Risk Detail	Leadership fails to provide adequate oversight, resulting in unclear responsibilities, inconsistent practices, and a weak culture of ethics and compliance.	
	Residual Risk	Medium	<div>Risk Treatment Action Plans in Progress</div> <div>N/A</div>
	Risk Owner	Administration	<div>Recommended Risk Treatment Action Plans</div> <ol style="list-style-type: none"> 1. Adopt and implement the recommended approach outlined in the ERM Roadmap (page 29) to continue building and maturing the City's Enterprise Risk Management framework. 2. Establish an internal audit or internal control monitoring function to identify gaps where standard operating procedures are missing or need improvement. Use these insights to strengthen consistency, compliance, and operational efficiency across departments.

No.	Risk Information		Active Mitigation Activities
16	Risk	Fraud, Waste, and Abuse	<ol style="list-style-type: none"> 1. The City uses master service and piggyback agreements to streamline procurement and extend contracted rates across departments. 2. Financial Services trains departments on purchasing procedures to promote a culture of compliance. 3. All purchases are reviewed by leadership. Additional oversight is provided by Finance to identify red flags like sequential same-day vendor transactions to prevent threshold circumvention. 4. Ethics rules prohibit staff from making procurement decisions that involve personal interests, and vendors must disclose relationships. 5. The City Manager and Finance align budget requests with strategic goals and resident input via surveys and Council priorities.
	Risk Detail	Fraudulent activities, wasteful practices, or abuse of resources.	
	Residual Risk	Medium	Risk Treatment Action Plans in Progress
			N/A
	Risk Owner	Administration	Recommended Risk Treatment Action Plans <ol style="list-style-type: none"> 1. Launch a Fraud, Waste, and Abuse Hotline Awareness Campaign that advertises the hotline through internal communications such as staff trainings, intranet news, email bulletins, and posters in common areas. City leadership should endorse the campaign, ensuring employees understand how to report concerns. 2. Establish a standardized, criteria-based vendor evaluation program across all departments. Require the vendor relationship owner to complete a uniform scorecard at least annually and at contract closeout, assessing timeliness, cost control, quality, and compliance. Retain all evaluations in a central repository linked to the contract record to support renewal and extension decisions and inform future solicitations and project planning.

No.	Risk Information		Active Mitigation Activities
17	Risk	Financial Reporting	<ol style="list-style-type: none"> 1. Process workflows were updated with the last Munis upgrade with Government Finance Officers Association (GFOA) support. 2. Month-end and year-end checklists assign tasks, responsibilities, and due dates to ensure timely completion. 3. Finance staff attend professional development events like Florida GFOA and GASB seminars. 4. The City undergoes annual audits, with no findings reported in recent years. 5. Multi-tier approval workflows, reconciliations, and verifications against source documentation ensure financial accuracy and oversight.
	Risk Detail	Inaccurate, incomplete, or delayed financial reporting.	
	Residual Risk	Medium	<div>Risk Treatment Action Plans in Progress</div> <ol style="list-style-type: none"> 1. The Financial Services team is evaluating a decision to outsource financial statement preparation to external auditors to reduce staff time.
	Risk Owner	Financial Services	<div>Recommended Risk Treatment Action Plans</div>
			N/A

No.	Risk Information		Active Mitigation Activities
18	Risk	Records Management	<ol style="list-style-type: none"> Public records requests are logged, assigned, and tracked in Salesforce, with automated receipts, follow-ups, and status updates to ensure transparency and accountability. A standardized fee formula aligned with state statutes ensures consistent and compliant cost assessments for extensive requests. The City Clerk verifies the payment receipt is attached prior to release. Legal counsel reviews and approves all exemptions or redactions before release, with documentation maintained in case notes. Standards are established for following up with departments if responses to public records requests are delayed, with escalation to directors as needed. Frequently requested documents are stored in a searchable online database to streamline access and reduce repetitive requests.
	Risk Detail	Inadequate control over public records, including retention, access, and disposal.	
	Residual Risk	Low	<div>Risk Treatment Action Plans in Progress</div> <div>N/A</div>
	Risk Owner	Administration	<div>Recommended Risk Treatment Action Plans</div> <div>N/A</div>

ERM Roadmap

The following roadmap outlines a 12-month plan to guide the City in advancing its ERM program. Designed to build on the results of the entity-wide risk assessment, this roadmap provides a structured, phased approach to maturing the City’s ERM capabilities. It emphasizes practical, scalable actions that align with the City’s current level of ERM maturity and operational complexity.

The roadmap is organized into four sequential phases, each with clearly defined objectives, activities, and ownership. As the program evolves, this roadmap should be revisited and updated to reflect new priorities and lessons learned. This approach ensures that ERM remains a dynamic, value-adding function that supports the City’s strategic goals and enhances resilience across departments.

Phase 1: Develop ERM Strategy (Complete in Q1 FY26)

This foundational phase focuses on establishing the core structure of the ERM program. It includes defining governance, assigning roles and responsibilities, and refining the City’s approach to risk oversight. The goal is to embed ERM into day-to-day operations and decision-making processes.

Enterprise Risk Management Roadmap		
Phase	ERM Objectives	Description
Phase 1: Strategy Development	Begin Executing Risk Treatment Plans for High-Rated Risks	Define timelines and assign responsible parties for implementing mitigation activities targeting high-priority risks identified in the assessment. These actions should aim to reduce residual risk to a level that falls within the City’s defined risk tolerance.
	Establish Enterprise Risk Management Committee	Form a cross-functional ERM committee or working group responsible for day-to-day design and execution of ERM activities. The committee should have a formal charter outlining its responsibilities for risk identification, assessment, and mitigation oversight.

Enterprise Risk Management Roadmap		
Phase	ERM Objectives	Description
	Develop a Risk Appetite Statement	Build on the preliminary risk appetite insights gathered during the assessment to formalize a high-level statement that defines the City's approach to managing risk and risk-taking. This statement should be communicated across departments to promote alignment and serve as a strategic guide for decision-making.
	Assign Control Owners	Designate control owners for key mitigation activities. These individuals are responsible for ensuring controls are functioning as intended and for reporting any deficiencies or gaps to the ERM Committee.
	Establish Reporting Needs	Define the specific information that risk owners must regularly provide to the ERM Committee, including updates on risk treatment plans, effectiveness of internal controls, and identification of new or emerging risks. Set a consistent reporting cadence to support ongoing oversight.
	Identify Key Risk Indicators	Develop measurable Key Risk Indicators (KRIs) for each major risk. KRIs should provide early warning signals of increasing risk exposure and reported by risk owners on a defined cadence to support early detection and escalation of potential issues.

Phase 2: Implement Risk Response (Complete in Q2 FY26)

This phase transitions the ERM program from planning to execution. It emphasizes the implementation of mitigation strategies for identified risks, the adoption of tools to support risk tracking, and the establishment of internal audit as an independent assurance function. The focus is on operationalizing ERM practices and building momentum through early wins.

Enterprise Risk Management Roadmap		
Phase	ERM Objectives	Description
Phase 2: Implementation	Evaluate ERM Tools and Technology	Choose appropriate tools and/or technology to support centralized documentation and tracking of risks, controls, KRIs, and mitigation plans. Starting with SharePoint or Excel-based risk registers is suitable for early-stage implementation; as the program matures, explore scalable Governance, Risk, and Compliance (GRC) solutions.
	Establish an Internal Audit Function	Formalize an Internal Audit function to provide independent assurance on the design and effectiveness of risk mitigation activities and internal controls. This function serves as the third line of defense within the ERM framework.
	Begin Executing Risk Treatment Plans for Medium-Rated Risks	Begin implementing mitigation strategies for medium-priority risks identified in the assessment. Assign ownership and establish timelines for each activity to ensure accountability and progress tracking.
	Monitor Risk Metrics and Mitigation Plans	Launch routine monitoring of KRIs and other risk metrics developed in Phase 1. Create a dashboard or summary report for the ERM Committee to review regularly (e.g., monthly or quarterly), highlighting risk trends, incidents, and progress on mitigation efforts.

Phase 3: Review and Report (Complete in Q3 FY26)

In this phase, the City will evaluate the effectiveness of its risk mitigation efforts and formalize reporting to leadership and the City Council. Internal Audit plays a key role in validating the effectiveness of controls and providing independent assurance on the ERM program’s performance. This phase ensures transparency, accountability, and continuous improvement in risk management practices.

Enterprise Risk Management Roadmap		
Phase	Project Objectives	Description
Phase 3: Monitoring and Report	Analyze Risk Management Techniques	Collaborate with Risk Owners to review the risk mitigation efforts and assess any changes in risk exposure. Use these insights to identify areas requiring additional attention or adjustment.
	Test Management’s Assertion of Mitigation Activities	Through the Internal Audit function, independently validate that key controls and mitigation activities are operating as intended for significant risks. Document findings and share results with the ERM Committee and/or City Council.
	Provide Details to the City Council	Develop and maintain a recurring ERM report or dashboard that summarizes risk status, emerging threats, and mitigation progress. Present updates to the City Council at defined intervals to support transparency and informed oversight.

Phase 4: Conduct Annual Assessment (Complete in Q4 FY26]

The final phase of the roadmap focuses on the application of annual updates to the City’s entity-wide risk assessment (as covered in the “Objectives & Scope”). This involves a thorough analysis and evaluation of both inherent and residual risks, providing an updated perspective on the City’s risk landscape.

Enterprise Risk Management Roadmap		
Phase	ERM Objectives	Description
Phase 4: Conduct Annual Re-Assessment	Articulate Areas of Growth	Revisit and validate the City’s risk universe and scoring criteria to reflect current conditions. Consider and implement necessary changes from prior year to ensure a complete and full picture of the City’s risk universe.
	Conduct Entity-Wide Risk Assessment	Update baseline inherent and residual risk ratings for the City’s risk universe through surveys, workshops, or interviews.
	Analyze and Understand Results	Refresh dashboard visualizations to illustrate risk relationships and trends. Use assessment results to help risk owners prioritize mitigation efforts and refine focus areas for the next cycle.

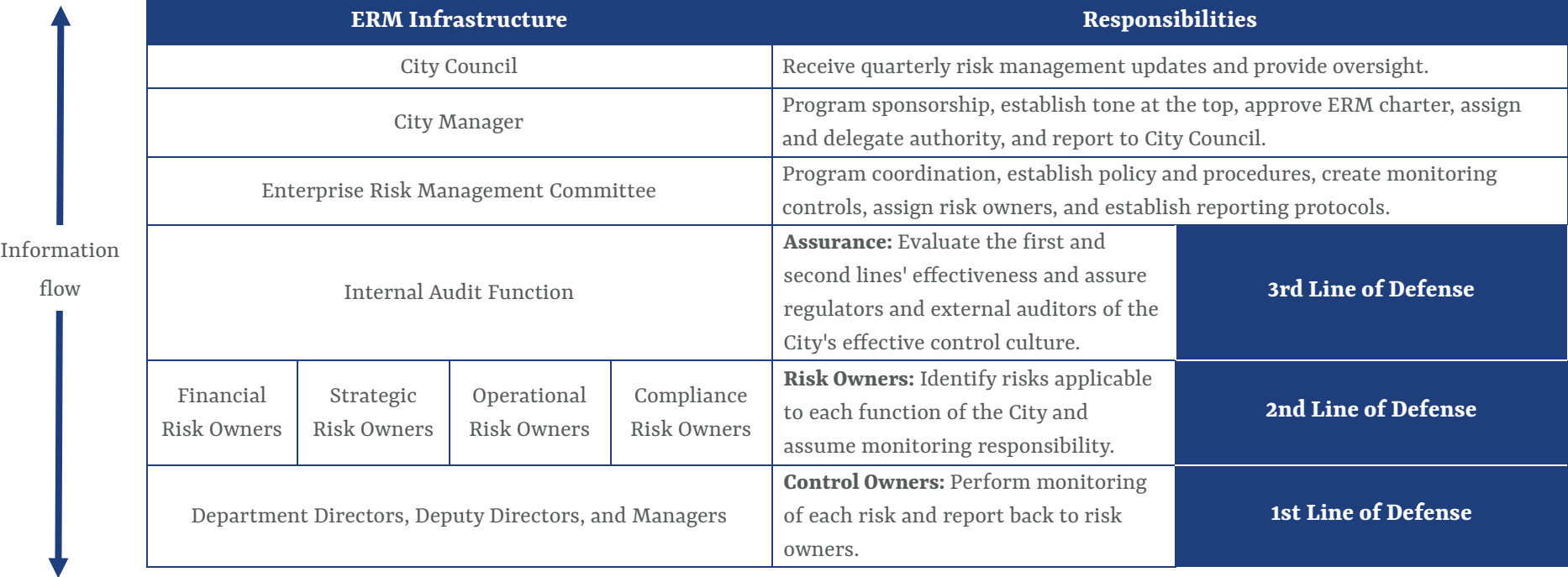
Appendix



ERM Infrastructure Framework

At present, the City has not yet formalized an Enterprise Risk Management Committee. Establishing this committee would provide a structured, cross-functional team to support risk management efforts citywide, coordinate risk activities, and ensure consistent communication and oversight. Additionally, the City does not currently have a third line of defense—an independent internal audit function—to evaluate the effectiveness of risk management and control activities. This function is essential for providing objective assurance to the Risk Management Committee and City leadership that the first and second lines of defense are operating effectively. We recommend implementing both an ERM Committee and an internal audit capability to strengthen the City’s ERM infrastructure. The ERM Committee should be formalized through a charter that is reviewed and approved annually.

The diagram below illustrates a recommended City of Palm Coast’s Enterprise Risk Management (ERM) infrastructure, outlining the roles and responsibilities across all levels of the organization. The framework spans from the City Council and City Manager, who provide oversight and strategic direction, to department leaders who manage risks within their operational areas. Risk Owners are responsible for identifying and monitoring risks within their domains and reporting updates through a structured ERM process.



Risk Rating Criteria

Plante Moran established standardized criteria to assess inherent risk (impact and likelihood), strength of risk mitigation, and risk appetite. Using the City's five-point impact and likelihood scale, we prepared an initial inherent risk profile for discussion during the risk workshop. Participants reviewed and refined these ratings, then applied a three-point mitigation strength scale to gauge control effectiveness. These inputs informed the calculation of inherent and residual risk. Additionally, interviews were conducted to evaluate the City's risk appetite using the five-point appetite scale.

Inherent Risk - Impact Rating Criteria					
Rating	Major (5)	Elevated (4)	Moderate (3)	Minor (2)	Incidental (1)
Financial Impact:					
If this risk were to occur, what would be the financial impact on the City?	Major, unacceptable financial impact.	Significant financial impact.	Moderate financial impact.	Minor financial impact.	Minimal or no measurable financial impact.
Reduction in revenues	> \$12M (> 5%)	\$8.5M - \$12M (3.5% - 5%)	\$5M - \$8.5M (2% - 3.5%)	\$2.5M - \$5M (1% - 2%)	< \$2.5M (< 1%)
Increase in expenses	> \$7.5M (> 5%)	\$5.5M - \$7.5M (3.5% - 5%)	\$3M - \$5.5M (2% - 3.5%)	\$1.5M - \$3M (1% - 2%)	< \$1M (< 1%)
Impact on assets	> \$48.5M (> 5%)	\$34M - \$48.5M (3.5% - 5%)	\$19.5M - \$34M (2% - 3.5%)	\$9.5M - \$19.5M (1% - 2%)	< \$9.5M (< 1%)
Budget	Severe budget crisis requiring emergency or external funding.	Very significant budget shortfall.	Major variance requiring reprioritization of budget.	Noticeable budget variance requiring minor reallocation.	Small budget overruns or unplanned expenses.
Audit results	Qualified audit opinion.	Material weaknesses.	Several audit findings.	Minor audit finding.	No audit findings.

Inherent Risk - Impact Rating Criteria					
Rating	Major (5)	Elevated (4)	Moderate (3)	Minor (2)	Incidental (1)
Strategic Impact:					
If this risk were to occur, what would be the strategic impact on the City?	Major, unacceptable strategic impact.	Significant strategic impact.	Moderate strategic impact.	Minor strategic impact.	Minimal or no measurable strategic impact.
Strategy: 1) Strong resilient economy 2) Safe & reliable services 3) Civic engagement 4) Sustainable environment & infrastructure	Inability to achieve core strategic objectives; long-term consequences for the City.	Significant disruption to multiple strategic objectives; requires reprioritization or deferral of strategic initiatives.	Noticeable impact on one or more strategic initiatives; requires reallocation of resources or timeline adjustments.	Minor delays or adjustments to one strategic initiative.	No measurable impact on strategic objectives or initiatives.
Performance	Sustained performance decline impacting 6 or more departments.	Significant performance decline impacting 3 or more departments.	Downward trend in performance impacting 2 or more departments.	Isolated decline in performance.	No measurable impact on performance.
Reputation	Severe reputational damage; Irreconcilable reduction in public confidence, credibility, and trust.	Significant reputational damage; Significant reduction in public confidence, credibility, and trust.	Material reputational damage; Moderate reduction in public confidence, credibility, and trust.	Minor, isolated reputational damage; Minor reduction in public confidence, credibility, and trust.	Minimal reputational damage; No loss in public confidence, credibility, and trust.

Inherent Risk - Impact Rating Criteria					
Rating	Major (5)	Elevated (4)	Moderate (3)	Minor (2)	Incidental (1)
Media attention	Consistent extreme negative media attention (months); Widespread and prolonged community dissatisfaction publicly expressed.	Consistent negative media attention (weeks); Community dissatisfaction publicly expressed.	Negative media attention (days); Community concerns publicly expressed.	Occasional or one-off negative media attention.	Isolated local community or individual issue-based concerns
Operational Impact:					
If this risk were to occur, what would be the operational impact on the City?	Major, unacceptable operational impact.	Significant operational impact.	Moderate operational impact.	Minor operational impact.	Minimal or no measurable operational impact.
Business disruption for a critical service/process	> 48 hours	24 - 48 hours	12 - 24 hours	4 - 12 hours	< 4 hours
Business disruption for a non-critical service/process	> 10 days	5 - 10 days	3 - 5 days	1 - 3 days	< 1 day
Efficiency decline	Material and widespread declines in efficiency and quality.	Significant declines in efficiency and quality.	Moderate declines in efficiency or quality.	Minor declines in efficiency or quality.	Isolated issues affecting efficiency or quality.

Inherent Risk - Impact Rating Criteria					
Rating	Major (5)	Elevated (4)	Moderate (3)	Minor (2)	Incidental (1)
Employees	> 20% of employees impacted.	15% - 20% of employees impacted.	10% - 15% of employees impacted.	5% - 10% of employees impacted.	< 5% of employees impacted.
Staff morale and turnover	Multiple departmental leaders leave.	Widespread staff morale problems across the City; > 20% turnover of experienced staff.	Staff morale problems across multiple departments; 15 - 20% turnover of experienced staff.	Staff morale problems in a single department; < 15% turnover of experienced staff.	Isolated staff dissatisfaction.
Resourcing	Impact cannot be managed with existing resources.	Impact requires significant long-term management and resources to respond.	Impact requires management and resources from a key area of the organization to respond.	Impact requires isolated management effort and redirection of resources to respond.	Impact can be managed through routine activities.
Infrastructure	Critical infrastructure destroyed or unusable for months.	Non-critical infrastructure destroyed or critical assets unusable for weeks.	Non-critical assets unusable for weeks.	Assets unusable but replaceable within an acceptable timeframe.	Minimal damage or temporary unavailability of assets.
Compliance Impact:					
If this risk were to occur, what would be the compliance impact on the City?	Major, unacceptable compliance impact.	Significant compliance impact.	Moderate compliance impact.	Minor compliance impact.	Minimal or no measurable compliance impact.

Inherent Risk - Impact Rating Criteria					
Rating	Major (5)	Elevated (4)	Moderate (3)	Minor (2)	Incidental (1)
Regulatory violations	Extreme regulatory violations; material compliance infraction.	Significant regulatory violations; multiple statutory breaches or non-compliance with regulations.	Moderate regulatory violations; repeated failures to meet statutory or regulatory standards.	Minor regulatory violations; single failure to meet standards.	Non-reportable regulatory violations.
Fines, penalties, or claims	> \$2.5M	\$1M - \$2.5M	\$500K - \$1M	< \$500K	No fines, penalties, or claims.
Prosecution and litigation	Significant prosecution. Major litigation involving class actions.	Prosecution initiated for non-compliance; major litigation.	Serious incident requires investigation and legal representation to determine legal liability.	Complex legal issue to be addressed.	Routine legal issues.
Safety	Fatalities, life-threatening injuries.	Multiple serious injuries.	Single serious injury or multiple minor injuries requiring report.	Minor injury requiring report.	No injuries.

Inherent Risk - Likelihood Rating Criteria					
Rating	Very Probable (5)	Likely (4)	Possible (3)	Unlikely (2)	Rare (1)
Without consideration for your mitigating controls, how likely is this risk event to occur?	Highly probable event, expected to occur based on past patterns.	Likely event, with reasonable probability of occurring given past and current risk conditions.	Event that could occur under certain conditions, but not expected.	Uncommon event which may occur under specific circumstances.	Rare event, highly improbable under normal conditions.
Event occurrence (on average)	Could occur within the next year.	Could occur in the next 1 - 2 years.	Could occur in the next 2 - 5 years.	Could occur in the next 5 - 8 years.	Could occur in the next 8+ years.
Probability of event occurring in given year	> 80%	60% - 80%	40% - 60%	20% - 40%	< 20%

Strength of Risk Mitigation Rating Criteria			
Rating	Strong (3)	Generally Satisfactory (2)	Needs Improvement (1)
What is the strength of your current mitigating controls?	Controls are well-designed, consistently applied, and effectively mitigate risk.	Controls are generally effective but may have gaps or inefficiencies that could be improved.	Controls are poorly designed, inconsistently applied, or ineffective at mitigating risk.
Automation & oversight	Controls are automated and consistently monitored; minimal risk of human error.	Oversight and review are implemented, but some risk of human error remains.	High reliance on manual processes; prone to inconsistency and error.
Control activity type	Balanced mix of preventative and detective controls, applied consistently.	Mix of control types present but applied inconsistently or reactively.	Controls are reactive, ad hoc, or missing in key areas.
Staffing & competency	Adequately staffed with highly experienced personnel.	Minor gaps in staffing or experience; generally capable.	Understaffed or inexperienced; may struggle or require external support.
Procedures	Procedures are well-documented, current, and followed.	Procedures exist but need updates or are inconsistently followed.	Procedures are outdated, incomplete, or missing; not aligned with current practices.
Issue history	No known history of related problems.	No recent issues, but some past concerns.	Known or recurring issues; unresolved incidents.
Training	Training programs broadly available, well-supported, and actively used.	Training programs exist but are underutilized or inconsistently available.	No formal training programs in place.

Risk Appetite Rating Criteria					
Rating	Risk Seeking (5)	Risk Accepting (4)	Risk Balanced (3)	Risk Cautious (2)	Risk Adverse (1)
Risk-reward balance	Pursue high-return opportunities with full awareness that significant risk will be encountered; return potential is prioritized above all else.	Accept high exposure in pursuit of elevated returns, but with some internal safeguards.	Accept risk when benefits outweigh the potential consequences; evaluate risks and rewards equally in decision-making.	Accept manageable risk only when aligned with strategic objectives; emphasize internal control measures over maximizing returns.	Only accept risk when necessary; prioritize internal controls to minimize exposure and maintain stability.
Preferred treatment approach	Accept all residual risk within legal and ethical boundaries.	Accept or reduce risk through internal measures when cost-effective.	Choose mitigation based on cost-efficiency and alignment with strategic priorities.	Emphasize robust mitigation; prioritize effective controls while evaluating residual risk.	Avoid or transfer most risks; dedicate substantial resources to mitigation.
Tolerance for negative impacts	Willing to accept significant negative impact to achieve strategic goals.	Willing to accept some negative impact if benefits are compelling.	Willing to accept moderate negative impact if aligned with objectives.	Only willing to accept small negative impact to achieve a goal.	Not willing to accept any negative impact to achieve a goal.

Thank you. Please contact us with any questions.



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