



Physical Inspection Process Improvement

A REAC and Industry Partnership

January 30, 2017

Real Estate Assessment Center (REAC)
Washington, DC 20410

Physical Inspection Process Improvement

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Physical Assessment Subsystem (PASS) -

Operations (**Ops**)

Quality Assurance (**QA**)

Inspector Administration (**IA**)

Reverse Auction Program (**RAP**)



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Sample Observed Deficiencies

A property in Georgia

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Misaligned chimney



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Condensate piped from Second floor through ceiling to First floor 5 gallon bucket.



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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.



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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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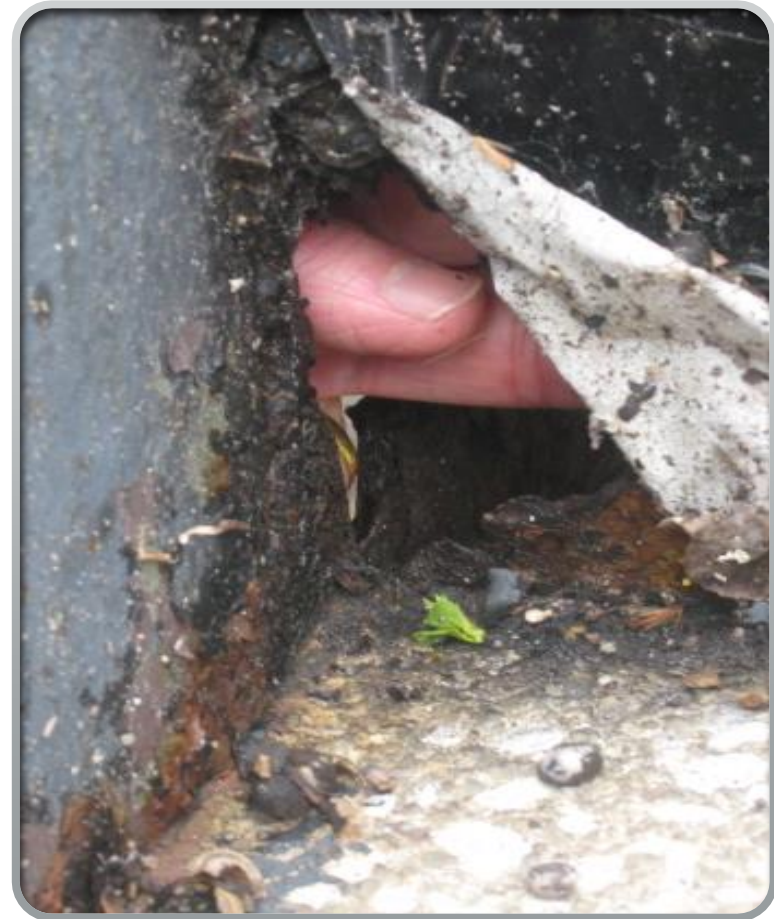
Erosion covered by mulch
around each building.



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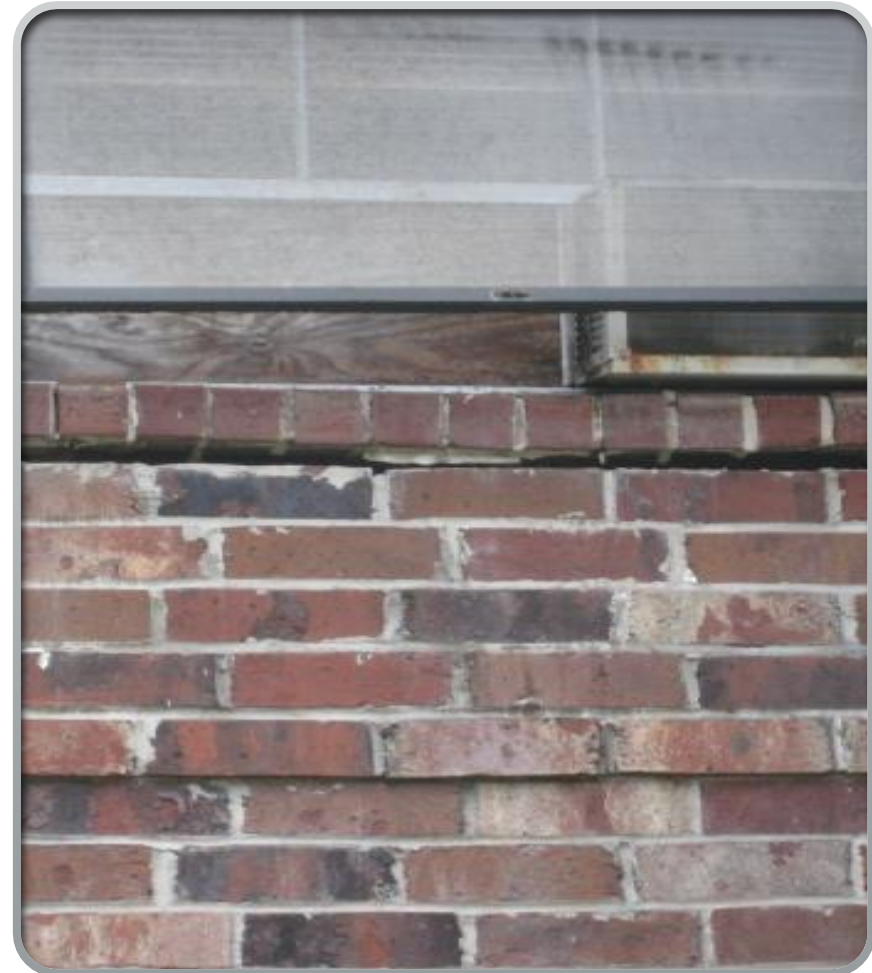
Holes in step tread covered by paint tape.



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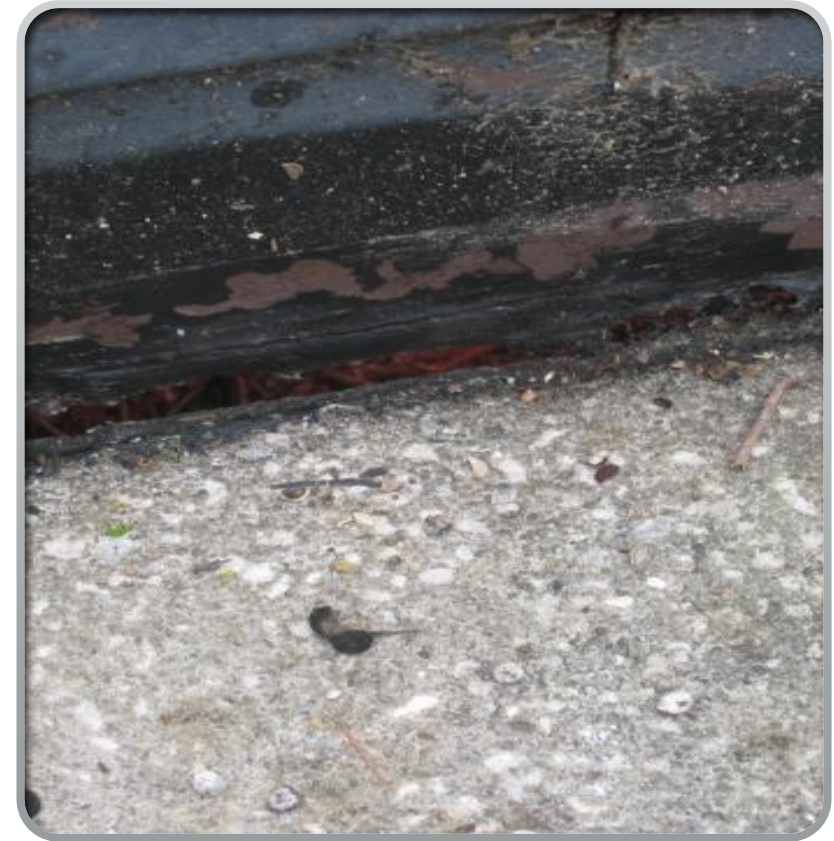
Missing mortar at window sill.



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Rusted step treads covered with paint tape and painted to hide.





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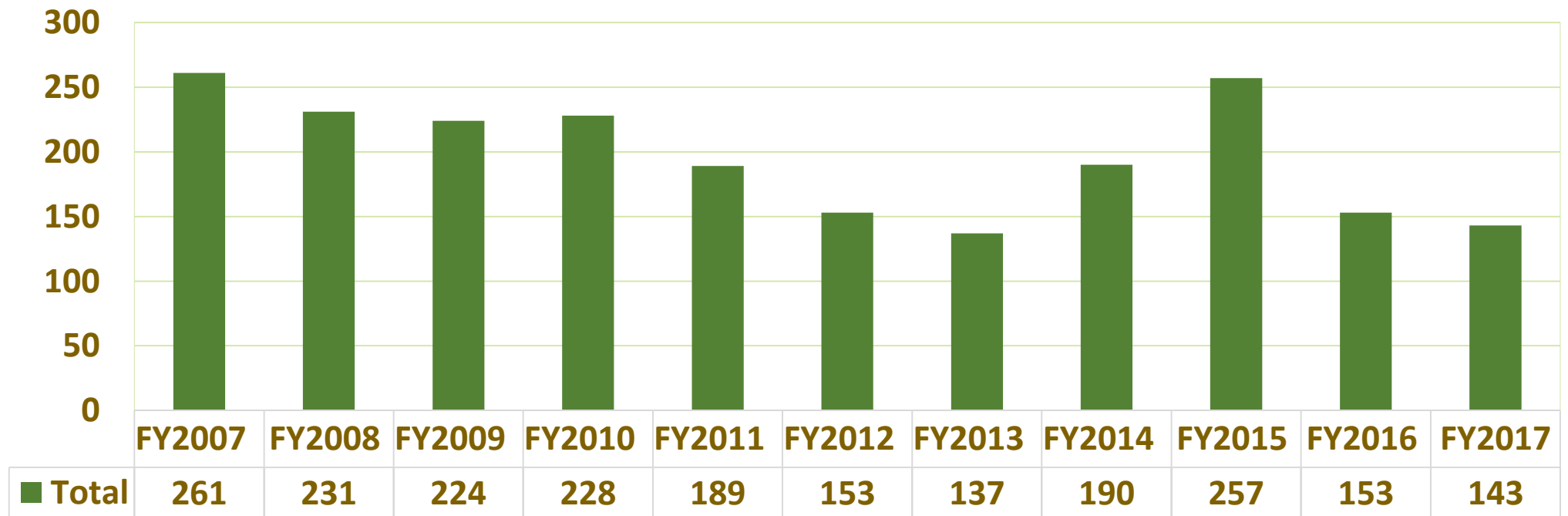
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Data Behind the Story

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Inspectors
2007 - 2017



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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) -

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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

FY 2016 Inspections	
Type	Actual
 Public Housing	2,766
 Multifamily Housing	6,738
 Multifamily Housing – Servicing Mortgagee	4,300
Total	13,804

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

Inspection Summary Report (POA) for Inspection # [REDACTED] 36

Score Summary

Area	Possible Points	Deductions(Excluding H&S)	Pre H&S Points	H&S Deductions	Final Points
Site	12.41	0.00	12.41	6.90	5.52
Building Exterior	18.39	18.39	0.00	0.00	0.00
Building Systems	19.49	2.45	17.04	10.00	7.04
Common Area	15.63	14.71	0.92	0.92	0.00
Unit	34.07	0.76	33.32	31.05	2.27
Total	100.00	36.31	63.69	48.87	14.83

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)

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

Physical Assessment Subsystem (PASS) Quality Assurance (QA)

Industry Standards Notice



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

Physical Assessment Subsystem (PASS) Quality Assurance (QA)

Industry Standards Notice

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



Unit Inspection

Based on your responses, it was determined that '**Unit - Damaged Hardware/Locks (Doors) - L1**' defect applies. You may enter additional comments (optional) in the text box below. Click the Finish button to record this defect in the database.

You may view this and other recorded defects in the deficiencies tree on the main site interface.

Comment:

Bedroom 2 - right side bifold door

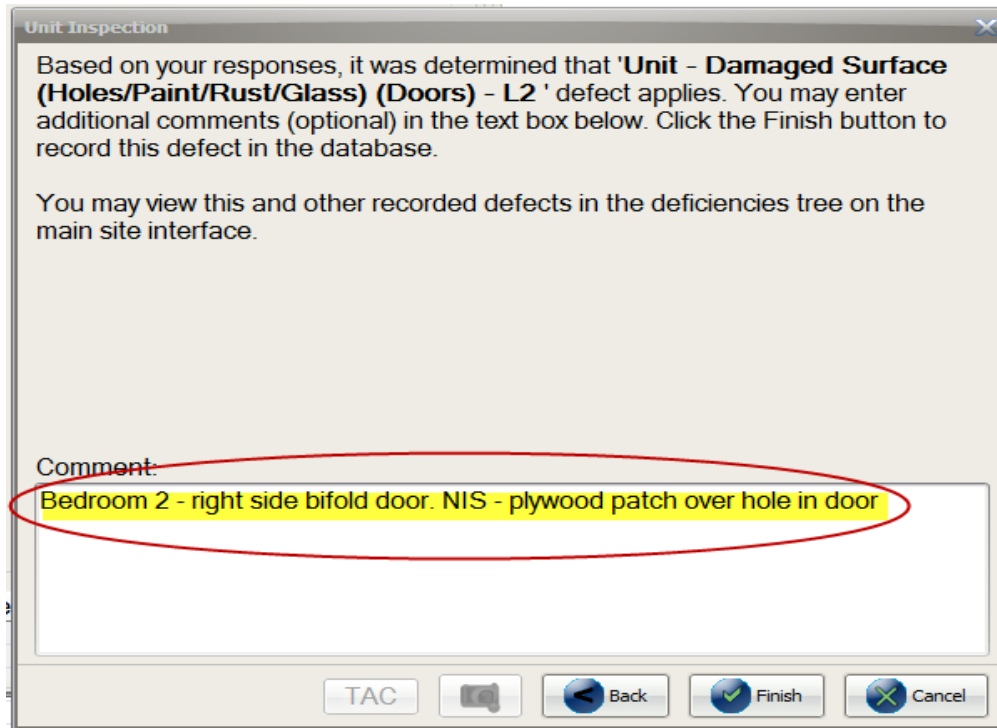
TAC [Camera Icon] Back Finish Cancel

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



Unit Inspection

Based on your responses, it was determined that 'Unit - **Damaged Surface (Holes/Paint/Rust/Glass) (Doors)** - L2 ' defect applies. You may enter additional comments (optional) in the text box below. Click the Finish button to record this defect in the database.

You may view this and other recorded defects in the deficiencies tree on the main site interface.

Comment:

Bedroom 2 - right side bifold door. NIS - plywood patch over hole in door

TAC [Microphone Icon] [Back] [Finish] [Cancel]

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

Physical Assessment Subsystem (PASS) Quality Assurance (QA)

Industry Standards

Is this an acceptable repair or is this a NIS repair? **This is a NIS repair.**

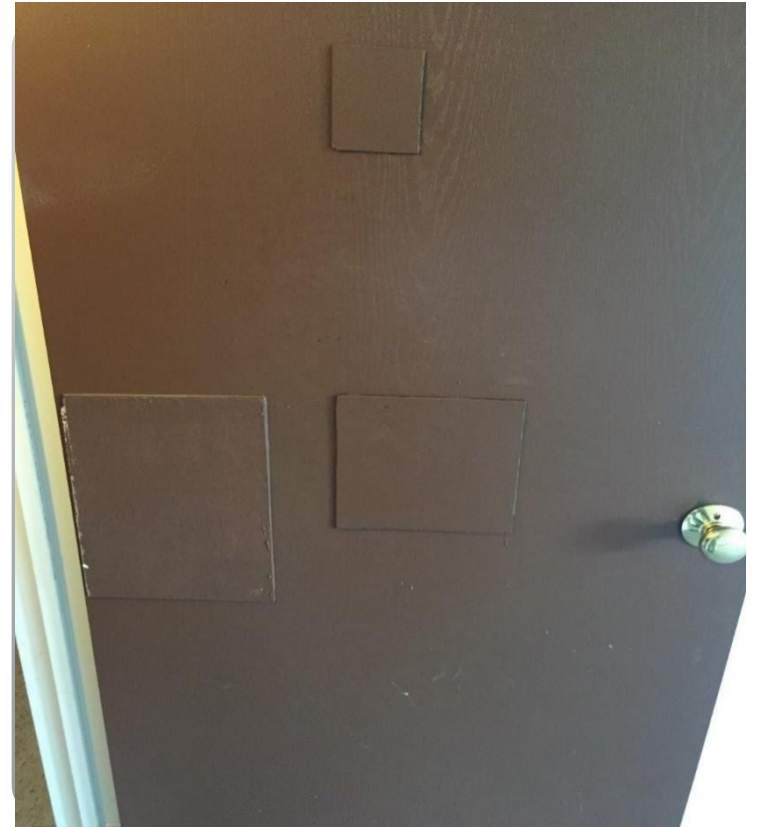


*NIS – Not Industry Standard

Physical Assessment Subsystem (PASS) Quality Assurance (QA)

Industry Standards

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.

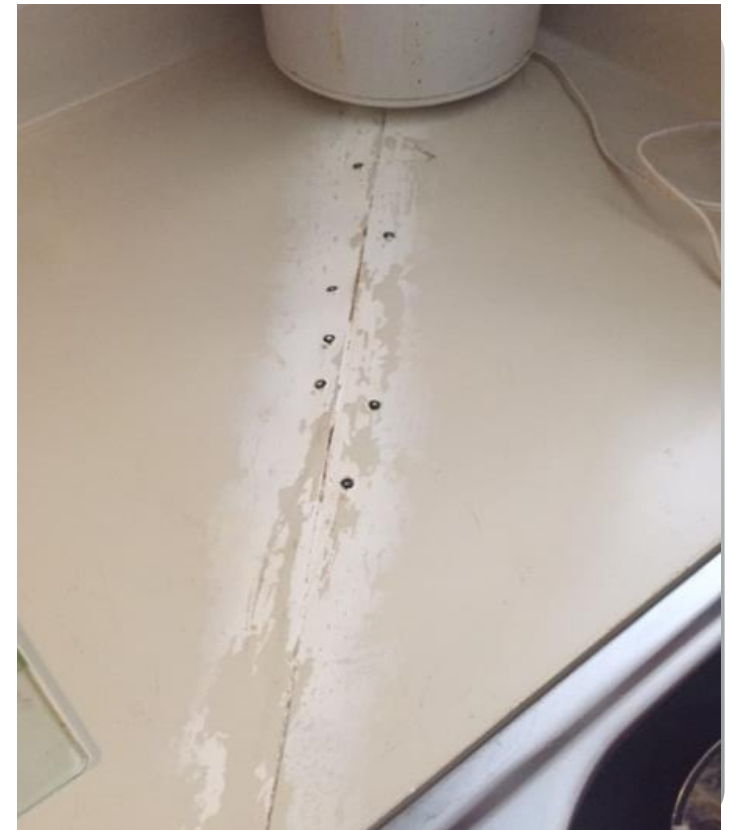


*NIS – Not Industry Standard

Physical Assessment Subsystem (PASS) Quality Assurance (QA)

Industry Standards

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

Physical Assessment Subsystem (PASS) Quality Assurance (QA)

Industry Standards

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.**

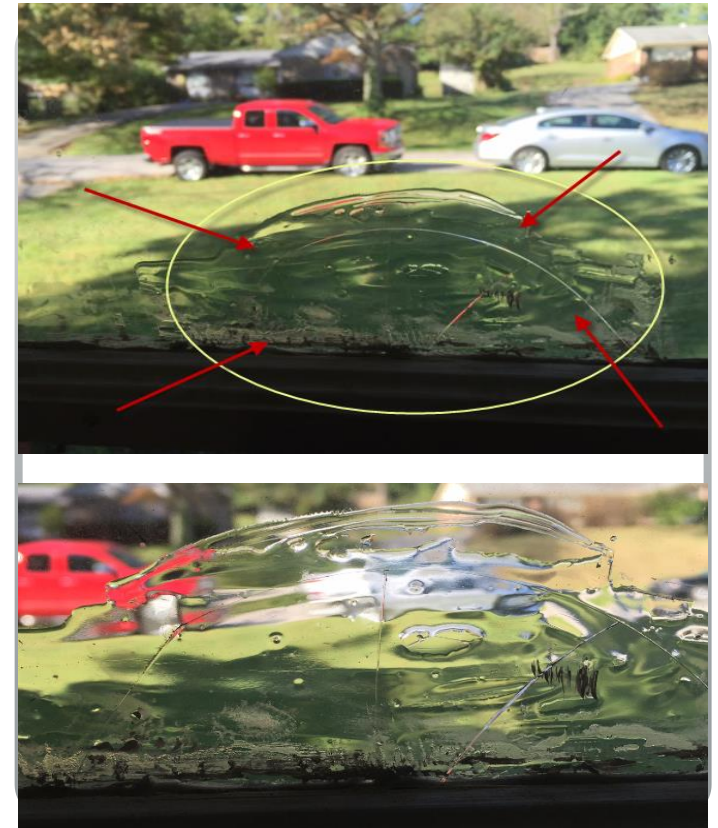


*NIS – Not Industry Standard

Physical Assessment Subsystem (PASS) Quality Assurance (QA)

Industry Standards

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.**



Physical Assessment Subsystem (PASS) Quality Assurance (QA)

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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Reverse Auction Program (**RAP**)

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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Physical Assessment Subsystem (PASS) -

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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)

FY 2016 Auctions		
Type	Number of Auctions	Total Awarded Inspections
 Public Housing	25	3,096
 Multifamily Housing	15	7,877
 White House Initiative	3	172
Total	43	11,145

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

Real Estate Assessment Center (REAC)

Washington, DC 20410