Planning and Development Department Self-Certification Program

April 16, 2024

Report Highlights

Project Eligibility

The Planning and Development Department had effective controls to ensure only eligible projects were certified.

Professional Requirements

Self-Certified Program professionals were eligible to certify plans. Planning and Development collects fees for certain training and should better reconcile fee payments in the City's financial system.

Statement Compliance

The required Self-Certified Program statements were submitted with most plans. To ensure all required statements are received and maintained, the Planning and Development Department should develop procedures to ensure every plan is compliant with the program requirements.

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1240032

This report can be made available in alternate format upon request.

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Executive Summary

Purpose

Our purpose was to determine the effectiveness of controls over the Self-Certification Program, and if professionals complied with the Self-Certification Program rules and regulations.

Background

The Planning and Development Department (PDD) created the Self-Certification Program (SCP) to eliminate building plan reviews by allowing registered architects or professional engineers to take responsibility for code compliance and certify that projects comply with the Phoenix Building Code. The program includes most buildings over 25,000 square feet; inventory, salvage, landscape, and parking lot plans submitted by landscape architects; and grading, drainage, and parking lot plans submitted by civil engineers.

To participate in the program, professionals must have three years of code compliance experience, be registered in the State of Arizona, and be certified to seal project drawings. Additionally, the professionals must have experience being responsible for compliance with various rules and regulations, such as the Phoenix Building Code, Phoenix Zoning Ordinance, and the Maricopa Association of Governments Standards and Specifications. Participants in the program must complete a self-certification training class every three years to maintain their eligibility. Once they are certified, the professionals' names are posted on the City's website.

Results in Brief

The PDD had effective controls to ensure only eligible projects were certified.

SCP professionals and the PDD performed multiple reviews of preliminary plans. We reviewed plans from July 2020 through July 2023 to ensure that only projects that met the eligibility requirements were certified through the SCP. No exceptions were noted.

SCP professionals were eligible to certify plans. PDD collects fees for certain training and should better reconcile fee payments in the City's financial system.

The PDD had effective controls to ensure professionals were eligible to certify plans through the SCP. We reviewed registration, continuing education, and training payment records from July 2020 through July 2023. Registration and continuing education records were accurately maintained. However, payments for training classes were not always accurately recorded in SAP, the City's financial system.

The required SCP statements were submitted with most plans. To ensure all required statements are maintained, PDD should develop internal procedures to ensure every plan is compliant with the program requirements.

SCP professionals and the PDD were responsible for ensuring project submissions included the professional of record, owner/tenant certification, hold harmless letters, and certificate of insurance statements. Most project plans we reviewed from July 2020 through July 2023 contained the required statements. PDD should establish and document controls, including quality control checks, to ensure all required statements are submitted with each plan.

Department Responses to Recommendations

Rec. 2.1: Establish and document policies and procedures to ensure training records and licensing data are current and that revenue is recorded accurately.	
Response: Planning and Development Department (PDD) will ensure that established policies and procedures are followed to ensure that fees are recorded accurately. Training and reconciliation will be established.	*Target Date*: June 21, 2024
Rec. 3.1: Establish and document procedures to include performing quality control checks to ensure all required statements are submitted with each project and certificates of insurance meet the minimum requirements.	
Response: Planning and Development Department (PDD) will establish training and reconciliation documentation to perform quality control checks ensuring all required statements are submitted with each project and certificates of insurance meet the minimum requirements.	*Target Date*: June 21, 2024

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1 – Project Eligibility

Background

The SCP rules and regulations identify the plan submittal requirements and audit and appeal procedures. KIVA and ShapePHX are the software systems used to review and retain plans and other required project documents. SCP professionals and PDD building code examiners review plans to ensure the submittal requirements are met and that projects are eligible for the SCP. The submittals must include:

- All planning, zoning, grading, and drainage approvals and building code modifications necessary.

- A Structural Peer Review Certificate by a PDD-approved Structural Peer Reviewer for projects with structural scope of work.

- All plan sheets, which are sealed by a professional registered in Arizona.

PDD performs random and automatic audits of SCP projects before permits are issued to verify compliance with the building codes and to measure the efficiency of the SCP.

We interviewed key staff from PDD and reviewed project plans and audit records from July 2020 to July 2023 to verify that only eligible projects were certified and that audits were performed to measure the efficiency of the SCP.

Results

The PDD ensured that only eligible projects were certified through the SCP program.

The SCP rules and regulations prohibit self-certification of projects that fall under the following categories:

- Hazardous occupancies and projects that contain any of the following:
  - Hazardous processes
  - Electrically hazardous locations
  - Extraction rooms
  - Hazardous exhaust systems
  - Refrigerant monitoring systems
- New high-rise buildings (occupied floor more than 75' above Fire Department access)
- Projects located in a Hillside Development Area
- Extra-large assembly occupancies (A4 & A5)
- Projects in a FEMA Special Floodplain Hazard Area

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- Civil grading & drainage/concrete combination plans for projects located in the Downtown Code or Walkable Urban Code as established by the Phoenix Zoning Ordinance

The SCP certified 1,119 projects from July 2020 through July 2023. SCP professionals and the PDD reviewed project plans to ensure only eligible projects were processed. We reviewed 30 projects to ensure prohibited plans were not certified by the SCP. No exceptions were noted. PDD and SCP professionals had effective controls for ensuring projects remained in compliance with the SCP Rules and Regulations.

The minimum random and automatic audits were completed and complied with the SCP rules and regulations.

Project plans submitted through the SCP were subject to random and automatic audits to ensure the project plans followed the Phoenix Building Construction Code and other policies followed by the City. One out of every ten projects submitted through the SCP was selected for a random audit. Projects that met the following requirements were submitted for the automatic audit process:

- Remodels – 25,000 sf and above

- Shell buildings – 25,000 sf and above

- New buildings – 10,000 sf and above

- All new E and I occupancies

- All new A occupancies with an occupant load of 300 or more

- All medical marijuana facilities

- All ambulatory care facilities

- All standard plans

- No structural or electrical peer review required.

PDD used audit scoring templates and checklists to complete random and automatic SCP audits. If deficiencies were noted during the audit, the project could still be certified once the corrections were made and verified by the SCP professional.

1,119 Projects

212 Completed Audits

19% of Projects Audited

PDD exceeded the minimum audits conducted as required by their policy.

From January 2020 through August 2023, the SCP processed 1,119 project plans and completed 212 audits. PDD completed audits for 19% of projects submitted through the program, which exceeded the minimum requirement of 10%. PDD had effective controls for ensuring audits were performed and complied with the SCP rules and regulations. We selected 19 projects and verified that 17 audits were completed according to department procedures. PDD noted that the remaining two audits were completed, but audit documentation could not be retrieved for review.

Recommendation

None

2 – Professional Requirements

Background

The SCP rules and regulations identify the types of professions and minimum requirements to become an SCP professional. Architects, Civil Engineers, Landscape Architects, and Structural Engineers certify SCP plans. PDD monitors professional registration status, continuing education requirements, and collects all fees for the SCP. We interviewed PPD staff, and reviewed SCP professional registration status, continuing education records, and program fee payments to ensure SCP professionals complied with the SCP Rules and Regulations.

Results

PDD ensured that only eligible professionals were certified under the SCP program. However, onboarding and audit procedures should be documented to improve internal processes and ensure compliance with program requirements.

SCP rules and regulations required professionals to be registered with the Arizona State Board of Technical Registration and to have at least three years of experience in code compliance. PDD performed routine audits to verify that professionals were registered and in good standing with the Arizona State Board and met compliance requirements. We identified 251 professionals as of July 2023 and reviewed the registration status of 25 professionals. The SCP report showed that five professionals had expired registrations with the State of Arizona. The professionals had renewed their registrations but the system did not have the new expiration dates. The dates were corrected during the audit. PDD should document onboarding and audit procedures to improve internal processes and ensure compliance with program requirements.

Certified professionals completed the required onboarding SCP training and complied with the three-year continuing education requirement.

SCP rules and regulations required professionals to successfully complete a self-certification training class before participating in the SCP. Professional certifications expire every three years from the date of issuance and must be renewed by completing miscellaneous code amendment training classes. PDD monitored the completion of training requirements by documenting training dates and receipts. Additionally, PDD established attestation agreements for participating professionals as of January 2021. We identified 11 training courses offered from June 2020 through May 2023 and reviewed attestation agreements for 12 professionals. No exceptions were noted. PDD had effective controls for monitoring program training requirements. However, PDD lacked documented procedures for monitoring and tracking completed training. Documenting procedures ensure consistent processes when new staff take over a role.

SCP training payment receipts were documented. However, PDD should establish and document SAP reporting procedures that include quality control checks to ensure SCP journal entries are accurate.

SCP professionals were required to complete an SCP training class before program initiation and to attend code amendment training classes every three years from the date of their certification. PDD monitored training class fees by documenting payment receipts and reconciling payments with journal entries in SAP to SCP specific general ledger (GL) accounts. Journal entries for fees that were collected through ShapePHX were automatically imported to SAP. Fees that were collected through KIVA had to be added manually. We analyzed the training records for 15 SCP professionals. We confirmed that fees were accurately collected. However, approximately half (7 of 15) of the journal entries were recorded in the wrong GL account. SCP administration should establish and document revenue collecting procedures that include quality control checks to ensure journal entries are accurate.

Recommendation

2.1 Establish and document policies and procedures to ensure training records and licensing data is current, and that revenue is recorded accurately.

3 – Statement Compliance

Background

The SCP rules and regulations require statements that uniquely identify SCP professionals for each project. The statements also specifically remove liabilities to the City. PDD performs multiple reviews of project plans to ensure the required documents are submitted with each project.

We interviewed PDD staff to gain an understanding of the process. We also reviewed project plans, plan statements, and certificates of insurance from July 2020 through July 2023 to ensure all required documents were submitted with each project.

Results

Most SCP required statements were submitted with each project. However, PDD should establish and document quality control procedures to ensure all statements are obtained and retained for each project.

SCP rules and regulations required that the following are submitted with each project:

Required Statements

Professional of Record	Confirms assertions made on the permit application are true and correct and attests that a professional standard of care was practiced with the preparation, completion, and submission of the documents.
Owner/Tenant Certification	Identifies the owner or authorized tenant responsible for the project work and binds the authorized agent to take the necessary measures to correct any misrepresentation or falsification of facts.
Hold Harmless Letter	Absolves the City of Phoenix of any legal liabilities for any injuries or damages connected with the design, construction, code compliance, or issuance of a building permit.

SCP participants must provide proof of compliance with professional standards, owner or tenant responsibilities, and insurance.

We reviewed 31 project plans and found that 29 contained the three required statements. The missing document for one project was provided during the audit. PDD had effective controls for ensuring most projects files included the necessary documents. However, PDD should establish and document procedures to include quality control checks to ensure all required documents are submitted with each project.

Most certificates of insurance were documented with each project. However, PDD should establish and document quality control procedures to ensure insurance certificates are retained and identify the correct insurance type.

SCP professionals were required to obtain a certificate of professional liability insurance for each project. Certificates of insurance must be issued by an insurer authorized to insure in Arizona, with limits of not less than $500,000 per claim and $1,000,000 in the aggregate for all claims made during the policy period. We reviewed 32 project plans to verify that certificates of insurance were provided and met the minimum limit requirement. Certificates were not maintained for 2 out of 32 projects and 3 out of 30 certificates of insurance did not specifically indicate the professional liability insurance type. PDD should establish and document quality control checks to ensure the correct insurance types are obtained and documented.

Recommendation

3.1 Establish and document procedures to include performing quality control checks to ensure all required statements are submitted with each project and certificates of insurance meet the minimum requirements.

Scope, Methods, and Standards

Scope

We performed our testing and review based on the SCP Rules and Regulations. We tested project plans, audit records, professional licenses, training records, training fees, professional of record statements, owner/tenant certification statements, hold harmless statements, and insurance from July 2020 through July 2023.

The internal control components and underlying principles that are significant to the audit objectives are:

- Control Environment
    - The oversight body and management should demonstrate a commitment to integrity and ethical values.
    - The oversight body should oversee the entity's internal control system.
    - Management should demonstrate a commitment to recruit, develop, and retain competent individuals.
- Control Activities
    - Management should design control activities to achieve objectives and respond to risks.
    - Management should design the entity's information system and related control activities to achieve objectives and respond to risks.
- Monitoring Activities
    - Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

Methods

We used the following methods to complete this audit:

- We obtained, analyzed, and tested project plans.
- We obtained, analyzed, and tested audit records.
- We reviewed and analyzed professional licenses.
- We obtained, analyzed, and tested training records.
- We reviewed and analyzed training program fees.
- We obtained, analyzed, and tested professional of record statements.
- We obtained, analyzed, and tested owner/tenant certification statements.
- We obtained, analyzed, and tested hold harmless statements.

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- We obtained, analyzed, and tested certificates of insurance.

Unless otherwise stated in the report, all sampling in this audit was conducted using a judgmental methodology to maximize efficiency based on auditor knowledge of the population being tested. As such, sample results cannot be extrapolated to the entire population and are limited to a discussion of only those items reviewed.

Data Reliability

We assessed the reliability of ShapePHX and Kiva data by (1) performing electronic testing, (2) reviewing existing information about the data and the system that produced them, and (3) interviewing agency officials knowledgeable about the data. We determined that this data was sufficiently reliable for the purposes of this audit.

Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Any deficiencies in internal controls deemed to be insignificant to the audit objectives but that warranted the attention of those charged with governance were delivered in a separate memo. We are independent per the generally accepted government auditing requirements for internal auditors.