

The City of Stonecrest, Georgia

2021 Risk Assessment and Internal Audit Plan

December 8, 2021

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Ms. Janice Allen Jackson
Acting City Manager
The City of Stonecrest
Stonecrest, Georgia

To Ms. Jackson:

We have completed the 2021 risk assessment for the City of Stonecrest (the "City") and developed an Internal Audit plan to assist the management in monitoring risks. Our engagement was performed in accordance with the consulting standards established by the American Institute of Certified Public Accountants ("AICPA").

Our procedures did not constitute a financial statement audit and therefore we do not express an opinion on the City's financial statements or any elements, accounts or items thereof as a part of this engagement. In addition, our procedures did not constitute an examination of internal control as defined by the AICPA, and accordingly we do not express an opinion on the effectiveness of internal control at the City. Our engagement did not include a detailed examination of all transactions and was not designed, and cannot be relied on, to discover errors, irregularities, or illegal acts, including fraud or defalcations that may exist. If we had performed additional procedures, other matters may have come to our attention that would have been reported to you.

The enclosed report summarizes our risk assessment process, the risk assessment procedures performed, and the results of those procedures. The information contained in our report is intended solely for the use of management and councilmembers of the City and is not intended to be and should not be used by anyone other than these specified parties. The City's regulators and external auditors may be provided a copy of this report in connection with fulfilling their respective responsibilities.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Charlotte, North Carolina
December 8, 2021

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Section One

Executive Summary

Risk Assessment Process Overview

Background

Elliott Davis, PLLC (“Elliott Davis”) and the City of Stonecrest (the “City”) management have completed the 2021 risk assessment for the City with the primary objective of identifying and evaluating the City’s risks. The most significant risks will drive the City’s FY 2022 – 2024 Internal Audit Plan.

Management’s Responsibilities

Management is responsible for establishing and maintaining an effective internal control system and providing important oversight to the internal control system.

The internal audit risk assessment accumulates information provided by and assessments made by management and is intended for the benefit and use of the City. The information and assessments included in the internal audit risk assessment were not completed in contemplation of reliance by any other party or with respect to any specific transaction and is not intended to benefit or influence any other party. Therefore, items of possible interest to a third party may not be specifically addressed or matters may exist that could be assessed differently by a third party.

Elliott Davis did not perform management functions or make management decisions on behalf of the City. The City was responsible for making all management decisions and performing all management functions, designating a competent employee from senior management to oversee the internal audit risk assessment, evaluating the adequacy and results of the internal audit risk assessment, and accepting responsibility for the results of the internal audit risk assessment.

Approach

Identifying Key Areas of Focus

Through inquiries with the City’s management, review of financial information, review of existing policies and procedures, review of the City’s most recent strategic plan, and review of prior audits, Elliott Davis was able to gain an understanding of the City’s business and current risk profile. Elliott Davis and management identified the following key areas of the City to develop a deeper understanding of the risks associated with each:

Audit Area (Major Category or Line of Business)

Finance	<ul style="list-style-type: none">Accounting and FinanceProcurement and Vendor ManagementGrants and Capital ProjectsProcurement Cards (P-Cards)	Operations	<ul style="list-style-type: none">Information TechnologyCommunicationsStrategic and Infrastructure Planning
Departmental Areas	<ul style="list-style-type: none">Economic DevelopmentCity EngineeringPlanning and ZoningCode Enforcement	Departmental Areas (cont.)	<ul style="list-style-type: none">Permitting and InspectionParks and RecreationClerk’s OfficePolice Department

The purpose of evaluating the risks associated with each of these areas was to develop a risk-based Internal Audit Plan for FY 2022 – 2024.

Identifying and Evaluating Risks

The primary objective of the risk assessment is to identify and evaluate risks. To accomplish this objective, Elliott Davis and the City's management examined inherent risk, control effectiveness, and residual risk for each area. Each of these is described below.

Inherent risk is the risk that a material misstatement could occur without considering internal controls. Inherent risk is intrinsic to a business activity and arises from exposure to, and uncertainty from, possible future events, or changes in business or economic conditions.

Inherent risk is evaluated by making well-considered assumptions about the probability of such events or changes in conditions happening, and the estimated impact on the City's budget, revenues, or fund balances. An assessment of inherent risk is made without considering management processes and controls; rather, these factors are considered in evaluating and determining the City's control effectiveness as discussed in the overview of the risk assessment methodology below. Inherent risk is described as high, moderate high, moderate, moderate low, or low, as outlined below:

Inherent Risk Classification	Definition
High	High inherent risk exists where there is a substantial financial impact, increased likelihood of fraud, or where the nature of the activity is inherently more complex than normal. Thus, the activity potentially could result in a significant and harmful loss to the City.
Moderate High	Moderate high inherent risk exists where there is a moderately-high substantial financial impact, moderate likelihood of fraud, and/or where the activity is not considered typical or traditional. Therefore, while the activity potentially could result in a loss to the City, the loss would not be significant and harmful, yet it would not be readily absorbed by the City in the normal course of business.
Moderate	Moderate inherent risk exists where the financial impact is average, minimal likelihood of fraud, and where the activity is more typical or traditional. Thus, while the activity potentially could result in a loss to the City, the loss could be absorbed by the City in the normal course of business.
Moderate Low	Moderate low inherent risk exists where the volume, size, or nature of the activity is such that in the event internal controls have weaknesses, the risk of loss is not likely, and losses incurred would be absorbed with minimal impact on the City's overall financial condition.
Low	Low inherent risk exists where the volume, size, or nature of the activity is such that even if the internal controls have weaknesses, the risk of loss is remote or, if a loss were to occur, it would have little or no impact on the City's overall financial condition.

Control effectiveness represents the ability of the accounting and internal control systems to prevent or detect and correct a material misstatement that could occur on a timely basis. Strong internal control systems can help mitigate the likelihood of material problems, errors, or misstatements resulting from inherent risks. The assessment of the City's control effectiveness is described as strong, good, adequate, weak, or ineffective, as follows:

Control Effectiveness Classification	Definition
Strong	Strong control effectiveness exists when controls are designed and are operating at or above the level deemed necessary to sufficiently mitigate inherent risk.
Good	Good control effectiveness exists when controls are designed and operating such that inherent risk is mitigated, but errors or misstatements could exist.

Control Effectiveness Classification	Definition
Adequate	Adequate control effectiveness exists when a weakness exists in the design or operating effectiveness of the City's internal control system such that a material error or misstatement could occur and not be detected and corrected in a timely manner.
Weak	Weak control effectiveness exists when a weakness exists in the design or operating effectiveness of the City's internal control system such that a material error or misstatement will likely occur and not be detected and corrected in a timely manner. Additionally, this classification includes areas that have not been previously tested by internal audit.
Ineffective	Ineffective control effectiveness exists when a significant weakness exists in the design or operating effectiveness of the City's internal control system such that a material error or misstatement will likely not be detected and corrected in a timely manner.

Residual Risk is the remaining risk after effectiveness of controls has been considered. For example, consider an area that has high inherent risk, yet is supported by a strong control environment. The high control effectiveness mitigates a portion of high inherent risk and the resulting residual risk could be medium or even low. Like inherent risk, we have evaluated the residual risk as high, moderate high, moderate, moderate low, or low, as defined below:

Residual Risk Classification	Definition
High	Controls are not sufficient to reduce inherent risk.
Moderate High	Controls are in place, which when working properly, will reduce inherent risk. However, management should take additional steps to monitor controls for operating effectiveness in mitigating the inherent risks.
Moderate	Controls are sufficient to reduce inherent risk, however management should continue to monitor controls for operating effectiveness in mitigating the inherent risks.
Moderate Low	Controls are in place and are working at a level which provides assurance that inherent risk has been reduced to a level where unacceptable risk is minimal.
Low	Controls are sufficient to reduce inherent risk to a level where unacceptable risk is eliminated.

This risk assessment model is a tool by which management can evaluate the risks associated with the departments and functions within the City. It is based on models developed for similar entities and provides a more objective view of the risk areas since it ranks all auditable areas on specific criteria. This model will aid in the effective allocation of time and personnel while simultaneously allowing the audit function to fulfill coverage requirements of management.

Internal Audit Frequency

Audits are scheduled and performed based on the assessed residual risk rating as shown below.

Residual Risk Classification	Internal Audit Frequency
High	At least every 12 months
Moderate High	At least every 12 – 18 months
Moderate	At least every 18 – 24 months
Moderate Low	At least every 24 – 36 months
Low	At least every 36 months

Risk Assessment Methodology

Inherent Risk

Inherent risk is evaluated by making well-considered assumptions about the probability of such events or changes in conditions happening, and the estimated impact on the City's funding, budget, revenues, or fund balances. The key elements that Elliott Davis and the City's management review as part of the inherent risk assessment include:

- *Financial* – Assesses the risk of losing funding or cash flow and the associated financial impact.
- *Operational* – Assesses the risk of loss resulting from a breakdown in internal controls, operations, or procedures, complexity of the audit area, and turnover of key personnel and stability in management.
- *Legal/Regulatory/Compliance* – Measures the risk arising from violations of, or noncompliance with, laws, rules, regulations, prescribed practices, policies and procedures, and/or ethical standards.
- *Strategic* – Assesses the risk of not meeting the strategic objectives of the City arising from adverse business decisions, poor execution of a strategic plan, or improper implementation of those decisions.
- *Information Technology/Systems* – Assesses the risk of changes or planned changes to technology, that data is not complete and accurate, and that proprietary or confidential data is not properly restricted.
- *Fraud* – Measures the area's susceptibility to fraudulent activity - both internal and external.
- *Reputation* – Estimates the risk to the City's reputation if a control failure were to occur in this area. This is a subjective factor based on management's knowledge of the area and the amount of public interest in the area.

Our approach to determining the overall inherent risk grade for each audit area involves assigning a risk grade to each of the individual risk factors above within each of the audit areas. These risk grades are based on reviews of existing documentation, results from management questionnaires and interviews, and other industry trends and considerations. The individual risk grades within each audit area are then weighted to more accurately reflect the City's risk profile. The weighted individual risk factors are then summed to determine the overall inherent risk for a given audit area.

The individual risk factor scores and the overall inherent risk grade for each audit area are ranked into the following categories: high, moderate high, moderate, moderate low, or low.

Control Effectiveness

Control effectiveness represents the ability of the accounting and internal control systems to prevent or detect and correct a material misstatement that could occur on a timely basis. Strong internal control systems can help mitigate the likelihood of material problems, errors, or misstatements resulting from inherent risks. In evaluating control effectiveness, the following elements were considered:

- *Policies and procedures* – Control considerations related to documentation of policies and procedures.
- *Management* – Evaluation of management experience considering subject matter and tenure with the City.
- *Staff* – Evaluation of experience considering subject matter and tenure with the City.
- *Prior audit date* – Time elapsed since the last audit.
- *Prior audit rating* – Rating assigned as a result of the last internal audit.
- *Outstanding issues* – Consideration of significance and age of outstanding issues noted during internal audits performed, external financial audits, and/or regulatory examinations as reported to the audit and finance committee.

Our approach to determining the overall control effectiveness grade for each audit area involves the application of control effectiveness, which is the effectiveness of the internal controls in place, and the assignment of a rating or grade in a manner consistent with the grading of inherent risk as outlined above.

The individual risk factor scores for control effectiveness and the overall control effectiveness grade for each audit area is ranked into the following categories: strong, good, adequate, weak, or ineffective.

The City of Stonecrest

2021 Risk Assessment and Internal Audit Plan

Section One: Executive Summary, *continued*

Residual Risk

As noted above, residual risk represents the remaining risk after effectiveness of controls has been considered. Residual risk for each audit area is calculated as the inherent risk offset by the control effectiveness (i.e., inherent risk score minus the control effectiveness score). In the evaluation of the residual risk factors, the residual risk score was allocated as high, moderate high, moderate, moderate low, or low based on the inherent risk and control effectiveness scores.

The table on the following page provides a summary view of the assessed risks for each audit area.

Summary of Risk Assessment Results and Internal Audit Plan

The table below provides a summary view of the assessed risks for each audit area, the audit plan and the audit frequency. See Appendix A for the Internal Audit Plan and Schedule.

Audit Areas	Inherent Risk	Control Effectiveness	Residual Risk	2022 Audit Plan	Audit Frequency
Finance					
Accounting and Finance	High	Weak	High	✓	Every 12 Months
Procurement and Vendor Management	Moderate High	Good	Moderate		18 - 24 Months
Grants and Capital Projects	High	Weak	High	✓	Every 12 Months
P-Cards	Moderate High	Adequate	Moderate High	✓	12 - 18 Months
Operations					
Information Technology	Moderate	Weak	Moderate		18 - 24 Months
Communications	Moderate Low	Adequate	Moderate Low		24 - 36 Months
Strategic and Infrastructure Planning	Moderate High	Adequate	Moderate High		12 - 18 Months
Departmental Areas					
Economic Development	Moderate High	Good	Moderate		18 - 24 Months
City Engineering	Moderate	Weak	Moderate		18 - 24 Months
Planning and Zoning	Moderate	Adequate	Moderate		18 - 24 Months
Code Enforcement	Moderate	Adequate	Moderate		18 - 24 Months
Permitting and Inspection	Moderate Low	Adequate	Moderate Low	✓	24 - 36 Months
Parks and Recreation	Moderate Low	Adequate	Moderate Low	✓	24 - 36 Months
Clerk's Office	Moderate Low	Ineffective	Moderate Low	✓	24 - 36 Months
Police Department	TBD	TBD	TBD		TBD

During the course of our assessment, we identified five overarching risk categories with potential City-wide impact:

- **Policies and Procedures** – While policies are in place and provide coverage of audit areas, City-wide standards do not exist or are not followed for creating, maintaining, and updating department-specific policies and procedures.
- **Training** – While training programs exist for all departments, current training for some levels of management may not be adequate to ensure roles, responsibilities, and required skillsets are clearly defined, communicated, and understood.
- **Communication** – Standardized and consistent top-down current communication mechanisms may not exist or may not be adequate to ensure consistent application of City policies and procedures and clear delineation of responsibilities.
- **Staffing** – Staff size, compensation, or expertise may not be adequate to support departmental goals.
- **Data Integrity** – Inaccurate data inputs and limited use of ERP and other City information system capabilities could result in process inefficiencies and inaccurate data output.

Section Two

Risk Assessments for Key Areas Identified

Finance

Accounting and Finance

Accounting and Finance includes the systems and processes that manage, monitor, and report on the financial activities of the City. The accounting department is responsible for the following functions managed within the accounting system: accounts payable, accounts receivable, general ledger accounting, and fixed assets accounting. The Finance department is responsible for creating and maintaining the City budget, as well as managing and monitoring payroll for the City. The accounting and finance function has not yet been audited since the City's inception in 2019. Additionally, the department has experienced a fair amount of staff turnover. The Finance Director, Accounting Manager, and the Accounting Specialist are responsible for the oversight of the accounting and finance function.

Business Objectives

- Ensure transaction and financial statement conformity with GAAP in accordance with the GASB
- Provide efficient and accurate tracking of resource inflows and outflows to support the City's strategy and budget process
- Ensure the accurate categorization and valuation of assets and liabilities
- Identify opportunities for expense reduction and improved financial statement position
- Provide efficient and collaborative development of City and department budgets
- Ensure that budgets are accurately tracked and consistently monitored
- Communicate and report ongoing budget statuses to appropriate parties
- Ensure payroll and payroll tax data is recorded, maintained, and distributed accurately and timely
- Ensure terminated employees are promptly deactivated within the payroll system
- Protect the confidentiality of employee personal information

Potential Significant Risks

- Policies and procedures are not in place or are not followed to ensure proper recording of transactions and proper financial statement preparation
- Staff turnover in key accounting and finance functions results in process efficiency and data integrity risks due to lack of adequate training/experience
- Internal controls are not sufficient and/or not sufficiently monitored to identify inaccuracies/fraud
- Lack of continuous collaboration with other departments results in inappropriate or impracticable budgets
- Inconsistent enforcement of budget from management results in overspending
- Insufficient procedure documentation results in process inefficiencies or compliance risks
- Lack of interdepartmental communication results in improper salary data for new hires, promotions, and transfers
- Untimely deactivation of terminated employees within the payroll system results in unauthorized payroll distributions to former employees
- Inaccurate data inputs result in inaccurate payroll distributions
- Timekeeping system data is inaccurate due to improper time entry or lack of proper timecard approvals
- Unapproved communication methods result in security breaches of employee confidential information

Finance

Accounting and Finance, *continued*

Risk Assessment Results

Through inquiries with the City's management, review of financial information, review of existing policies and procedures, review of the City's most recent strategic plan, and experience gained in prior audits, the following scores and ratings were assigned:

Inherent Risk	
Financial	High
Operational	High
Legal/Regulatory/Compliance	Moderate High
Strategic	Moderate
Information Technology / Systems	Moderate High
Fraud	Moderate High
Reputation	Low

Control Effectiveness	
Policies and Procedures	Weak
Management	Adequate
Staff	Adequate
Prior Audit Date	Ineffective
Prior Audit Rating	Ineffective
Outstanding Issues	Strong

Inherent Risk	High
Residual Risk	High

Control Effectiveness	Weak
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Finance

Contract and Procurement Services

Procurement services is responsible for the drafting, issuing, negotiating, and tracking of the City's cost contracts and no-cost contracts. The procurement division is responsible for the acquisition of all City goods and services in accordance with the City procurement code. The department has not been audited since the City's inception in 2019. The City has just updated its purchasing policy that outlines the requirements for solicitations and purchasing thresholds. The Director of Finance and Procurement Manager are responsible for the oversight of contract and procurement services.

Business Objectives

- Negotiate favorable contract terms and monitor contract commitments for all goods/services procured
- Acquire goods/services in accordance with the City procurement code

Potential Significant Risks

- Formal policies and procedures are not in place to ensure proper approval thresholds/authorization levels
- Inefficient authorization/procurement processes result in unnecessary delays and additional expense
- Lack of formal disciplinary processes results in continued breach of City policies
- City is not in a position to adhere to latest State model codes for procurement

Finance

Contract and Procurement Services, *continued*

Risk Assessment Results

Through inquiries with the City's management, review of financial information, review of existing policies and procedures, review of the City's most recent strategic plan, and experience gained in prior audits, the following scores and ratings were assigned:

Inherent Risk	
Financial	High
Operational	High
Legal/Regulatory/Compliance	Moderate High
Strategic	Moderate High
Information Technology / Systems	Moderate High
Fraud	Moderate High
Reputation	Moderate

Control Effectiveness	
Policies and Procedures	Good
Management	Good
Staff	Adequate
Prior Audit Date	Ineffective
Prior Audit Rating	Ineffective
Outstanding Issues	Good

Inherent Risk	Moderate High
Residual Risk	Moderate

Control Effectiveness	Good
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Finance

Grants and Capital Projects

The City receives Grants for certain expenditures and capital improvements. The City also utilizes special purpose local option sales tax ("SPLOST") for certain capital outlay projects proposed by the county government and certain qualified participating municipal governments. This area was last audited within the past the past year due to suspected fraud, and misappropriation of funds was uncovered. The City Manager, Deputy City Manager, Economic Development Director, and finance department are responsible for the oversight of grants and capital projects.

Business Objectives

- Monitor relevant legislation to ensure City compliance with applicable program regulations
- Ensure funding and grant monies are spent appropriately and efficiently

Potential Significant Risks

- Insufficient and/or ineffective communication of program requirements results in non-compliance
- Inaccurate tracking of spending results in non-compliance and revocation/reduction of future funding

Finance

Grants and Capital Projects, *continued*

Risk Assessment Results

Through inquiries with the City's management, review of financial information, review of existing policies and procedures, review of the City's most recent strategic plan, and experience gained in prior audits, the following scores and ratings were assigned:

Inherent Risk	
Financial	High
Operational	High
Legal/Regulatory/Compliance	High
Strategic	High
Information Technology / Systems	High
Fraud	High
Reputation	High

Control Effectiveness	
Policies and Procedures	Weak
Management	Weak
Staff	Ineffective
Prior Audit Date	Strong
Prior Audit Rating	Weak
Outstanding Issues	Adequate

Inherent Risk	High
Residual Risk	High

Control Effectiveness	Weak
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Finance

Procurement Cards

The purchasing policy manual outlines the relevant requirements and purchasing thresholds for employee P-cards. There was an external audit performed in April 2021 and noted several areas of non-compliance with City policy, including missing receipts, alcohol purchases, gasoline purchases, and missing general ledger transactions. The City Manager, Deputy City Manager, and finance department are responsible for the oversight of procurement cards.

Business Objectives

- Ensure P-card compliance with City purchasing policy manual
- Ensure adequate documentation is retained for all P-card purchases
- Ensure complete and accurate recording of all P-card transactions within the general ledger

Potential Significant Risks

- Insufficient policies and procedures result in inappropriate or illegal use of P-cards
- Insufficient receipts for P-card purchases result in fraudulent and/or noncompliant P-card usage
- P-card purchases are not completely and/or accurately recorded within the general ledger leading to misstatement of financials

Finance

Procurement Cards, *continued*

Risk Assessment Results

Through inquiries with the City's management, review of financial information, review of existing policies and procedures, review of the City's most recent strategic plan, and experience gained in prior audits, the following scores and ratings were assigned:

Inherent Risk	
Financial	High
Operational	High
Legal/Regulatory/Compliance	Moderate
Strategic	Moderate
Information Technology / Systems	Moderate High
Fraud	Moderate High
Reputation	Moderate

Control Effectiveness	
Policies and Procedures	Weak
Management	Weak
Staff	Weak
Prior Audit Date	Strong
Prior Audit Rating	Weak
Outstanding Issues	Adequate

Inherent Risk	Moderate High
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Control Effectiveness	Adequate
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Residual Risk	Moderate High
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Operations

Information Technology

The information technology department is responsible for the administration of the various technology systems that are utilized by the City. Additionally, the IT department manages the City's Geographic Information Systems (GIS), which provides access to online maps, applications, and data about the City and its services. The IT department has not been audited and has seen significant turnover since the City's inception in 2019. The IT Manager is responsible for the oversight of the IT department.

Business Objectives

- Ensure the security and data integrity of the City's technology systems
- Provide timely fulfillment of report/data analysis requests for other departments
- Manage and maintain the City's GIS application

Potential Significant Risks

- Insufficient staff expertise results in improper/inadequate maintenance of the City's technology systems
- Inefficient communication methods result in inaccurate and/or untimely fulfillment of data delivery requests

Operations

Information Technology, *continued*

Risk Assessment Results

Through inquiries with the City's management, review of financial information, review of existing policies and procedures, review of the City's most recent strategic plan, and experience gained in prior audits, the following scores and ratings were assigned:

Inherent Risk	
Financial	Moderate High
Operational	Moderate High
Legal/Regulatory/Compliance	Low
Strategic	Moderate
Information Technology / Systems	High
Fraud	Low
Reputation	Low

Control Effectiveness	
Policies and Procedures	Adequate
Management	Adequate
Staff	Weak
Prior Audit Date	Ineffective
Prior Audit Rating	Ineffective
Outstanding Issues	Strong

Inherent Risk	Moderate
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Control Effectiveness	Weak
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Residual Risk	Moderate
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Operations

Communications

The Communications department is responsible for cultivating and managing the City's image and transparency. Through various media, the department promotes and informs the public on City activities, council and board meetings, resolutions, ordinances, the City budget, and other pertinent information. This department also provides strategic counsel on speeches and correspondence delivered by the mayor and provides internal and external communications for the City. Additionally, the department creates marketing material and annual reports so that citizens are informed and educated on the administration's tasks and accomplishments. The communications department's staff is available for media assistance and coverage of City news stories. The department has not been audited and lacks formal policies, procedures, and brand guidelines. The Communications Director is responsible for the oversight of the communications department.

Business Objectives

- Cultivate and manage the city's image and transparency
- Inform the public on City activities, meetings, reports, and other pertinent information
- Assist the City with news story coverage

Potential Significant Risks

- Insufficient staff expertise leads to unclear and/or inaccurate communication of City activities/information
- Inconsistent communication procedures/guidelines lead to an unfavorable reputation for the City

Operations

Communications, *continued*

Risk Assessment Results

Through inquiries with the City's management, review of financial information, review of existing policies and procedures, review of the City's most recent strategic plan, and experience gained in prior audits, the following scores and ratings were assigned:

Inherent Risk	
Financial	Low
Operational	Moderate High
Legal/Regulatory/Compliance	Low
Strategic	Moderate
Information Technology / Systems	Moderate Low
Fraud	Low
Reputation	High

Control Effectiveness	
Policies and Procedures	Weak
Management	Adequate
Staff	Adequate
Prior Audit Date	Ineffective
Prior Audit Rating	Ineffective
Outstanding Issues	Strong

Inherent Risk	Moderate Low
Residual Risk	Moderate Low

Control Effectiveness	Adequate
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Operations

Strategic and Infrastructure Planning

Strategic Planning and Infrastructure Planning is a requirement for local governments called for by the Georgia Planning Act of 1989 and the Charter of the City of Stonecrest. These plans set forth the comprehensive development goals, policies and objectives for both the entire City and for individual geographic areas and communities within the City; and conforms with such development goals, objectives, and policies. The most recent Comprehensive Development Plan was completed in July 2019 and has not been formally audited. All departments within the City are responsible for the oversight of the Strategic and Infrastructure Planning function.

Business Objectives

- Establish short and long-term goals and objectives for the City
- Establish the baseline for needs and opportunities for the community
- Develop a plan for attracting new residents and improving the quality of life for current residents

Potential Significant Risks

- The individuals responsible for the creation of the strategic and infrastructure plans do not have the adequate knowledge/experience to develop a realistic strategy
- Insufficient monitoring of the plan results in delays and/or gaps in progress
- A lack of community involvement results in a strategic plan that does not align with the City's needs and desires

Operations

Strategic and Infrastructure Planning, *continued*

Risk Assessment Results

Through inquiries with the City's management, review of financial information, review of existing policies and procedures, review of the City's most recent strategic plan, and experience gained in prior audits, the following scores and ratings were assigned:

Inherent Risk	
Financial	Moderate Low
Operational	High
Legal/Regulatory/Compliance	Moderate High
Strategic	High
Information Technology / Systems	Moderate Low
Fraud	Low
Reputation	High

Control Effectiveness	
Policies and Procedures	Good
Management	Adequate
Staff	Adequate
Prior Audit Date	Ineffective
Prior Audit Rating	Ineffective
Outstanding Issues	Good

Inherent Risk	Moderate High
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Control Effectiveness	Adequate
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Residual Risk	Moderate High
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Departmental Areas

Economic Development

The Economic Development department is responsible for facilitating growth and business development within the City. The City has various property options currently available for purchase or lease. The area has not been audited since the City's inception in 2019 and currently has only one employee. The Economic Development Director is responsible for the oversight of the City's Economic Development department.

Business Objectives

- Identify potential opportunities for economic growth within the City
- Collaborate with potential tenants and business partners to determine appropriate paths forward

Potential Significant Risks

- The City does not have an accurate inventory of available properties to facilitate economic growth
- The department does not collaborate with the community to determine the appropriate businesses/partnerships that are mutually beneficial to the City and its residents

Departmental Areas

Economic Development, *continued*

Risk Assessment Results

Through inquiries with the City's management, review of financial information, review of existing policies and procedures, review of the City's most recent strategic plan, and experience gained in prior audits, the following scores and ratings were assigned:

Inherent Risk	
Financial	High
Operational	High
Legal/Regulatory/Compliance	Moderate High
Strategic	High
Information Technology / Systems	Moderate Low
Fraud	Moderate High
Reputation	Moderate High

Control Effectiveness	
Policies and Procedures	Adequate
Management	Strong
Staff	Adequate
Prior Audit Date	Ineffective
Prior Audit Rating	Ineffective
Outstanding Issues	Good

Inherent Risk	Moderate High
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Control Effectiveness	Good
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Residual Risk	Moderate
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Departmental Areas

City Engineering

The City Engineering department is responsible for addressing and responding to complaints from the community regarding public works issues (i.e., road damage, drainage issues, potholes, etc.). The department receives certain funding from the Georgia Department of Transportation, which requires detailed monitoring and reporting on the use of these funds. The department has not been audited since the City's inception in 2019 and staffing has remained adequate. The City Engineer is responsible for the oversight of the City's Engineering department.

Business Objectives

- Ensure a safe and effective public works function for the City
- Facilitate communication and complaints from the community to the County's public works team

Potential Significant Risks

- Insufficient funding results in inability to address public works issues
- Untimely communication/response from the County results in delayed resolution of public works issues

Departmental Areas

City Engineering, *continued*

Risk Assessment Results

Through inquiries with the City's management, review of financial information, review of existing policies and procedures, review of the City's most recent strategic plan, and experience gained in prior audits, the following scores and ratings were assigned:

Inherent Risk	
Financial	Moderate High
Operational	Moderate High
Legal/Regulatory/Compliance	Moderate High
Strategic	Moderate High
Information Technology / Systems	Moderate Low
Fraud	Low
Reputation	Low

Control Effectiveness	
Policies and Procedures	Adequate
Management	Good
Staff	Adequate
Prior Audit Date	Ineffective
Prior Audit Rating	Ineffective
Outstanding Issues	Adequate

Inherent Risk	Moderate
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Control Effectiveness	Weak
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Residual Risk	Moderate
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Departmental Areas

Planning and Zoning

The Planning and Zoning Department implements the Comprehensive Plan and the Zoning Ordinance. The Comprehensive Plan sets the vision, mission, policies, and goals for the City. It is the guide that current and future administrations will use for the future development and growth of Stonecrest. The Zoning Ordinance ensures that building and land development projects are compliant with applicable laws and regulations. The department has not been audited since the City's inception in 2019 and staffing remains sufficient. The Planning and Zoning Director is responsible for the oversight of the City's Engineering department.

Business Objectives

- Answer inquiries regarding zoning, special uses, buffers and development plans
- Review plans for compliance with zoning, the Zoning Ordinance, and subdivision regulations
- Review and administer zoning and land development variance applications
- Prepare zoning certifications and correspondences
- Review applications for special event permits

Potential Significant Risks

- Insufficient monitoring of the Comprehensive Plan results in delays and/or gaps in progress
- Inadequate zoning oversight results in noncompliant building and/or land development projects

Departmental Areas

Planning and Zoning, *continued*

Risk Assessment Results

Through inquiries with the City's management, review of financial information, review of existing policies and procedures, review of the City's most recent strategic plan, and experience gained in prior audits, the following scores and ratings were assigned:

Inherent Risk	
Financial	Moderate Low
Operational	Moderate High
Legal/Regulatory/Compliance	High
Strategic	Moderate
Information Technology / Systems	Moderate Low
Fraud	Low
Reputation	Moderate High

Control Effectiveness	
Policies and Procedures	Good
Management	Good
Staff	Adequate
Prior Audit Date	Ineffective
Prior Audit Rating	Ineffective
Outstanding Issues	Adequate

Inherent Risk	Moderate
Residual Risk	Moderate

Control Effectiveness	Adequate
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Departmental Areas

Code Enforcement

Code Enforcement is responsible for enforcing codes which address health and safety issues, including regulations related to rubbish, debris, attractive nuisances, removal of vegetation, zoning and inoperable vehicles on private property. The department utilizes voluntary compliance through various outreach methods, liaison opportunities, clearly defined code standards, and appropriate enforcement actions, both proactively and in response to citizen requests. The department has not been audited since the City's inception in 2019 and requires additional staff to effectively accomplish business objectives. The Code Enforcement Director is responsible for the oversight of the Code Enforcement department.

Business Objectives

Respond to complaints and violations of the following areas to help to improve and stabilize neighborhoods, protect property values and promote a healthier and safer environment:

- Improperly parked, unlicensed, and inoperable vehicles on private property
- Recreational or specialized vehicles within residential districts
- Zoning issues
- Weed abatement
- Health and safety issues
- Noise complaints on general or landscape contractors
- Property maintenance related to overgrown plants, outside storage, and trash and debris.

Potential Significant Risks

- The City suffers from reputational damage due to violations of code ordinances, which impacts economic development and resident satisfaction
- Inadequate/untimely response to code violations results in potential health and safety issues

Departmental Areas

Code Enforcement, *continued*

Risk Assessment Results

Through inquiries with the City's management, review of financial information, review of existing policies and procedures, review of the City's most recent strategic plan, and experience gained in prior audits, the following scores and ratings were assigned:

Inherent Risk	
Financial	Moderate Low
Operational	Moderate High
Legal/Regulatory/Compliance	High
Strategic	Moderate
Information Technology / Systems	Moderate High
Fraud	Moderate
Reputation	Moderate High

Control Effectiveness	
Policies and Procedures	Good
Management	Good
Staff	Good
Prior Audit Date	Ineffective
Prior Audit Rating	Ineffective
Outstanding Issues	Weak

Inherent Risk	Moderate
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Control Effectiveness	Adequate
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Residual Risk	Moderate
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Departmental Areas

Permitting and Inspection

The Building and Permitting Division (i.e., Permitting and Inspection) is responsible for the administration and enforcement of the Georgia State minimum standard code and related procedures for permitting and inspections of buildings within the City. Additionally, the Planning Commission reviews and approves site plans such as new development, redevelopment, and final plat to ensure they comply with all federal, state, and local regulations. The department also conducts development inspections, conducts pre-construction meetings, and final site inspections. The department has not been audited since the City's inception in 2019 and policies and procedures require significant update. The Chief Building Official is responsible for the oversight of the Permitting and Inspection Division.

Business Objectives

- Ensure both residential and commercial buildings adhere to the state's minimum standard code
- Validate that development projects comply with all federal, state, and local regulations

Potential Significant Risks

- Inadequate staff expertise results in undetected code violations
- Insufficient economic development results in reduced permit revenue for the City
- Insufficient staffing results in delayed permit issuance and/or inspections for development projects

Departmental Areas

Permitting and Inspection, *continued*

Risk Assessment Results

Through inquiries with the City's management, review of financial information, review of existing policies and procedures, review of the City's most recent strategic plan, and experience gained in prior audits, the following scores and ratings were assigned:

Inherent Risk	
Financial	Moderate Low
Operational	Moderate Low
Legal/Regulatory/Compliance	Moderate High
Strategic	Moderate
Information Technology / Systems	Moderate Low
Fraud	Low
Reputation	Low

Control Effectiveness	
Policies and Procedures	Weak
Management	Good
Staff	Strong
Prior Audit Date	Ineffective
Prior Audit Rating	Ineffective
Outstanding Issues	Adequate

Inherent Risk	Moderate Low
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Control Effectiveness	Adequate
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Residual Risk	Moderate Low
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Departmental Areas

Parks and Recreation

Parks and Recreation's mission is to provide the quality parks, programs, services, and experiences that energize visitors and create life-long users and advocates. The City provides and promotes safe, healthy, and enriching recreational and educational opportunities that promote stewardship of Stonecrest's natural and cultural heritage. The City acquired eight parks and more than 300 acres from the County and has two additional properties of 70 acres that will eventually become parks. The department has not been audited since the City's inception in 2019 and requires additional staff to efficiently and effectively achieve its business objectives. The Parks and Recreation Director is responsible for the oversight of the Parks and Recreation department.

Business Objectives

- Ensure parks are adequately maintained to ensure safe and enjoyable outdoor activities for residents
- Expand opportunities for community events, recreation programs, and services
- Improve quality, functionality, and accessibility of existing facilities and amenities

Potential Significant Risks

- Insufficient funding results in an inability to achieve the department's master plan
- Insufficient staffing leads to delayed projects and/or safety concerns
- Inadequate/inefficient communication mechanisms with residents result in delayed identification of parks and recreation issues and/or improvement opportunities

Departmental Areas

Parks and Recreation, *continued*

Risk Assessment Results

Through inquiries with the City's management, review of financial information, review of existing policies and procedures, review of the City's most recent strategic plan, and experience gained in prior audits, the following scores and ratings were assigned:

Inherent Risk	
Financial	Moderate High
Operational	Moderate High
Legal/Regulatory/Compliance	Moderate
Strategic	Low
Information Technology / Systems	Moderate Low
Fraud	Low
Reputation	Low

Control Effectiveness	
Policies and Procedures	Strong
Management	Good
Staff	Adequate
Prior Audit Date	Ineffective
Prior Audit Rating	Ineffective
Outstanding Issues	Weak

Inherent Risk	Moderate Low
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Control Effectiveness	Adequate
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Residual Risk	Moderate Low
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Departmental Areas

Clerk's Office

The department's primary responsibility is to maintain permanent records for the City of Stonecrest including all minutes of the City Council, ordinances and resolutions adopted by Council and contracts for the City. The Clerk attends Council meetings, transcribes minutes and prepares them for permanent record, as well as providing administrative support to the Mayor, City Council, and the City Manager's Office. In addition, the Clerk is responsible for giving proper notice of Council meetings, assisting with agenda preparation, certifying documents, and codifying the City Code. The Clerk's Office has not been audited since the City's inception in 2019 and has experienced challenges with fulfilling open records requests made by the public. The City Clerk and Deputy City Clerk are responsible for the oversight of the Clerk's Office.

Business Objectives

- Ensure sufficient documentation of critical City meetings and events
- Fulfill open records requests made by the public
- Assist with planning and preparation for City meetings and events

Potential Significant Risks

- Inadequate staff expertise results in untimely and/or insufficient meeting minutes or agendas for critical City meetings/events
- Open records requests are not fulfilled in a timely manner due to inadequate staffing
- Disorganization of City records and documents results in noncompliance with state and local regulations

Departmental Areas

Clerk's Office, *continued*

Risk Assessment Results

Through inquiries with the City's management, review of financial information, review of existing policies and procedures, review of the City's most recent strategic plan, and experience gained in prior audits, the following scores and ratings were assigned:

Inherent Risk	
Financial	Moderate Low
Operational	Moderate Low
Legal/Regulatory/Compliance	Moderate High
Strategic	Low
Information Technology / Systems	Moderate Low
Fraud	Low
Reputation	Low

Control Effectiveness	
Policies and Procedures	Weak
Management	Good
Staff	Weak
Prior Audit Date	Ineffective
Prior Audit Rating	Ineffective
Outstanding Issues	Good

Inherent Risk	Moderate Low
Residual Risk	Moderate Low

Control Effectiveness	Ineffective
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Departmental Areas

Police Department – TBD

The City does not currently have a dedicated police department. However, the City Council recently approved the purchase of a building for use as the City's police headquarters and public safety center. The City plans to move forward with a dedicated police force, but currently utilizes the DeKalb County Police Department.

Business Objectives

- TBD

Potential Significant Risks

- TBD

Risk Assessment Results

Risk ratings have not yet been determined due to the in-progress state of the creation of the City's police department.

Appendix A:

Internal Audit Plan and Schedule

Proposed Internal Audit Plan and Schedule (Three-Year)

Audit Areas	Residual Risk	Recommended Audit Frequency	Date of Last Audit	FY 2022 Audit Plan	FY 2023 Audit Plan	FY 2024 Audit Plan
Finance						
Accounting and Finance	High	Every 12 Months	Never	✓	✓	✓
Procurement and Vendor Management	Moderate	18 - 24 Months	Never		✓	
Grants and Capital Projects	High	Every 12 Months	4/11/2021	✓	✓	✓
Procurement Cards	Moderate High	12-18 Months	5/5/2021	✓		✓
Operations						
Information Technology	Moderate	18 - 24 Months	Never			✓
Communications	Moderate Low	24 - 36 Months	Never			✓
Strategic and Infrastructure Planning	Moderate High	12-18 Months	Never		✓	
Departmental Areas						
Economic Development	Moderate	18 - 24 Months	Never		✓	
City Engineering	Moderate	18 - 24 Months	Never			✓
Planning and Zoning	Moderate	18 - 24 Months	Never		✓	
Code Enforcement	Moderate	18 - 24 Months	Never		✓	
Permitting and Inspection	Moderate Low	24 - 36 Months	Never	✓		
Parks and Recreation	Moderate Low	24 - 36 Months	Never	✓		
Clerk's Office	Moderate Low	24 - 36 Months	Never	✓		
Police Department	N/A	TBD	Never			✓