

December 12, 2003

Mr. Richard Bernhardt, Director
Members of the Metropolitan Planning Commission
730 2nd Avenue South
Nashville, TN 37210

Report of Internal Audit Section

Dear Mr. Bernhardt and Commission Members:

We have recently completed a performance audit of the Planning Department. *Government Auditing Standards* issued by the Comptroller General of the United States define performance audits as follows:

Performance audits entail an objective and systematic examination of evidence to provide an independent assessment of the performance and management of a program against objective criteria as well as assessments that provide a prospective focus or that synthesize information on best practices or cross-cutting issues. Performance audits provide information to improve program operations and facilitate decision making by parties with responsibility to oversee or initiate corrective action, and improve public accountability.

A performance audit is different than a financial statement audit, which is limited to auditing financial statements and controls, without reviewing operations and performance. In performing this audit, we retained Maximus to work under our direction. Their final report dated December 2003, *Performance Audit of the Planning Department*, accompanies this letter and is hereby submitted to you.

The Planning Department acts as the official planning agency for Metro and assumes the responsibilities granted to municipal, regional, or metropolitan planning agencies by state law, including general planning, zoning, and subdivision regulations. The executive director reports to the Planning Commission. The primary divisions of the Planning Department are Planning and Operations. The Planning division serves as the professional and technical staff for the Metro Planning Commission. This division processes and reviews applications for zone changes, planned unit developments, mandatory referrals, and subdivisions for consistency with adopted planning policies and conformance to regulations. They also provide technical support to the Metro Council on zoning, planned unit development, and mandatory referral matters. The Operations division prepares, administers and monitors the departmental operating budget; maintains the property maps for the Metro Government and the Geographic Information System; and provides administrative support to the department. Planning has a total of 57 budgeted positions for fiscal year 2003. Budgeted revenue is \$2,252,574, and total budgeted expense is \$5,394,627, which includes personnel expense of \$3,222,815. Additional background information is included in Chapter 1 of the Maximus report.

Objectives, Scope, and Methodology

The primary objectives of this performance audit were as follows:

- Review all major aspects of Planning Department operations, including assessing the efficiency and effectiveness of operations and the effectiveness of systems and controls in place to manage and communicate the results of operations.
- Compare the Planning Department's operations and key performance measures to industry best practices and to selected peers.
- Assess the overall management of the Planning Department, including organizational structure, fee setting, customer service, and information technology.
- Review the Metro Government's development review process to determine the effectiveness with which Planning and other Metro departments coordinate among divisions for efficient and effective operations.

- Assess compliance with applicable laws, regulations and policies.
- Develop findings and recommendations for any areas where performance could be improved.

This audit focused primarily on the Planning Department's fiscal year 2002 and 2003 financial transactions and on performance and processes in place during the audit. Certain analyses required the consideration of financial results, performance and operations outside of that time period.

The methodology employed throughout this audit was one of objectively reviewing various forms of documentation, including written policies and procedures, financial information and various other forms of data, reports and information maintained by Planning and other Metro departments. Management, administrative and operational personnel, as well as personnel from other Metro departments and other stakeholders, were interviewed, and various aspects of Planning operations were directly observed. Data obtained from various sources were analyzed, and various aspects of performance, cost and practices were compared to those of peers and to best practices.

We performed the audit procedures in accordance with generally accepted government auditing standards.

Findings and Recommendations

The Maximus report addresses the Planning Department's operations and the resulting findings and recommendations in detail. Following is an overview of some of the more significant findings and recommendations included in their report.

1. Metro should adopt a formal policy stating its development philosophy. This statement of philosophy should be drafted by the Planning Department with appropriate Metro department and community input and should be endorsed by the Mayor and adopted by resolution of the Council. This effort should include eliminating existing inconsistencies between the current comprehensive plan and the enforcement ordinances. The most appropriate way to formalize Metro's development philosophy would be to rewrite the General Plan with the assistance of outside consultants at an estimated cost of \$175,000 to \$250,000.

2. The current development review process lacks structure and leadership authority. Metro should develop a formal mechanism for interdepartmental coordination of development management. Metro should also establish a position within the Planning Department to coordinate the development review process among Metro departments and to assist with other interdepartmental coordination. The annualized cost for this senior level professional planning position is estimated at \$80,625 (\$64,500 base salary with 25% for related benefits), plus an additional \$3,000 one-time cost for networked computer and related equipment.
3. A detailed cost of service and fee analysis should be performed at an estimated cost of \$30,000. Revising the fee structure could result in additional annual revenue of \$265,000.

Detailed explanations of the above findings and the related recommendations, as well as several other findings and recommendations, are included in the Maximus report. A summary of each recommendation and the related fiscal impact can be found in Chapter 9 of the Maximus report. In addition to Maximus' work, Internal Audit staff reviewed procedures and controls surrounding financial and other operations and discussed issues of lesser significance noted with management.

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Management's response to the audit recommendations is attached to this report.

We greatly appreciate the cooperation and help provided by all Planning Department staff.

This report is intended for the information of the management of the Metropolitan Government of Nashville and Davidson County. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Internal Audit Section

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