

# CITY OF PHILADELPHIA PENNSYLVANIA

## OFFICE OF THE CONTROLLER

CITY OF PHILADELPHIA  
DEPARTMENT OF LICENSES AND INSPECTIONS  
REVIEW OF THE CITY'S  
CONSTRUCTION PROCESS  
FISCAL YEARS ENDED JUNE 30, 2023 AND 2024



City Controller  
**Christy Brady, CPA**

*Ensuring transparency, accountability,  
and fiscal integrity in city government*





# CITY OF PHILADELPHIA

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CHRISTY BRADY  
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August 21, 2025

Basil Merenda, Commissioner  
Department of Licenses & Inspections  
Municipal Services Building  
1401 John F. Kennedy Boulevard – 11<sup>th</sup> Floor  
Philadelphia, PA 19102

Dear Commissioner Merenda:

In accordance with Section 6-400(c) of the Philadelphia Home Rule Charter, the Office of the City Controller conducted a performance audit of the Department of Licenses and Inspections. Our objectives were to review the department's internal control policies and procedures for new construction and modifications to existing buildings, and the qualifications and the quality of work of city inspectors. Additionally, we conducted our review to address complaints from city residents regarding unsafe construction practices and the use of unlicensed and misclassified workers in the City of Philadelphia. The results of our work, which was performed in accordance with *Government Auditing Standards* for performance audits, are detailed in the attached report.

Our specific findings and recommendations were shared with your staff during our exit conference. We believe that our recommendations, if implemented properly, will help ensure the safe construction of residential buildings, while enabling the city to collect the appropriate tax revenue denied by the use of unlicensed and misclassified contractors and subcontractors.

We would like to express our thanks to you and your staff for the courtesy and cooperation provided during our audit.

Very truly yours,

A handwritten signature in black ink that reads "Christy Brady".

CHRISTY BRADY, CPA  
City Controller

cc: Honorable Cherelle Parker, Mayor  
Honorable Kenyatta Johnson, President  
and Honorable Members of City Council



# **CITY OF PHILADELPHIA**

## **DEPARTMENT OF LICENSES & INSPECTIONS**

### **REVIEW OF THE CITY'S CONSTRUCTION PROCESS**

#### **FISCAL YEAR ENDED JUNE 30, 2023 AND 2024**

## **EXECUTIVE SUMMARY**

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### **Why the Controller's Office Conducted the Audit**

The Office of the City Controller (Controller's Office) conducted a performance audit of the Department of Licenses and Inspections (L&I). The primary focus of the audit was to determine whether L&I has established procedures to ensure that construction work complies with mandatory standards and is only performed by construction workers whose employment status was properly documented.

### **What the Controller's Office Found**

The inspection deficiencies identified weaken L&I's ability to ensure safe and lawful construction activity in the city and reflect practices that put both workers and residents at risk.

Some of the most significant findings include:

- L&I inspectors did not request the contractors' licenses during any of the eight site visits we observed, nor did they request documentation supporting the employment status of workers on the construction sites. By failing to review licenses, construction activity may be performed by unqualified individuals. Furthermore, when documentation supporting the employment status of construction workers is not reviewed, the workers may incorrectly be classified as independent contractors, which could prevent them from receiving workplace benefits and allow contractors to evade federal, state, and local taxes.
- Eight employees who collectively performed 575 residential fire inspections and 482 commercial fire inspections, did not have the required Uniform Construction Code (UCC) fire inspector certifications necessary to perform the work. Similarly, four employees who performed 229 residential mechanical inspections did not have the required UCC mechanical and energy inspector certifications.
- Of the 6,241 third-party electrical inspections completed during fiscal year 2023, L&I only performed 82 electrical audits, covering only 1.3% of the total third-party inspections. Additionally, of the 20 electrical inspection audits selected for testing, 14 audits were performed by a supervisor who was not properly certified to perform or review electrical work, and 13 audits did not contain the required Electrical Inspection Audit Report, a form necessary to ensure that the results of the audits are properly documented and effectively communicated to management.
- Of the 40 residential building permits selected for testing, 34 permits did not contain the required comment details and/or photographs required by L&I's written inspection procedures. Additionally, for 13 permits requiring a total of 73 inspections, we determined that 33 of the inspections were not performed.

### **What the Controller's Office Recommends**

The Controller's Office has developed several recommendations to address the findings noted above. These recommendations can be found in the body of the report.

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## INTRODUCTION

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### *Purpose of the Audit*

The Office of the City Controller (Controller's Office) conducted an audit of the Department of Licenses and Inspections (L&I) in response to ongoing concerns from Philadelphia residents regarding unsafe construction practices and complaints of misclassified workers. Our office had issued a report in 2014 on the underground economy in Philadelphia, which highlighted how unregulated construction activity contributes to lost city revenue and increased safety risk to both workers and residents. The focus of the current audit was to determine whether L&I has established procedures to ensure that construction work complies with mandatory standards, is performed only by licensed contractors and subcontractors, and properly identifies the employment status of workers on construction sites.

### *The History of L&I*

L&I traces its origins back to May 1855 when an Act of Assembly created the Board of Building Inspectors. The Act called for judges of the Court of Common Pleas to appoint two "suitable persons of experience and skill" to inspect city buildings. In December 1886, an ordinance was passed that placed the Board of Inspectors within the Department of Public Safety, and in 1899 the Board of Inspectors was re-established as the Bureau of Building Inspection. With the passage of the Philadelphia Home Rule Charter in 1949 and the eventual dissolution of the Department of Public Safety, the functions of the Bureau of Building Inspection were moved into the newly created Department of Licenses and Inspections in 1951. The Home Rule Charter provides L&I with the power and duty to perform the following functions:

- administer and enforce all statutes, ordinances, and regulations pertaining to building safety, sanitation, signs, and zoning;
- issue all licenses required to be obtained from the city;
- conduct all inspection functions to determine whether any person or owner of any property is violating the conditions of any license, or whether any property owner is violating any statute, ordinance or regulation;
- enforce violations found as a result of any inspection;
- revoke, suspend or cancel any license when the holder is violating the conditions thereof;
- make special inspections on request where unlawful conditions are believed to exist.

In connection with the powers and duties of L&I, the Charter has also established three boards that assist citizens and management in the performance of the department's primary duties. The Board of License and Inspection Review and the Zoning Board of Adjustment provide citizens adversely affected by license and zoning requirements an orderly due process for a review of actions impacting them. The Board of Building Standards advises the L&I commissioner on the interpretation of the city's building code and any regulations relating to building safety and sanitation; suggests changes to regulations; and proposes new and substitute materials for building construction, as well as new methods of construction.

The department was previously headed by a single commissioner appointed by the managing director with the approval of the mayor. In February 2024, the mayor announced that the Department would now be led by two commissioners – one to lead the Inspections, Safety and Compliance Division and another to oversee the Quality of Life Division.

### *The Adoption of Building Codes*

In June 1983, Philadelphia adopted its first model code, the 1981 edition of the BOCA National Building Code. The city followed with adoptions of the 1987, 1990, and 1996 edition of the same Code. In 2004, Philadelphia adopted the International Building Code, developed by the International Code Council (ICC), to coincide with Pennsylvania's adoption of the 2003 International Codes (I-Codes). The ICC develops the model codes and standards used in the design, building and compliance process to construct safe, sustainable, and affordable structures and serves as the technical basis for enforcement in Pennsylvania. Most U.S. communities and many global markets have adopted the I-Codes. Pennsylvania municipalities also needed to adopt PA Act 45 of 1999, the Uniform Construction Code (UCC), which Philadelphia adopted on June 21, 2004.



### *How the Construction Process Works*

Philadelphia residents intending to build a new home, make improvements to their existing residences, or otherwise engage in construction related activities must begin the process by first submitting a permit application to L&I for review. A permit is required to obtain legal permission to start construction activity. The permit application, along with detailed architectural drawings, specifications, or site plans are necessary to ensure that the intended work complies with building codes and regulations. The application also includes information about the hired contractors or contractor agencies, which L&I reviews to ensure that the contractors have the licenses and qualifications necessary to perform the specified work.

Once the application is approved, the permit is issued and construction work may begin. Along with outlining the scope of the work, the permit will also specify the type of inspections the city requires during the construction process. Inspections are a crucial part of the process because they ensure the work was done in accordance with the architectural specifications or site plans, and conforms with applicable building codes. After successful completion of all inspections and the conditions set forth in the permit, the construction process is complete, and a certificate of occupancy may be issued.

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## FINDINGS AND RECOMMENDATIONS



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## FINDINGS AND RECOMMENDATIONS

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We focused our testing for the fiscal years ended June 30, 2023, and 2024 on the quality and completeness of L&I's construction practices and whether it has adequate procedures to ensure that construction work is only performed by licensed and properly classified workers. These areas cover significant aspects of L&I's mission and are crucial to the safety and well-being of city residents.

Our audit identified several conditions that, we believe, weaken L&I's ability to ensure safe and lawful construction activity in the city. Some of the more significant findings include:

- L&I inspectors did not request the contractors' licenses during any of the eight site visits we observed, nor did they request documentation supporting the employment status of workers on the construction sites. By failing to review licenses, construction activity may be performed by unqualified individuals. Furthermore, when documentation supporting the employment status of construction workers is not reviewed, the workers may incorrectly be classified as independent contractors, which could prevent them from receiving workplace benefits and allow contractors to evade federal, state, and local taxes.
- Eight employees who collectively performed 575 residential fire inspections and 482 commercial fire inspections, did not have the required UCC fire inspector certifications necessary to perform the work. Similarly, four employees who performed 229 residential mechanical inspections did not have the required UCC mechanical and energy inspector certifications.
- Of the 6,241 third-party electrical inspections completed during fiscal year 2023, L&I only performed 82 electrical audits, covering only 1.3% of the total third-party inspections. L&I procedures state that reviews should be conducted daily and should include a variety of electrical inspections. Additionally, of the 20 electrical inspection audits selected for testing, 14 audits were performed by a supervisor who was not properly certified to perform or review electrical work, and 13 audits did not contain the required Electrical Inspection Audit Report, a form necessary to ensure that the results of the audits are properly documented and effectively communicated to management.
- Of the 40 residential building permits selected for testing, we found that 34 permits did not contain the required comment details and/or photographs required by L&I's written inspection procedures. Additionally, for 13 permits requiring a total of 73 inspections, we determined that 33 of the inspections were not performed.

Each of these conditions are discussed in more detail below. Our recommendations for improving licensing and worker documentation requirements, employee certification procedures, inspection practices, and electrical audit reviews are noted in the body of this report.

### *Contractor Licenses Were Not Reviewed During Inspections*

The city, through the issuance of Philadelphia Code Section 9-1004, recognizes that inadequately qualified contractors jeopardize the health and safety of the public and workers employed on construction projects within the city. By establishing licensing requirements and enforcement procedures for construction work, the code provides the standards necessary to ensure that contractors comply with applicable industry standards. The

code requires construction contractors and subcontractors to possess applicable, valid, and current licenses to show that they are specifically qualified and legally able to perform construction work within the city. A contractor's license is required of any person who performs or offers to perform any construction, repair, alteration, addition, remodeling, rehab, demo, or any other type of residential or non-residential construction. Only construction work performed by the homeowner or requiring a specialized professional license, such as electrical, plumbing, fire suppression, and complete demolition work, are exempt from this requirement. If the project requires multiple contractors, all contractors must be named before the permit can be issued. The code also states that a prime contractor performing construction work<sup>1</sup>, shall submit to L&I within three days after the commencement of work, a list of all subcontractors, their respective contractor license numbers and documentation supporting the validity and active status of the contractor and subcontractor licenses. Contractors must also post their contractor license number on any advertisements, stationery, places of business, job sites, proposals, and vehicles displaying their business name.

Yet, despite these, and other, regulatory requirements, it has been frequently reported that construction work is being performed in Philadelphia by contractors and subcontractors who may not possess the required contractor licenses, and our review indicates that there is no unit within L&I aggressively working to correct this problem. Over a three-day period, we accompanied L&I inspectors on five field reviews and witnessed three virtual inspections. These inspections covered both commercial and residential properties, new construction and restoration work. At no time during any of these eight site visits, did the construction inspectors ask to review applicable contractor licenses.

We were also informed that L&I construction inspectors do not usually perform surprise site visits to determine if unlicensed workers are present on the job site. When inspectors go to the sites to perform their reviews, the contractor is already aware of when the inspection will take place, as the contractors typically schedule the appointment days to weeks in advance. Inspectors have informed us that performing surprise inspections often results in wasted effort because the contractor may not be present at the site and the parties would have to reschedule. Yet, by not performing surprise inspections, L&I's ability to identify unlicensed contractors is severely compromised.

We later found that while L&I's Inspector Manual and its 2009 Policy regarding Unlicensed Contractors and Tradespersons placed the responsibility for reviewing contractor licenses with the construction inspectors, that specific task was no longer part of their current job duties. Staff shortages and added responsibilities required L&I to adjust the inspectors' workload. So, in 2013, the department transferred responsibility for contractor license reviews to its newly created Contractor Compliance Unit, which became the Audit and Investigation Unit (AIU) in fiscal year 2022. Despite this significant change to its organizational responsibilities, L&I has yet to revise its written policies accordingly.

Furthermore, as noted in the *Final Report of the Joint Task Force on Regulatory Reform for the Department of Licenses and Inspections*<sup>2</sup>, the AIU faces its own challenges with staffing and employee workload. The Task Force report recommended fully staffing the AIU as a means to stop the growing number of code violators.

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<sup>1</sup> except for work on residential buildings of two dwelling units or less.

<sup>2</sup> Specifically, the "Final Report of the Joint Task Force on Regulatory Reform for the Department of Licenses and Inspections" Report to The Honorable Cherelle L. Parker, Mayor-Elect of the City of Philadelphia & the Honorable President of the Council of the City of Philadelphia. Issued December 19, 2023

Yet, this unit is currently staffed with only five employees who address contractor compliance matters, and only two of these verify contractor licenses. As a result, we were informed that the AIU only conducts license reviews when the department receives a complaint, or a specific request to do so.

By failing to actively review contractor licenses, L&I accepts that unlicensed contractors are performing work that may not comply with UCC standards, thereby putting public and worker safety at risk. Additionally, unlicensed employees prevent the city from collecting the revenue needed to offset the costs of L&I's compliance and enforcement efforts.

To ensure that unlicensed workers are not actively performing construction work in the city, we recommend that L&I management:

- Require its inspectors to review inspector licenses when performing their inspection duties. Inspectors should also check to verify that the required contractor information is posted on the job site. [202624.01]
- Require the AIU to perform random, surprise site visits, when possible, to determine if unlicensed workers are present on the job sites. [202624.02]
- Consider increasing the number of employees in the AIU so that they may perform more license reviews. [202624.03]
- Update its Unlicensed Contractors and Tradespersons Policy to reflect the inspections and other responsibilities now assigned to the AIU. [202624.04]

### *Documentation for Construction Workers Was Not Reviewed During Inspections*

As noted in our earlier report on Philadelphia's underground construction economy, contractors often hire workers whom they classify as independent subcontractors but, rightfully, should be reported as employees. This is a matter of concern because employees are eligible for workplace benefits and protections, such as minimum wage, overtime pay, unemployment benefits, and workers' compensation, that independent contractors are not. Pennsylvania law Act 72, the Construction Workplace Misclassification Act, effective February 2011, prohibits contractors from classifying construction workers as independent subcontractors if the workers do not meet the statutory definition of an independent contractor.

During the fiscal year that ended on June 30, 2024, we accompanied L&I inspectors on construction inspections over the course of three days and found that the L&I inspectors did not request to review the documentation for on-site workers necessary to verify their proper employment status. While Act 72 is enforced by the city's Office of Labor for city-funded construction projects, L&I has not established its own policies, adopting Act 72, for non-city funded projects, so inspectors were not instructed to perform these reviews.

Failure to review worker documentation increases the risk that construction workers are misclassified as independent contractors rather than employees. Misclassified workers may be denied job benefits they would otherwise receive as employees. Additionally, when contractors intentionally misclassify workers, they may hire less qualified individuals to reduce labor costs and avoid paying fair wages. Furthermore, by not reporting instances of misclassification to the city's Department of Revenue, the city risks losing payroll tax revenue and is missing opportunities to hold contractors accountable for violating local tax laws.

To ensure that construction workers are properly classified on construction sites, we recommend that L&I management:

- Create detailed policies and procedures for inspectors that enforce the applicable requirements of Act 72. [202624.05]
- Administer the newly created policies and procedures related to Act 72. [202624.06]
- Report instances of worker misclassification to the city's Department of Revenue. [202624.07]

### ***Residential Building Inspections Lacked Sufficient Documentation***

In June of 2012, the City of Philadelphia introduced eCLIPSE<sup>3</sup>, a new electronic system for managing the city's building, planning, and permitting needs. With the POSSE PLS<sup>4</sup> service as its foundation, eCLIPSE was initially used by L&I to:

- Inspect properties for compliance with fire, property maintenance and businesses, trades and professional codes;
- Review plans, inspect and issue permits according to building, zoning, plumbing and electrical codes;
- Inspect and clean and seal vacant properties, conduct demolition programs for imminently dangerous buildings;
- Issue licenses for various trades and business activities and locations.

In March of 2020, the city added license application, renewal, and online payment services to eCLIPSE with the intention to create for citizens and contractors a virtually paperless system and reduce the time devoted for application reviews. In the following year, L&I equipped its inspectors with mobile devices that allowed them to enter real time inspection results into eCLIPSE, creating a more efficient reporting process and the ability to timely share project information with L&I supervisors and managers.

However, while the use of eCLIPSE has assisted inspectors in the performance of their duties, it wasn't intended to replace the knowledge, experience, and due diligence required to review the safety-related and complex work associated with construction code compliance. Therefore, in accordance with the Philadelphia Administrative Code, L&I issued its own procedures<sup>5</sup> for performing permit inspections. These procedures state that the inspection process is dependent upon three equally-important elements of the process – to observe, record, and report – “as they rely upon each other to be effective”. The procedures also state that inspections should be done at the location whenever possible and that inspectors should provide photos and comments for each inspection. Specifically, multiple photos should be taken to show the extent of the problems identified or fully document the work being approved. The photos should also allow others to obtain a clear understanding of the work performed by both the contractor and the inspector. Similarly, comments from the inspector are required to contain information as to who they met on site, what they were on site to see, and instructions on

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<sup>3</sup> eCLIPSE stands for electronic Commercial Licensing, Inspection and Permit Services Enterprise.

<sup>4</sup> POSSE PLS is a government software application developed by Computronix that helps streamline business processes for permitting and licensing.

<sup>5</sup> Specifically, L&I Work Instruction No. CIU-22001 for “*Performing Permit Inspections*”, issued on October 20, 2022.

what should be done next. Understanding the legal significance of properly documenting the inspection process, the L&I’s Inspector Manual goes on to further state that “If it isn’t documented, it didn’t happen.”<sup>6</sup>

To test whether inspectors were adhering to the department’s procedures, we selected 40 residential building permits initiated during fiscal year 2023 and followed the activity of the permits through each of the required inspections to the issuance of the Certificate of Occupancy. Depending on the details of work, each permit specified the required inspections, which usually included two or more of the following inspection types: initial inspections, foundation footing, underslab inspections, interior framing, insulation, wallboard, and the final inspection. Some permits covered the more limited “make safe” inspections that addressed previously identified violations, often imminent safety issues, which required immediate attention from the property owner or contractor. These inspections usually required only an initial and final inspection. Of the 40 permits tested, 13 did not show evidence that all required inspections were completed. These 13 permits required a total of 73 inspections, 33 of which were not performed. Refer to Table I for details of each permit.

**Table I: Review of Required Residential Building Inspections**

Sample #	Initial Site Visit	Make Safe Initial Visit	Foundation Inspection	Underslab Inspection	Interior Framing Inspection	Insulation Inspection	Wallboard Inspection	Final Inspection	Make Safe Final Inspection
1	✓	N/A	✓	X	✓	✓	✓	✓	N/A
2	✓	N/A	N/A	N/A	X	X	X	✓	N/A
3	✓	✓	N/A	N/A	X	X	X	X	✓
4	✓	N/A	N/A	N/A	X	X	X	✓	N/A
5	✓	N/A	X	N/A	X	X	X	✓	N/A
6	✓	N/A	X	X	✓	N/A	X	✓	N/A
7	✓	N/A	✓	X	X	X	X	✓	N/A
8	✓	N/A	N/A	N/A	✓	✓	X	✓	N/A
9	✓	N/A	X	X	✓	✓	X	✓	N/A
10	X	N/A	N/A	N/A	X	X	X	✓	N/A
11	✓	N/A	N/A	N/A	✓	X	✓	✓	N/A
12	✓	N/A	N/A	N/A	X	N/A	N/A	✓	N/A
13	✓	N/A	N/A	N/A	✓	✓	X	✓	N/A
# of Required Inspections	13	1	5	4	13	11	12	13	1
# of Missing Inspections	1	0	3	4	7	7	10	1	0

**Source:** Prepared by the Controller’s Office using data obtained from eCLIPSE.

**Table I Legend:**

✓: Inspection completed    X: Inspection was not performed    N/A: Inspection was not required

<sup>6</sup> L&I Inspector Manual, Chapter 3, page 25. First edition: October 2017.

Furthermore, of the 40 permits reviewed, 34 were missing the comment details and/or photographs required by L&I's inspection procedures. These 34 permits required 139 inspections, of which 83 lacked the specific details required inspector comments, and 40 that lacked the required photographs. For additional details, refer to Table II below.

**Table II: Review of Residential Building Inspection Notes and Photographs**

Sample #	# of Inspections Per Permit	# of Inspections Without Sufficient Comments	# of Inspections Without Photographs
1	2	-	2
2	7	1	4
3	3	2	1
4	6	4	2
5	3	2	2
6	5	5	3
7	2	2	1
8	5	3	3
9	2	-	1
10	3	1	-
11	5	4	1
12	3	2	-
13	3	-	1
14	4	3	2
15	5	1	-
16	6	6	2
17	4	3	1
18	6	6	2
19	6	6	-
20	4	3	2
21	6	5	2
22	4	3	1
23	4	1	1
24	2	1	1
25	5	2	-
26	6	2	1
27	2	2	-
28	3	3	1
29	6	1	-
30	7	1	-
31	2	2	1
32	2	2	1
33	3	3	-
34	3	1	1
<b>Totals</b>	<b>139</b>	<b>83</b>	<b>40</b>

Source: Prepared by the Controller's Office using data obtained from eCLIPSE.

Based on the results of our testing, inspectors do not follow department procedures when performing inspections. Furthermore, the number of findings indicate that the inspectors' work lacks adequate supervisory



review. Failure to properly perform the required aspects of the inspection process could expose the city to litigation and potential liability.

Therefore, to ensure that inspectors are properly performing their duties, we recommend that L&I management:

- Provide training to inspectors to reinforce the documentation requirements outlined in the department's inspection procedures. [202624.08]
- Require that supervisory employees periodically review permit activity in eCLIPSE to ensure that the inspectors are following the required procedures. These reviews should be documented and included in the employees' annual performance reviews. [202624.09]
- Require supervisory approval for inspections that are waived in eCLIPSE. [202624.10]

### *Electrical Audits Lacked Sufficiency*

An electrical inspection involves reviewing the functionality of a property's electrical system to ensure it complies with safety standards and local building codes. Components of an on-site electrical inspection may include verifying electrical panels and wiring installations, checking grounding and bonding, testing circuit breakers, fuses, outlets and switches, examining lighting fixtures, assessing heating and ventilation systems, and/or checking smoke and carbon monoxide detectors. Rather than using a full staff of electrical inspectors to perform this work, L&I relies upon third-party licensed inspection agencies to certify the safety and code compliance for all electrical permits issued by the city.

By issuing permits and inspecting construction activity, the Construction Services Division is responsible for all code compliance involving construction. According to L&I Procedure OP-0101<sup>7</sup>, electrical inspectors in the Construction Services Division are required to review the work performed by third-party electrical inspectors and document their findings in a report titled "Electrical Audit Inspection Report." However, management subsequently removed the review of electrical inspections from the Construction Services Division and reassigned this responsibility to a certified inspector in its AIU.

As part of our fiscal year 2024 testing, we reviewed 20 electrical audits and noted the following:

- 14 of the 20 audits were reviewed by supervisors who lacked the UCC certification or electrical license required to perform (or review) electrical inspections. The level of review is also being questioned as an L&I official informed us that supervisors "only compile the electrical work, rather than review them".
- 13 of the 20 audits did not contain the Electrical Audit Inspection Report. While this report is required by L&I Procedure OP-0101, management informed us that it was no longer being used. By eliminating the Electrical Audit Inspection Reports, L&I is removing a key control procedure intended to verify that licensed electrical inspection agencies and contractors are performing their responsibilities in accordance with code requirements.

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<sup>7</sup> Effective April 23, 2001

- 10 of the 20 audits did not contain documentation verifying that the identified inspection violations had been corrected.

Despite the deficiencies identified in our review of the completed audits, what's more concerning is the number of audits performed. Of the 6,241 third-party electrical inspections completed during fiscal year 2023, the AIU only performed 82 audits, covering only 1.3% of the total electrical inspections. According to L&I Procedure OP-0101, audits should be conducted daily and should include a variety of inspections from populations that include electrical permits, requests for inspections from district supervisors, and reinspections. From the number of audits performed, it's evident that the AIU is not in compliance with department policy.

By failing to use the required Electrical Audit Inspections Report, L&I is not properly documenting oversight of third-party electrical inspections or communicating critical information to management. The lack of a proper and detailed review of the audits, by a properly certified employee, may also lead to missed code violations which in turn can jeopardize the safety of the property. Without this documentation and oversight, patterns of noncompliance may go unnoticed, and necessary corrective actions, such as increased oversight, retraining, or if warranted, suspension or removal of the third-party electrical inspector, may not be taken.

To ensure that third-party electrical inspection agencies are performing inspections in accordance with L&I's requirements, we recommend that management:

- Staff the AIU with additional employees to assist in the audit of third-party electrical inspectors and increase the number of audits performed annually. [202624.11]
- Re-establish the use of the Electrical Inspection Audit Report to ensure that the results of the electrical audits are properly documented and effectively communicated to management. Particular attention should be given to identifying repeated deficiencies by the same third-party inspection agencies, as well as documenting any actions taken in response to repeat violations. [202624.12]
- Ensure that the supervisors overseeing the audits possess the UCC certification necessary for the work they intend to review. [202624.13]

### ***Employees Lacked Required Certifications***

L&I employees performing construction inspection duties are required by both their job specifications and the UCC to possess and maintain the certifications that demonstrate knowledge and proficiency applicable to the work that they intend to perform. Under UCC guidelines<sup>8</sup>, "a person may not perform a plan review of construction documents, inspect construction, or administer and enforce the UCC without being currently certified or registered by the Pennsylvania Department of Labor and Industry in the category applicable to the work that is to be performed." However, the UCC does allow an inspector with a commercial certification in a specific category to perform residential inspections without holding a separate certification in the same residential category. The employee, or certification holder, must renew their certifications every three years

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<sup>8</sup> Specifically, UCC Section 401.3.

from the date of issuance. Employees not certified under the UCC can alternately be certified by the ICC, but unlike the UCC, the ICC does not allow the performance of residential inspections when only holding a commercial certification. Additionally, the city's job specifications for construction inspectors require them to complete during their tenure of employment, all course work or continuing education credits necessary to maintain these certifications. Failure to do so can result in a pay reduction.

As part of our audit, we reviewed the required certifications for 42 L&I employees. Of those 42 L&I employees, only 28 of them are required to have UCC certifications. These certifications are needed to conduct residential and commercial inspections for fire, energy and mechanical systems. Work reviewed by fire inspectors include reviewing the functionality of alarms and safety systems, assessing the condition of emergency exits and sprinkler systems, and of course, identifying the existence of possible fire hazards. Duties for a mechanical inspector include determining compliance of fuel-piping systems, heating, cooling, and building ventilation, and hot water heating systems. An energy inspector ensures compliance with standards involving the installation of heating, ventilation and air conditioning (HVAC) equipment, ducts and piping, and insulation and sealing. Because the duties of the mechanical inspector are closely aligned with those of an energy inspector, and L&I covers both types of work under the issuance of a mechanical permit, L&I requires its inspectors to possess both energy and mechanical certifications.

The results of our testing showed that nine of the 28 employees tested did not possess a current UCC fire certification. Of the nine, only 1 employee possessed an alternate ICC certification. Yet, while not possessing either of the required credentials, these eight employees conducted 575 *residential* fire inspections and 482 *commercial* fire inspections during fiscal year 2024.

We also found that four of the 28 inspectors conducting mechanical permit inspections did not possess the required mechanical and energy certifications required to review work in these specific categories. Of the four employees without the UCC certifications, only one possessed the two alternate ICC certifications but these were for *commercial* construction only. None of the four had both certifications from the ICC for *residential* properties. This resulted in 229 *residential* mechanical /energy inspections being performed by employees who did not possess the UCC or ICC certifications for fiscal year 2024. Furthermore, for the *commercial* mechanical inspections, we identified 143 inspections that were performed by employees without a UCC certification. Fortunately, when considering the alternate certifications granted by the ICC, the number of improperly performed commercial mechanical / energy inspections drops to only five.

When we inquired how employees without the proper certifications could be allowed to perform these inspections, L&I officials stated that the department does not track their employees' UCC and ICC certifications. They rely solely on their inspectors to keep track of their certifications and the course work or continuing education credits to necessary to maintain them. Therefore, without adequate knowledge and evidence of their inspectors' qualifications, L&I officials could be jeopardizing the safety of homeowners and the public at large. Furthermore, failure to properly check inspector credentials on a regular basis removes management's right and obligation to discipline employees who do not follow the legally mandated requirements associated with their job duties.

To ensure that inspections for fire and mechanical/energy construction work are performed by employees possessing the required knowledge and qualifications applicable to the work performed, we recommend that L&I management:

- Prepare written policies to ensure that all inspectors obtain the necessary certifications for performing the inspections assigned to them. [202624.14]
- Require employees to submit proof of their certifications and appoint a responsible official to keep track of each certification and when they are due for renewal. [202624.15]
- Periodically review employee certifications on the UCC website to ensure that employees are maintaining certifications that correspond to their current job duties. [202624.16]
- Consider offering on-site or on-line training classes that would help inspectors earn the credits necessary to obtain and renew their certifications. [202624.17]
- Consider implementing a system to track each employee's training to ensure they meet certification renewal requirements. [202624.18]

### *Quality Assurance Reviews Were Missing*

With the intention to establish Philadelphia as a national leader in building safety, L&I initiated a quality assurance (QA) plan to ensure that the department's services to the public comply with the department's operational and accuracy goals. L&I's QA plan evaluates employees' work based on specific checklists tailored to the responsibilities and duties of the units to which the employees are assigned. Employees receive quality or efficiency ratings for each job task which range incrementally from "performed correctly" to a "life safety" matter that would require immediate correction, coaching, and referral to the unit's manager. QA review results are considered when preparing each employee's annual performance review, which is then used to evaluate whether an employee is eligible for pay increases or promotional opportunities.

For fiscal year 2024, we reviewed the QA evaluations prepared for 94 employees in the Construction Inspections Unit (CIU) and the Development Services Unit (DSU). CIU employees are required to receive at least 1 QA review each quarter while employees in the DSU are required to receive 6 QA construction reviews each year. The results of our testing revealed the following:

- Of the 94 employees in the CIU and DSU, 21 did not receive any QA reviews during fiscal year 2024.
- Another 10 employees from the CIU and 10 employees from the DSU did not receive the minimum number of QA reviews required for the unit in which they work.
- Permit numbers were not included in the QA reviews prepared for the CIU, hindering supervisors' ability to review QA documentation in the eCLIPSE system.

Management explained that they use "prescriptive" reviews for inspectors performing "less technical reviews" that would not require a full QA review. However, the use of prescriptive reviews is not discussed in L&I QA policies. Additionally, not all supervisors prepare the QA reviews. We noted that only 13 of the 20 supervisors in the CIU and DSU prepared QA reviews during fiscal year 2024.

Furthermore, while researching the department's QA requirements, we noted that L&I Code Enforcement Inspectors were not included in L&I's policies governing the quality assurance reviews. Code Enforcement Inspectors are responsible for ensuring that businesses, commercial/industrial establishments, day care facilities, and other types of properties conform to applicable codes, ordinances and regulations. Omitting these inspectors from the policy expectedly resulted in none of the 49 Code Enforcement Inspectors receiving any form of a QA review.

Management stated that job descriptions for Code Enforcement Inspectors in the Quality of Life Division provide the reason for the lack of QA reviews. However, these employees have the same job descriptions and general duties as inspectors in the Compliance and Safety Division (which includes the CIU and DSU). Best practices developed by the ICC state that code enforcement inspectors should be included in a city's QA Review Program. Failure to perform QA reviews, as required, could result in inadequately trained employees performing substandard plan reviews and permit inspections. Not enforcing the policy could also result in public safety concerns.

To ensure that the work performed by L&I meets quality standards, management must ensure that:

- Current employees receive QA reviews as required by L&I policies. [202624.19]
- All supervisors conduct QA reviews, when appropriate. [202624.20]
- Code Enforcement Inspectors receive QA reviews in accordance with the ICC's best practices. [202624.21]

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## APPENDIX



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## APPENDIX I: OBJECTIVE, SCOPE AND METHODOLOGY

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This appendix provides information on the scope and methodology used to ascertain the quality and completeness of the city's permitting, inspection, and employee review processes.

To satisfy our audit objectives, we performed the following:

Reviewed inspection documentation obtained from the eCLIPSE system and L&Is contractor database for fiscal year 2023 and fiscal year 2024.

Interviewed L&I employees to understand their job duties.

Observed L&I building inspectors on construction site visits.

Reviewed the following information:

- Uniform Construction Code (UCC)
- Administration and Enforcement of the Construction Workplace Misclassification Act
- UCC Certification list from the Pennsylvania Labor and Industry website
- ICC Certification list from the ICC website
- Philadelphia Administrative Code (Subcode A)
- Philadelphia Building Code (Subcode B)
- L&I's Work Instructions
- L&I Training Manuals
- ICC Best Practices relating to Quality Assurance Reviews
- Employee Job Descriptions
- Philadelphia Code Bulletins
- L&I Organization Charts
- Final Report of the Joint Task Force on Regulatory Reform for the Department of Licenses and Inspections

### *Performance Audit Standards*

In the execution of the performance audit, we performed the engagement in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain sufficient, appropriate audit evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Accordingly, we performed testing of records and source documentation as well as other auditing procedures determined necessary in the circumstances. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## **RESPONSE TO AUDITOR'S REPORT**



Department of Licenses and Inspections

### Inspections, Safety and Compliance CITY OF PHILADELPHIA

#### Contractor Licenses Were not Reviewed During Inspections

**Recommendations:** To ensure that unlicensed workers are not actively performing construction work in the city, we recommend that L&I ISC management:

- Require its inspectors to review inspector licenses when performing their inspection duties. Inspectors should also check to verify that the required contractor information is posted on the job site. [202624.01]
- Require the AIU to perform random, surprise site visits, when possible, to determine if unlicensed workers are present on the job sites. [202624.02]
- Consider increasing the number of employees in the AIU so that they may perform more license reviews. [202624.03]
- Update its Unlicensed Contractors and Tradespersons Policy to reflect the inspections and other responsibilities now assigned to the AIU. [202624.04]

**Management View:** The Department of Licenses and Inspections - Inspection, Safety and Compliance Division (L&I ISC) acknowledges the audit recommendations regarding the need for more consistent and proactive enforcement of contractor licensing requirements on active job sites. The following response addresses each recommendation and outlines steps taken or under consideration to strengthen compliance.

#### 1. Require Inspectors to Review Contractor Licenses and Verify Job Site Postings:

The audit report references the Department's responsibility under Section 9-1004 of the Philadelphia Code to ensure contractor licenses and job postings are visible at job sites. The report asserts that construction work is "frequently" performed by unlicensed contractors and subcontractors. Although it provides no data, statistics, or documented evidence to support the claim or substantiate the alleged frequency of such occurrences.

Contrary to the report's suggestion that "no unit within L&I ISC is aggressively working to correct this problem," the Department notes that the Audits and Investigations Unit (AIU) was specifically established to investigate contractor licensing violations. This includes, but is not limited to:

- Performing audits to ensure general contractors have valid licenses.
- Confirming that subcontractor lists are properly uploaded.
- Investigating violations of Title 9 of the Philadelphia Code.

The formation of the AIU was an intentional policy decision designed to centralize enforcement of licensing compliance and reduce the burden on Building Inspectors, allowing them to concentrate on technical construction code enforcement in accordance with their training and certification.

Nevertheless, the Department acknowledges that visible job postings and contractor identification are an important part of site inspections. To support overall compliance, L&I ISC will reinforce internal expectations through updated field guidance and supervisory reminders, ensuring that Inspectors remain vigilant in identifying obvious license-related violations. Suspected violations will continue to be referred to the AIU for formal investigation and enforcement action.

This integrated approach balances the responsibilities of Field Inspectors and the AIU and reflects the Department's commitment to enforcing the Philadelphia Code through a focused and coordinated structure.

**2. Increase Random Site Visits by the Audits and Investigations Unit (AIU):**

The Department acknowledges the value of unannounced, proactive job site visits in detecting unlicensed activity. AIU currently conducts both complaint-driven and intelligence-based inspections and will seek to expand its capacity to incorporate more random site visits where operationally feasible.

**3. Consider Increasing AIU Staffing to Expand Oversight Capacity:**

The Department recognizes that increased enforcement coverage may require additional resources. L&I ISC is currently evaluating AIU staffing levels as part of a broader workforce assessment. Consideration is being given to future budget requests and staffing realignments that would allow for increased on-site presence and greater capacity to identify and deter unlicensed activity.

**4. Update the Unlicensed Contractor and Tradespersons Policy to Reflect Current AIU Practices:**

L&I ISC acknowledges that its Unlicensed Contractor and Tradesperson Policy should be updated to reflect the current responsibilities and activities of the AIU. This includes the unit's role in verifying licensing credentials, investigating contractor insurance and certification compliance, and reviewing documentation submitted through the licensing and permitting process.

An update to this policy is in progress and will include clearer procedures for field investigations, documentation standards, and inter-unit coordination. Once finalized, the revised policy will be shared with relevant internal stakeholders and used to guide enforcement strategy going forward.

L&I ISC remains committed to strengthening enforcement of contractor licensing requirements and ensuring compliance with the Philadelphia Code. The Department will continue refining its policies, enhancing inspector guidance, and exploring resource enhancements to support a robust and accountable regulatory environment. Ongoing evaluation and interdepartmental coordination will be prioritized to support transparency, public safety, and equitable enforcement across all active construction sites in the City of Philadelphia.

**Documentation for Construction Workers Was Not Reviewed during Inspections**

**Recommendations:** To ensure that construction workers are properly classified while on construction sites, we recommend that L&I ISC management:

- Create detailed policies and procedures for inspectors that enforce the applicable requirements of Act 72. [202624.05]
- Administer the newly created policies and procedures related to Act 72. [202624.06]
- Report instances of worker misclassification to the city's Department of Revenue. [202624.07]

**Management View:** The Department of Licenses and Inspections - Inspection, Safety and Compliance Division (L&I ISC) acknowledges the audit's recommendations regarding the oversight of construction worker classification under Pennsylvania Act 72 and provides the following response:

**1. Development and Implementation of Policies and Procedures Related to Act 72**

L&I ISC recognizes the intent of Act 72 of 2010, the Construction Workplace Misclassification Act, which aims to prevent the misclassification of workers and to protect employee rights. While L&I ISC supports this goal, the Department does not have statutory authority under the Philadelphia Code or Pennsylvania regulations to directly enforce Act 72. Enforcement authority rests with the Pennsylvania Department of Labor and Industry (PA DLI), the Pennsylvania Attorney General, and county District Attorneys.

Despite this, L&I ISC is committed to supporting the spirit of Act 72 by developing internal policies and procedures that guide inspectors in identifying and documenting conditions that may suggest worker misclassification. These policies will serve as a framework for administrative protocols, including how field staff may escalate potential concerns to the appropriate enforcement bodies.

L&I ISC intends to begin drafting these materials and will include best practices for recognizing misclassification indicators during site inspections, while emphasizing the Department's limited role in enforcement.

**2. Administration of Procedures to Support Act 72 Objectives**

Once internal policies and procedures related to Act 72 are finalized, L&I ISC will move forward with a structured plan to administer these new protocols across the Inspection, Safety and Compliance Division. This will include:

- **Referral Protocols:** The Department will incorporate clear administrative steps for reporting suspected misclassification, including designated points of contact and required documentation for referrals to the Pennsylvania Department of Labor and Industry, the Philadelphia District Attorney's Office, or the City's Department of Revenue, as appropriate.
- **Ongoing Monitoring and Feedback:** As these procedures are implemented, L&I ISC will monitor their effectiveness and solicit feedback from field staff to identify areas for improvement. Adjustments may be made to ensure the policies are practical, efficient, and supportive of L&I's broader mission of maintaining safe and lawful construction practices.



Although L&I ISC does not have enforcement authority under Act 72, the administration of these procedures represents a proactive approach to ensuring that the Department's inspection staff are equipped to recognize and respond to misclassification risks. Contractors suspected of misclassification will be recommended to the Philadelphia District Attorney's Office and other appropriate agencies for further investigation and enforcement.

### **3. Reporting to the Department of Revenue**

L&I ISC will explore establishing a formal channel for referring potential cases of worker misclassification to the City's Department of Revenue. This effort would align with existing interagency coordination practices and further the City's interest in ensuring proper tax compliance and worker protections. All referrals would be based on observations made during inspections or as a result of credible complaints. While L&I ISC does not have regulatory authority to enforce Act 72, the Department recognizes the seriousness of worker misclassification and supports its enforcement by state and prosecutorial agencies. L&I ISC will continue to strengthen internal guidance, increase inspector awareness, and enhance interagency collaboration to support the fair and lawful treatment of workers on construction sites across Philadelphia.

#### **Residential Building Inspections Lacked Sufficient Documentation**

**Recommendations:** Therefore, to ensure that Inspectors are properly performing their duties, we recommend that L&I management:

- Provide training to inspectors to reinforce the documentation requirements outlined in the department's inspection procedures. [202624.08]
- Require that supervisory employees periodically review permit activity in eCLIPSE to ensure that the inspectors are following the required procedures. These reviews should be documented and included in the employees' annual performance reviews. [202624.09]
- Require supervisory approval for inspections that are waived in eCLIPSE. [202624.10]

**Management View:** The Department of Licenses and Inspections - Inspection, Safety and Compliance Division (L&I ISC) acknowledges the audit's findings and recommendations regarding inspection documentation for Residential Building Permits and provides the following response:

#### **1. Review of Audit Findings and Inspection Completion**

L&I ISC has conducted a thorough review of the 40 residential building permits sampled by the Controller's Office. While the report identified 13 permits with missing inspections, the Department has found that all required inspections for those permits were, in fact, conducted under the Philadelphia Administrative Code and UCC requirements. Supporting documentation, including detailed inspection logs and permit activity, can be provided in spreadsheet form upon request.

It is important to note that residential permits, especially those issued under the EZ Standard Permit program, often involve a flexible inspection approach. The inspections listed on permits represent potential inspections based on the scope of work, rather than mandatory steps. Inspectors exercise professional judgment to determine which inspections are necessary according to actual site conditions and permit details.



L&I ISC will consider revising permit language to more clearly reflect this discretion and ensure alignment with construction realities.

**2. Inspector Training on Documentation Requirements:**

While all required inspections were confirmed to have occurred, L&I ISC agrees that consistent and thorough documentation is essential. The Department will reinforce documentation expectations through targeted training sessions for Field Inspectors. These trainings will revisit applicable work instructions, including those governing the use of eCLIPSE, and emphasize the importance of clearly recording inspection outcomes and site conditions in the system.

**3. Supervisory Review and Oversight:**

To strengthen accountability and oversight, L&I ISC will implement periodic supervisory reviews of permit activity within eCLIPSE. Supervisors will be tasked with confirming that inspection documentation aligns with established work instructions and construction codes. The outcomes of these reviews will be logged and considered as part of Inspectors' annual performance evaluations to ensure continued compliance with documentation standards.

**4. Process Improvements and Waived Inspection Controls:**

L&I ISC acknowledges the importance of oversight when inspections are not conducted. In this instance, inspections were not waived—they were not required based on the scope of work and applicable regulations. While Inspectors do have discretion to waive certain inspections, the Department will implement a requirement for supervisory approval within eCLIPSE whenever an inspection is waived or determined to be not required. This added step will ensure consistency and maintain a clear justification record for audit and quality assurance purposes.

**5. Commitment to Continuous Improvement and Risk Mitigation:**

The Department also notes inaccuracies in the report's description of the eCLIPSE system rollout. For the record, the implementation timeline is as follows:

- 2015: Online Business License Renewals
- 2016: New Business License Applications and Trades Licensing
- 2020: Permits, Inspections, Code Enforcement, and Appeals

Although this correction does not impact the core findings of the audit, it is noted here to ensure accuracy in public records.

L&I ISC remains committed to improving inspection documentation practices and ensuring that all required inspections are properly recorded, reviewed, and approved in accordance with applicable codes and internal procedures. The Department will continue to refine training, supervisory oversight, and system controls to support consistent, high-quality service delivery and regulatory compliance across all residential construction activities.

**Electrical Audits Lacked Sufficiency**

**Recommendations:** To ensure that third-party electrical inspection agencies are performing inspections in accordance with L&I ISC's requirements, we recommend that management:

- Staff the AIU with additional employees to assist in the audit of third-party electrical inspectors and increase the number of audits performed annually. [202624.11]
- Re-establish the use of the Electrical Inspection Audit Report to ensure that the results of the electrical audits are properly documented and effectively communicated to management. Particular attention should be given to identifying repeated deficiencies by the same third-party inspection agencies, as well as documenting any actions taken in response to repeat violations. [202624.12]
- Ensure that the supervisors overseeing the audits possess the UCC certification necessary for the work they intend to review. [202624.13]

**Management View:** The Department of Licenses and Inspections - Inspection, Safety and Compliance Division (L&I ISC) acknowledges the audit's findings related to the sufficiency of electrical audits and provides the following response addressing the recommendations to improve oversight of third-party electrical inspection agencies.

**1. Staffing the Audits and Investigations Unit (AIU) to Increase Electrical Audit Capacity**

L&I ISC agrees that adequate staffing is critical to the effective oversight of third-party electrical inspection agencies. The Department's AIU is responsible for conducting compliance audits of licensed third-party agencies to ensure inspections are performed in accordance with the Philadelphia Building Construction and Occupancy Code and L&I ISC's requirements.

To improve coverage and increase the number of audits performed annually, L&I is actively evaluating the current staffing structure within AIU. This includes:

- Assessing workload and audit capacity based on inspection volume and agency performance.
- Identifying the staffing levels necessary to support a meaningful audit schedule.
- Submitting requests for additional resources through the City's budget process, as warranted.

The Department is committed to increasing the frequency of third-party audits and ensuring sustained compliance among authorized inspection agencies.

**2. Electrical Inspection Audit Report**

L&I ISC concurs with the need to formally document electrical inspection audit findings. While we currently utilize a standardized Electrical Inspection Audit Report, the Department is planning a transition to electronic tracking to improve efficiency, accessibility and long-term data management.

The updated audit report template will:

- Align with current code requirements and internal expectations.
- Clearly document deficiencies, corrective actions, and follow-up requirements.
- Improve communication of audit results to AIU management and executive leadership.

- Ensure that repeated deficiencies by the same third-party inspection agencies are identified and tracked, including documentation of any corrective actions taken in response to those repeat violations.

Once finalized, the revised Electrical Inspection Audit Report will be implemented across all third-party electrical inspection audits and retained for compliance tracking and quality assurance purposes. Particular attention will be given to the identification and handling of recurring violations to ensure appropriate enforcement against third-party inspection agencies' actions are taken where necessary.

### 3. Ensuring Supervisory Staff Possess Proper UCC Certification

L&I ISC recognizes the importance of Pennsylvania Uniform Construction Code (UCC) certifications. However, no auditor or supervisor performed duties or responsibilities governed by the Uniform Construction Code (UCC). The audit activities in question are not covered under the UCC, and no supervisor conducted a technical review of the audits.

All AIU staff maintain credentials that are fully aligned with the duties and responsibilities of their respective job titles. Supervisors performed administrative tasks related to the case that were both within the scope of their authority and appropriate to their role. The Department reaffirms that all individuals involved operated within the bounds of their qualifications and job responsibilities.

L&I ISC is committed to ensuring that all third-party electrical inspection agencies operate with integrity and in full compliance with City and State requirements. The Department will strengthen its oversight framework by enhancing audit staffing, reintroducing formal documentation tools, and verifying the certification of supervisory staff. These steps are intended to improve audit consistency, increase accountability, and safeguard public safety across all electrical inspection activities conducted within the City of Philadelphia.

#### Employees Lacked Required Certifications

**Recommendations:** To ensure that inspections for fire and mechanical/energy construction work are performed by employees possessing the required knowledge and qualifications applicable to the work performed, we recommend that L&I ISC management:

- Prepare written policies to ensure that all inspectors obtain the necessary certifications for performing the inspections assigned to them. [202624.14]
- Require employees to submit proof of their certifications and appoint a responsible official to keep track of each certification and when they are due for renewal. [202624.15]
- Periodically review employee certifications on the UCC website to ensure that employees are maintaining certifications that correspond to their current job duties. [202624.16]
- Consider offering on-site or on-line training classes that would help inspectors earn the credits necessary to obtain and renew their certifications. [202624.17]
- Consider implementing a system to track each employee's training to ensure they meet certification renewal requirements. [202624.18]

**Management View:** The Department of Licenses and Inspections - Inspection, Safety and Compliance Division (L&I ISC) acknowledges the recommendations concerning the maintenance and verification of employee certifications related to fire and mechanical/energy inspections. The

following response addresses each recommendation and provides clarification regarding existing policies, compliance procedures, and ongoing improvement efforts.

**1. Ensure Inspectors Obtain and Maintain Required Certifications:**

The Department affirms that all Fire Suppression Systems Permit inspections and Mechanical/Energy inspections were conducted by Inspectors who possessed the required knowledge and International Code Council (ICC) certifications, consistent with City job specifications and relevant regulatory requirements.

As established by Pennsylvania Code, Title 34, Chapter 401, inspector certification and registration criteria are governed by the Pennsylvania Department of Labor & Industry (PA DLI). ICC certifications validate the inspector's technical knowledge and are the basis for registration under the Pennsylvania Uniform Construction Code (UCC); however, ICC certifications alone do not confer independent regulatory authority. It is therefore inaccurate to suggest that ICC scope of work provisions limit or define Inspectors' authorized duties under the UCC in Pennsylvania.

All fire suppression permits were inspected by individuals who held the necessary certifications and were properly registered under the Uniform Construction Code (UCC), ensuring full compliance with all applicable regulatory requirements. While the audit noted that three Inspectors had not formally updated one or both certifications (Mechanical and/or Energy) to their UCC registrations at the time of review, all three individuals had successfully obtained the appropriate ICC certifications and were qualified under both City and PA DLI standards to perform their assigned duties. The issue identified was administrative in nature and did not reflect a deficiency in technical qualification.

To mitigate the risk of similar administrative oversights in the future, the Department is actively pursuing the ability to manage certification registrations and renewals directly with PA DLI. This would streamline compliance monitoring and reduce reliance on individual submission processes.

**2. Strengthen Certification Tracking and Designate Responsible Oversight:**

The Department maintains a detailed system for monitoring employee certifications and UCC registrations. The assertion that L&I ISC does not track such certifications is inaccurate. Current certification tracking procedures include:

- Centralized documentation of ICC certification progress for new Inspectors.
- Verification and oversight of UCC registration status through PA DLI.
- Scheduled renewal tracking with proactive reminders sent to both employees and supervisors.
- Immediate reassignment of Inspectors whose certifications expire, with the potential for disciplinary action.
- Comprehensive documentation of continuing education courses used toward renewal of UCC.
- Secure storage and retrieval of all certification and CEU Continuing Education Unit documentation upon request.



While Inspectors are individually responsible for submitting renewal CEUs to PA DLI, L&I ISC tracks all Department-sponsored training completions and provides support to ensure compliance.

**3. Periodically Verify Certification Status via UCC Registry:**

L&I ISC currently has internal procedures in place to periodically review certification and UCC registration status using the publicly available PA DLI UCC database. We maintain an organization-wide tracking and notification system to ensure timely certification renewals and promptly address any lapses. Supervisory personnel consistently verify that all inspectors hold current and valid credentials aligned with their job responsibilities. These verifications are documented internally and escalated for corrective action if any noncompliance is detected.

The Department has also demonstrated the ability to provide complete certification records upon request. During the audit process, all but one certification requested by the Controller's Office for a Code Enforcement Inspector in the CLIP Division was successfully provided.

**4. Expand Training and Certification Support:**

L&I offers extensive training to new and existing employees, exceeding the minimum CEU requirements established by PA DLI. These training opportunities are available both on-site and through online platforms and are aligned with the preparation needs for ICC exams and UCC renewal.

To support ongoing compliance and professional development, the Department continues to:

- Sponsor certification courses and exam prep sessions.
- Reimburse employees for eligible external training.
- Maintain a centralized record of all training completions for audit and personnel review purposes.

These measures ensure that Inspectors are prepared not only to obtain necessary certifications but to maintain them consistently throughout their service.

**5. Implement a Centralized System to Track Training and Certification Renewals**

L&I ISC currently has a system in place to track certification renewals. We will explore expanding this system to also monitor individual progress in meeting continuing education requirements. We agree that implementing a centralized system or tracking training and certification renewals will further enhance compliance efforts.

The Department will explore options to formalize and automate this process. This may include enhancements to existing HR or training management systems or the development of a dedicated internal platform that tracks:

- CEUs earned and pending.
- Training course history by employee.

This system will allow for proactive management of inspector qualifications, ensure renewal deadlines are met, and reduce the risk of unintentional lapses in certification. It will also support greater transparency, efficiency, and accountability in compliance management.

L&I ISC remains committed to maintaining a highly qualified inspection workforce and ensuring full compliance with state and local certification requirements. The Department will continue to strengthen internal procedures, improve tracking systems, and support professional development to uphold public safety, operational integrity, and regulatory excellence.

#### **Quality Assurance Reviews Were Missing**

**Recommendations:** To ensure that the work performed by L&I ISC meets quality standards, management must ensure that:

- Current employees receive QA reviews as required by L&I policies. [202624.19]
- All supervisors conduct QA reviews, when appropriate. [202624.20]
- Code Enforcement Inspectors receive QA reviews in accordance with the ICC's best practices. [202624.21]

**Management View:** The Department of Licenses and Inspections - Inspections, Safety and Compliance Division (L&I ISC) recognizes the importance of conducting timely and consistent Quality Assurance (QA) reviews to ensure that all inspection and enforcement activities meet the standards established in Department policy and align with industry's best practices. The following response provides clarification on the audit findings and outlines actions taken to strengthen oversight and accountability.

##### **1. Compliance with Internal Quality Assurance Procedures:**

L&I ISC affirms that it is adhering to its current Quality Assurance (QA) Operating Procedure, which defines criteria and frequency for conducting QA reviews. Of the 21 individuals cited in the audit report as not having received QA reviews, the Department determined that:

- Several were not subject to QA reviews during the 12-month audit period due to their specific roles or status (e.g., probationary employees, short-term assignments, or individuals assigned to non-auditable functions).
- Others were engaged in auditable work for only a portion of the selected audit window and therefore may not have reached the threshold to trigger a formal QA review under Department policy.

These determinations were shared with the audit team; however, there may have been a misunderstanding regarding the applicability of QA review criteria, and no subsequent requests for clarification were made.

##### **2. Supervisory Review Obligations and Challenges:**

While L&I ISC strives to ensure that all required QA reviews are completed in a timely manner, the Department acknowledges that certain reviews may have fallen short of target levels during the review period. This may be attributed to a variety of operational factors, including:



- Misalignment of audit scope with the Department's QA review calendar, which operates on a different tracking schedule than the calendar year.
- Approved leaves of absence or temporary reassignments, which may result in fewer reviews being documented for an individual.
- Resource constraints and workload redistribution during emergency responses or periods of unusually high inspection volume.

Despite these factors, L&I ISC supervisors are expected to conduct QA reviews in accordance with policy. Internal reminders and performance oversight mechanisms have been reinforced to support consistent compliance.

### **3. ICC Best Practices for Code Enforcement Inspector QA Reviews:**

While the QOL Code Enforcement audits were not part of the official audit, there is a statement in the report that states there were no audits done at the time of the report. The source of this statement is undefined; however, it must be noted that auditing of Code Enforcement Inspectors, while not specifically required as part of our current ISC accreditation pursuit, has been in place for many years and was in place at the time of this audit.

At the time of the audit, supervisors were required to conduct field and desk audits on a quarterly basis.

Desk audits focus on time management, organizational skills and customer/public interaction. Supervisors recorded the audit results on a form which upon completion was sent to a Program Administrator and the Unit Director for review and filing.

Field audits are focused on technical and legal application. Supervisors evaluated the Inspectors on their use of the code to correctly identify non-compliant conditions and their adherence to legal standards with respect to right of entry and proper documentation. These audits were recorded in the same manner as the desk audit above.

Supervisors use a variety of policies and procedures for this task, most importantly our Inspection Basics Work Instruction which lays out the basic legal approach to conducting field investigations and sets minimum performance expectations for all Inspectors.

In preparation for accreditation, QOL will be revising the audit process to conform to industry standards and best practices as identified in the accreditation standard AC251. This includes transitioning from the paper audit forms to a streamlined electronic version using Jot Form as the underlying mobile technology. Supervisors will conduct the field audit and make recommendations for additional training, coaching, or in extreme cases, discipline. The results will be recorded and aggregated for further analysis.

The Quality Assurance/Quality Control Director reviews the aggregated results and recommends and presents the findings to the department executive staff in a quarterly management review meeting, referred to as QOL Stat.

### **4. Quality Assurance Tracking Improvements:**

To enhance long-term QA oversight, the Department is in the process of developing a new Quality Assurance Tracking System, which will offer improved:

- Data input and validation functionality.
- Supervisor-level dashboards for monitoring QA completion status.
- Automated notifications to ensure timely reviews.
- Centralized reporting for performance management and compliance audits.

This enhanced system is expected to be implemented beginning in Calendar Year 2026 and will support greater transparency, accountability, and data-driven decision-making across all inspection divisions.

L&I ISC remains committed to upholding rigorous quality standards across all inspection and enforcement activities. While the Department maintains that its current practices are consistent with internal procedures, it recognizes the importance of improving documentation, increasing transparency, and aligning more closely with external best practices. Planned improvements to QA tracking and reporting will support these goals and strengthen the Department's overall quality management framework.

#### **LI ISC Conclusion**

While the Controller's Office conducted an extensive 18-month audit involving at least four separate investigators, the Department began implementing several of the recommended changes. The Audits and Investigations Unit revised its electrical audit procedures to enhance oversight. AIU also established a referral process for Act 72 with the District Attorney's Office.

Additionally, we now retain hard copies of Inspectors' training certification documents for improved recordkeeping.

L&I's ISC Division remains committed to continuous improvement, public safety, and accountability.

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**AUDITOR'S COMMENTS ON AGENCY RESPONSE**

*Government Auditing Standards* require auditors to report instances where the auditee's comments on the auditor's findings, conclusions, or recommendations are not, in the auditor's opinion, valid or do not address the recommendations. We believe this applies to portions of the Department's response to the audit report.

All audit findings were based on documented observations, written procedures, and official data provided directly by the Department or through eCLIPSE. At the exit conference, the Department acknowledged the audit findings and described steps it intended to take, or had already taken, as corrective action. While one matter required additional discussion, we worked collaboratively with the Department to resolve the outstanding issue. We also note the Department's written acknowledgment of the findings in its formal response and reserve the right to re-examine the Department's progress as warranted. We welcome the Department's commitment to improvement and note that the corrective measures taken to date help validate the concerns raised by our audit.