Physical Inspection Process Improvement

A REAC and Industry Partnership

January 30, 2017

Real Estate Assessment Center (REAC)
Washington, DC 20410
Physical Inspection Process Improvement
A REAC and Industry Partnership

Physical Assessment Subsystem (PASS) -
Operations (Ops)
Quality Assurance (QA)
Inspector Administration (IA)
Reverse Auction Program (RAP)
Physical Inspection Process Improvement

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Sample Observed Deficiencies

A property in Georgia
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Misaligned chimney
Condensate piped from Second floor through ceiling to First floor 5 gallon bucket.
Back of step stringer rusted out. See tape hanging down that was used to cover them.
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Collapsed unit utility closet.
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Missing smoke detector.
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Water damaged floor caused by condensate line leak.
Interior unit stairs collapsing. Resident unable to access second floor of unit.
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Reversed water heater vent pipe.
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Sample Observed Deficiencies

A property in Florida
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Erosion covered by mulch around each building.
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Holes in step tread covered by paint tape.
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Missing mortar at window sill.
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Rusted step treads covered with paint tape and painted to hide.
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Data Behind the Story
Physical Inspection Process Improvement
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Inspectors
2007 - 2017

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>261</td>
<td>231</td>
<td>224</td>
<td>228</td>
<td>189</td>
<td>153</td>
<td>137</td>
<td>190</td>
<td>257</td>
<td>153</td>
<td>143</td>
</tr>
</tbody>
</table>
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New Process Enhancements

1. Add more resources to assist new inspectors
2. Launch a new contracting model
3. Engage with contractors
4. Transition to a new payment method
5. Expand property options for inspector training
6. Implement process improvement
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Physical Assessment Subsystem (PASS) -

Operations (Ops)
Quality Assurance (QA)
Inspector Administration (IA)
Reverse Auction Program (RAP)
Physical Assessment Subsystem (PASS) Operations (Ops)

- Core Functions
- Inspection Review Process
Physical Assessment Subsystem (PASS) Operations (Ops)

Core Functions of PASS Ops

- Coordination / Ordering
- UPCS*
- Inspections
- Inspection Review
- Training Facilitation
- Technical Review & Database Adjustment
- Management
- RAP**
- Financial Management
  (reconciliation & billing for RAP)
- General Operations

*Uniform Physical Condition Standards
**Reverse Auction Program
Physical Assessment Subsystem (PASS) Operations (Ops)

Inspection Production

<table>
<thead>
<tr>
<th>FY 2016 Inspections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type</td>
</tr>
<tr>
<td>Public Housing</td>
</tr>
<tr>
<td>Multifamily Housing</td>
</tr>
<tr>
<td>Multifamily Housing – Servicing Mortgagee</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>
Physical Assessment Subsystem (PASS) Operations (Ops)

Inspection Review Process

Ordering UPCS* inspections

1st Quarter Calendar Year
Field Office Requirements
Special Requirements
REAC Scoring Assessment

*Uniform Physical Condition Standards
Physical Assessment Subsystem (PASS) Operations (Ops)

Inspection Review Process

☑️ Review process is the same for Contractors and HUD Quality Assurance (QA) inspectors

☑️ Once uploaded, system assigns inspection to a REAC reviewer
Physical Assessment Subsystem (PASS) Operations (Ops)

Inspection Review Process

Review Levels

- System Review
- Level 1
- Level 2
Physical Assessment Subsystem (PASS) Operations (Ops)

Inspection Review Process

Examples of computer identified risk flags

- Inaccurate or incomplete property Profile
- Changes in property’s apparent condition
- Inspection time
Physical Assessment Subsystem (PASS) Operations (Ops)

Inspection Review Process

Scoring

☑️ All scores are generated by the system
☑️ No manual involvement
Physical Assessment Subsystem (PASS) Operations (Ops)

Inspection Review Process

<table>
<thead>
<tr>
<th>Area</th>
<th>Possible Points</th>
<th>Deductions (Excluding H&amp;S)</th>
<th>Pre H&amp;S Points</th>
<th>H&amp;S Deductions</th>
<th>Final Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site</td>
<td>12.41</td>
<td>0.00</td>
<td>12.41</td>
<td>6.90</td>
<td>5.52</td>
</tr>
<tr>
<td>Building Exterior</td>
<td>18.39</td>
<td>18.39</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Building Systems</td>
<td>19.49</td>
<td>2.45</td>
<td>17.04</td>
<td>10.00</td>
<td>7.04</td>
</tr>
<tr>
<td>Common Area</td>
<td>15.63</td>
<td>14.71</td>
<td>0.92</td>
<td>0.92</td>
<td>0.00</td>
</tr>
<tr>
<td>Unit</td>
<td>34.07</td>
<td>0.76</td>
<td>33.32</td>
<td>31.05</td>
<td>2.27</td>
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<tr>
<td>Total</td>
<td>100.00</td>
<td>36.31</td>
<td>63.69</td>
<td>48.87</td>
<td>14.83</td>
</tr>
</tbody>
</table>

Score Version: 1  Score Date: 12/13/2016  Final Score: 15c
Physical Assessment Subsystem (PASS) Operations (Ops)

Inspection Review Process

Inspection Status

- Accept Inspection
- Reject Inspection
Physical Assessment Subsystem (PASS) Operations (Ops)

Process Improvement

Quality Management

ISO 9001: 2015 implementation is underway

- Formal structure based on internationally trusted concepts
- Customer centered
- Continuous process improvement
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Physical Assessment Subsystem (PASS) -
Operations (Ops)
Quality Assurance (QA)
Inspector Administration (IA)
Reverse Auction Program (RAP)
Physical Assessment Subsystem (PASS)
Quality Assurance (QA)

- Core Functions
- Process
Physical Assessment Subsystem (PASS) 
Quality Assurance (QA) 

Process 

Provide field oversight - 

☑ Collaborative Quality Assurance (CQA)
Physical Assessment Subsystem (PASS)  
Quality Assurance (QA)

Process

Provide field oversight -

- Quality Control Inspection (QCI)
Physical Assessment Subsystem (PASS)  
Quality Assurance (QA)  

Process  

Provide field oversight -  

☑️ Limited Quality Assurance (LQA)
Physical Assessment Subsystem (PASS)  
Quality Assurance (QA)  

Process  

Provide field oversight -  

☑ Full Inspections
Physical Assessment Subsystem (PASS)
Quality Assurance (QA)

Core Functions

Provide field and classroom instructors/trainers -

- Training classes are held several times per year
- Uniform Physical Condition Standards (UPCS) protocol
Physical Assessment Subsystem (PASS)  
Quality Assurance (QA)

Core Functions

Provide Technical Assistance -

- Public Housing Agencies/Authorities
- Multifamily property owners and representatives
- Industry groups
- HUD personnel
- Contract inspectors
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Physical Assessment Subsystem (PASS) 
Quality Assurance (QA)

Industry Standards
Physical Assessment Subsystem (PASS) Quality Assurance (QA)

Industry Standards Notice

- Refocuses UPCS* inspectors and the UPCS inspection protocols.

- Ensures that HUD-affiliated properties are maintaining buildings and units so that housing is decent, safe, sanitary, and in good repair.

*Uniform Physical Condition Standards
All repairs to address UPCS* deficiencies in preparation for a REAC inspection shall be made in a good and *workmanlike* manner with materials that are suitable for the purpose and free from defects.

*Uniform Physical Condition Standards*
The phrase “good and workmanlike manner” means:

- Ensuring that the component, as repaired, performs its intended function / purpose; and
- Finishing the repair in a manner reasonably compatible with design and quality of the original and adjoining decorative materials.
Physical Assessment Subsystem (PASS) Quality Assurance (QA)

Industry Standards Notice

☑ Ensure proper maintenance of each inspectable item based on industry standards
Physical Assessment Subsystem (PASS)  
Quality Assurance (QA)

Industry Standards Notice

☐ Fix deficiencies – do not hide them
Physical Assessment Subsystem (PASS) Quality Assurance (QA)

Industry Standards Notice

☑️ Proper use of materials based on industry standards
Physical Assessment Subsystem (PASS)  
Quality Assurance (QA)  

General Concerns

All defects whether NIS* or not require a comment to be entered. This includes L1, L2, L3, Health & Safety (H&S), and Exigent Health & Safety (EH&S) deficiencies.

*NIS – Not Industry Standard
Physical Assessment Subsystem (PASS)  
Quality Assurance (QA)

General Concerns

Many inspectors are recording NIS without any explanation in the comments field describing why the defect is being recorded as a NIS defect. It is required that you add these additional comments clarifying why the defect is NIS.

*NIS – Not Industry Standard
Is this an acceptable repair or is this a NIS repair? **This is a NIS repair.**
Is this an acceptable repair or is this a NIS repair? **This is a NIS repair and shall be recorded.**

*NIS – Not Industry Standard*
Physical Assessment Subsystem (PASS)  
Quality Assurance (QA)  

Industry Standards  

You observe this condition:  
Expandable foam fills a missing knockout on bottom of disconnect.  
NIS repair or not? Definitely a NIS repair and will be recorded as a Health & Safety (H&S)– Opening in the electrical panel.

*NIS – Not Industry Standard
30% of countertop is damaged. Is this an acceptable repair or is this an NIS repair? This is a NIS repair and shall be recorded.

*NIS – Not Industry Standard
Screws used on door to re-attach veneer. Is this an acceptable repair or is this an NIS repair. **This is a NIS repair and shall be recorded as door surface damage – L3.**

*NIS – Not Industry Standard*
Two photos (right) of the same defect. You observed a cracked window pane that has been repaired using silicone caulking to hold the pieces in place. Is this an NIS defect or no defect? Yes. This is a NIS defect and will be recorded as a L1 – cracked pane.

*NIS – Not Industry Standard*
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Appeals

- Technical Review / Database Adjustment process may be used to appeal deficiencies cited
- Appeal process is the same as for any other item and requires appropriate documents as support
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Physical Assessment Subsystem (PASS)
Inspector Administration (IA)

- Core Functions
- Process
Physical Assessment Subsystem (PASS) Inspector Administration (IA)

Core Functions

Administrative

- PIVing***
- Insurance
- Badging

***Personal Identity Verification requirements for Federal employees and contractors
Physical Assessment Subsystem (PASS)
Inspector Administration (IA)

Core Functions

Monitoring

- Performance
- Compliance
- Production
Physical Assessment Subsystem (PASS) Inspector Administration (IA)

Core Functions

Enforcement

- Performance / conduct
- Investigations
- Appeals
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Inspector Administration (IA)
Reverse Auction Program (RAP)
Physical Assessment Subsystem (PASS) Operations (Ops)

Reverse Auction Program (RAP)

- Auction Process Overview
- Customer Comments
## Physical Assessment Subsystem (PASS) Operations (Ops)

Reverse Auction Program (RAP)

<table>
<thead>
<tr>
<th>Type</th>
<th>Number of Auctions</th>
<th>Total Awarded Inspections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Housing</td>
<td>25</td>
<td>3,096</td>
</tr>
<tr>
<td>Multifamily Housing</td>
<td>15</td>
<td>7,877</td>
</tr>
<tr>
<td>White House Initiative</td>
<td>3</td>
<td>172</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>43</strong></td>
<td><strong>11,145</strong></td>
</tr>
</tbody>
</table>
Physical Assessment Subsystem (PASS) Operations (Ops)

Reverse Auction Program (RAP)

Brief Overview

- Prior to 2005 – Open Competition
- Reverse Auction Program implemented in 2005
- Small business set-aside
- Feasible for very small companies to participate
- Payment authorized at inspection level
Physical Assessment Subsystem (PASS) Operations (Ops)
Reverse Auction Program (RAP)

Customer Feedback

Communication

- Standardize Auction information
- Respond timely to Contractor emails
Physical Assessment Subsystem (PASS) Operations (Ops)

Reverse Auction Program (RAP)

Customer Feedback

Scheduling

- Aggressive Scheduling
- Place Holding
- New York City Housing Authority (NYCHA)
Physical Assessment Subsystem (PASS) Operations (Ops)
Reverse Auction Program (RAP)

Customer Feedback

Uncooperative Property Representatives and Unsuccessful inspections

☑ Only 0.4% (65) of more than 15,000 for 2016
Physical Assessment Subsystem (PASS) Operations (Ops)
Reverse Auction Program (RAP)
Customer Feedback
(Auction Process)

Restrict bidding by Workload Capability (reject bids)

☑️ Penalized for not providing inspections
Physical Assessment Subsystem (PASS) Operations (Ops)
Reverse Auction Program (RAP)

Customer Feedback (Auction Process)

Restrict bidding by Region to increase competition

☑ Lowest eligible bid
Physical Assessment Subsystem (PASS) Operations (Ops)
Reverse Auction Program (RAP)
Customer Feedback

Public Housing Asset Management

✓ Structure to allow more flexibility and leverage for financial matters
Physical Assessment Subsystem (PASS) Operations (Ops)
Reverse Auction Program (RAP)

Standard Protocol
Programs are governed by different Regulations and offices -

- Public Housing (PH)
- Multifamily (MF)
- Rental Assistance Demonstration (RAD)
- Low-Income Housing Tax Credits (LIHTC)
- United States Department of Agriculture (USDA)
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New Process Enhancements
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New Process Enhancements

1. Add more resources to assist new inspectors
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Physical Assessment Subsystem (PASS)

New Process Enhancements

1. Add more resources to assist new inspectors

- Phase IIb training
  - Mentor candidate inspectors during five collaborative inspections, after completion of Phase IIa* training

- QA inspectors to closely track and monitor candidate inspectors

*In field test training
Physical Assessment Subsystem (PASS)

New Process Enhancements

2. Launch a new contracting model

- To provide specific services on an as-needed basis
- Award large volumes of inspections to contractors simultaneously
Physical Assessment Subsystem (PASS)

New Process Enhancements

3. Engage with Contractors

- Continuous dialogue
- Outreach sessions
- Feedback
Physical Assessment Subsystem (PASS)

New Process Enhancements

4. Transition to a new payment method

- Direct deposit payments to contractors
- Payments made by Treasury on behalf of HUD
- Initial rollout for RAP auctions planned for summer 2017
Physical Assessment Subsystem (PASS)

New Process Enhancements

5. Expand property options for inspector training

- Add Multifamily and Public Housing volunteer property pools for participation in Phase IIa* and IIb** training
- Identify volunteer properties near candidates’ residence

*In field test training
**Mentoring of candidate inspectors during five collaborative inspections
Physical Assessment Subsystem (PASS)

New Process Enhancements

6. Implement process improvement

- Examples of possible changes
- Phased approach to changes
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DJ La Voy – Deputy Assistant Secretary
Delton Nichols - Director

Physical Assessment Subsystem (PASS) Operations (Ops) – Samuel Tuffour
Physical Assessment Subsystem (PASS) Quality Assurance (QA) – Brian Ruth
Physical Assessment Subsystem (PASS) Inspector Administration (IA) – James Cunningham
Physical Assessment Subsystem (PASS) Reverse Auction Program (RAP) – Lara Philbert

Send questions to: OnlineTrainingRegistration@hud.gov

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