

# **Real Estate Assessment Center (REAC)**



## **Final Update to Congress on HCV Inspection Oversight Project**

**January 20th, 2016**

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# Table of Contents

<b>EXECUTIVE SUMMARY .....</b>	<b>4</b>
<b>1 INTRODUCTION.....</b>	<b>5</b>
1.1 Expenditure of Funding .....	5
1.2 Overview of HCV Inspection Project.....	6
<b>2 HQS BACKGROUND.....</b>	<b>7</b>
2.1 HUD Audit Findings .....	7
2.2 Overview of HQS Inspection Standard and Protocol.....	8
<b>3 SUMMARY OF FINDINGS FROM HCV INSPECTION OVERSIGHT PROJECT.....</b>	<b>8</b>
3.1 Lack of Objective, Well-defined Deficiency Descriptions .....	9
3.2 Inability to Capture Granular Unit Condition Data .....	10
3.3 Absence of Modern Health and Safety Provisions.....	10
3.4 Lack of HQS Inspector Training Requirements .....	11
3.5 Absence of Universal List of Life Threatening/Emergency (LTE) Items .....	11
3.6 Lack of PHA Requirement to Submit Inspection Data to HUD.....	12
<b>4 OVERVIEW OF UPCS.....</b>	<b>12</b>
4.1 Benefits of UPCS.....	13
<b>5 JUSTIFICATION FOR MOVING TO UPCS-V .....</b>	<b>14</b>
5.1 Plan to Develop UPCS-V .....	14
5.2 Benefits of Transitioning to UPCS-V.....	15
<b>6 CONCLUSION AND NEXT STEPS .....</b>	<b>16</b>

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## LIST OF FIGURES

<b>Figure 1: Expenditure of Funds From FY 2014 THUD Appropriation</b>	<b>5</b>
<b>Figure 2: Expenditure of Funds From FY 2015 THUD Appropriation</b>	<b>6</b>
<b>Figure 3: HCV Inspection Oversight Project Components</b>	<b>7</b>
<b>Figure 4: PHA &amp; Contract Inspector “Pass/Fail” Results for HCV Inspections</b>	<b>9</b>
<b>Figure 5: HQS Inspection Form (52580-A) and HQS Inspection Checklist (52580)</b>	<b>10</b>
<b>Figure 6: UPCS - Comprehensive Listing Inspection Form</b>	<b>13</b>

## LIST OF TABLES

<b>Table 1: Summary of Inspections Performed</b>	<b>7</b>
<b>Table 2: Top Five Overall Reasons for Deficiencies for PHAs and Contractors</b>	<b>10</b>
<b>Table 3: Contract Inspector LTE List</b>	<b>12</b>
<b>Table 4: Reasons for LTE Discrepancies</b>	<b>12</b>
<b>Table 5: Benefits of Transitioning to UPCS-V</b>	<b>16</b>

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## **Executive Summary**

To meet a Congressional directive in fiscal year (FY) 2014, the U.S. Department of Housing and Urban Development (HUD) procured contract inspection services to perform independent physical inspections of a subset of Housing Choice Voucher (HCV) units. The purpose of the inspections was to gather data for comparative analysis of HCV inspections completed by public housing agencies (PHAs) or PHA contractors, as well as to gather data on the application of the Housing Quality Standards (HQS). The results of HUD's final analyses support the use of HUD's Uniform Physical Condition Standards (UPCS), a standard used across Federal housing assistance programs, as a basis for the development of a modernized and well-defined HCV physical inspection standard and protocol.

### **Summary of Findings**

The results of the HCV Inspection Oversight Project indicate that HQS is not being applied consistently across PHAs. Inherent weaknesses in HQS' design and protocol have resulted in HUD's inadequate knowledge of and controls over the physical condition of units in the HCV program. Other inherent weaknesses in the HQS standard and protocol include:

- Lack of objective, well-defined deficiency descriptions for line items;
- Inability to capture granular unit condition data;
- Absence of modern health and safety provisions;
- Lack of HQS inspector training requirements;
- Absence of universal list of life threatening/emergency (LTE) deficiencies; and
- Lack of PHA requirement to submit inspection data to HUD.

### **Benefits of UPCS**

As a result of UPCS' well-defined deficiency descriptions, PHA inspectors are able to make more accurate and objective observations on a consistent basis. UPCS also scores deficiencies by level of severity, allowing inspectors to capture the overall condition of the unit. Moving to a UPCS-based standard for the HCV program would result in a scorable standard that can be used consistently within and across PHAs to produce reliable data for HUD to analyze.

### **Benefits of Transitioning to UPCS-Voucher (UPCS-V)**

To address HQS' inherent weaknesses, HUD will leverage current UPCS definitions and modify them to develop a HCV unit-focused standard called UPCS-V, which will:

- Avoid ambiguities inherent in HQS by providing standardized, well-defined deficiency descriptions;
- Enhance HUD's visibility into the detailed condition of units in the HCV program by capturing level of severity for deficiencies;
- Include modern health and safety provisions;
- Promote consistency in inspection performance by implementing inspector training requirements and the development of uniform inspector training;
- Ensure all inspectors are referencing a universal list of LTEs by creating and including a comprehensive and standardized list of LTEs for use during inspections; and
- Facilitate HUD's ability to adequately assess HCV units, monitor PHA performance, and perform trend analyses by setting standards for PHA submission of electronic inspection data to HUD.

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# 1 Introduction

This document provides the final update to the House and Senate Committees on Appropriations regarding the U.S. Department of Housing and Urban Development's (HUD) Housing Choice Voucher (HCV) Inspection Oversight Project. Specifically, this document describes how HUD has used the funding in the Consolidated Appropriations Act of 2014 to conduct oversight of the physical condition of HCV units and to move to an inspection standard that is consistent with the standard used across Federal housing assistance programs, the Uniform Physical Condition Standards (UPCS).

In the Transportation, Housing and Urban Development, and Related Agencies (THUD) Appropriations Act of fiscal year (FY) 2014, Congress directed HUD to increase its budgetary resources dedicated to HCV unit inspections by \$5 million over FY 2013 levels. To meet this directive, HUD hired a contractor to perform physical inspections at a subset of HCV units between August 2014 and March 2015. During this period, the contract inspectors conducted 25,983 inspections of HCV units administered by 138 public housing agencies (PHAs) across 19 states. Based on HUD's review of inspections, this document provides detailed analyses of the inspections completed. HUD's final analyses support the use of UPCS as a basis for the development of a standardized HCV physical inspection protocol that is consistent with the standard used across other Federal housing assistance programs.

## 1.1 Expenditure of Funding

HUD obligated contract inspection services totaling \$4,417,367 to perform independent physical inspections of HCV units, allowing HUD to perform comparative analysis of HCV inspections completed by PHAs or PHA contractors, as well as to gather data on the application of the Housing Quality Standards (HQS). The remaining \$549,624 was expended for HQS training of HUD's Real Estate Assessment Center (REAC) staff and related travel expenses to build in-house capacity to perform contract oversight on-site during the contract inspections. Figure 1 displays the complete breakdown of expenditures of funds from the FY 2014 THUD Appropriations Act.

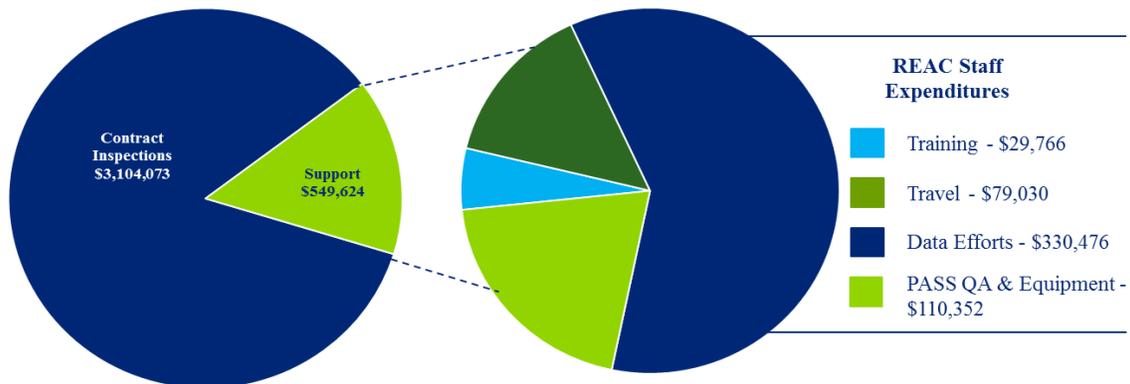
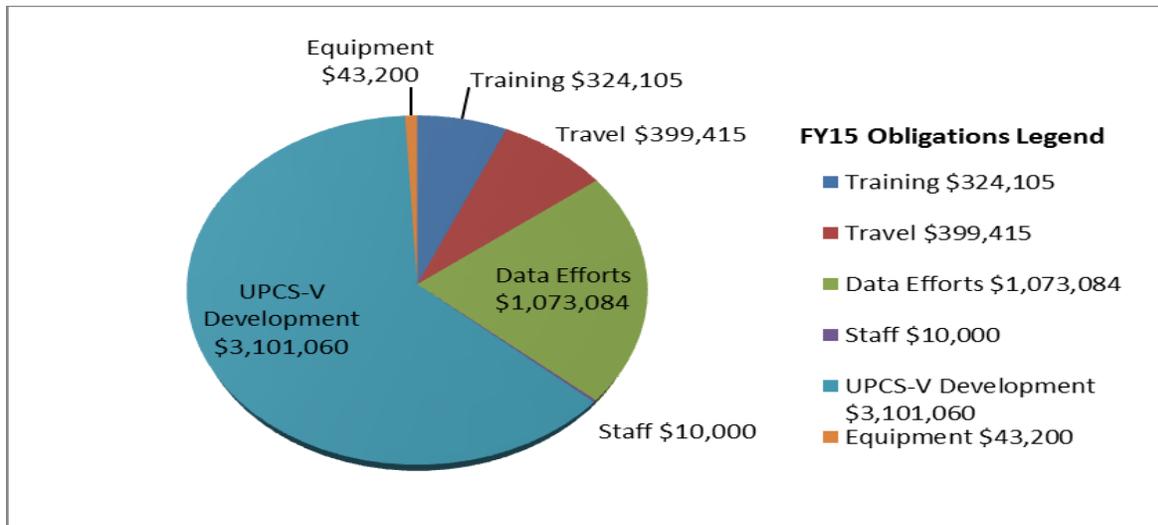


Figure 1: Expenditure of Funds From FY 2014 THUD Appropriation

Provided for informational purposes, Figure 2 displays the plan for the \$5 million appropriated for FY2015. The funding supports the development of UPCS-V; the new HCV inspection protocol. In addition, the funding supports the hiring of new government staff, the training of current government staff, the development of business processes tools, and other efforts to analyze the effectiveness of the HCV inspection program.



**Figure 2: Obligations of Funds From FY 2015 THUD Appropriation**

## 1.2 Overview of HCV Inspection Project

In August 2014, REAC commenced assessing the level of standardization of inspections performed according to HQS, which defines the minimum habitability criteria for the health and safety of HCV program participants. To provide a representative sample for the performance of contractor inspections, PHAs were selected based on the size of their HCV programs, geographic locations, and housing types. Table 1 below provides a summary of inspections performed based on the size of the PHA and unit type.

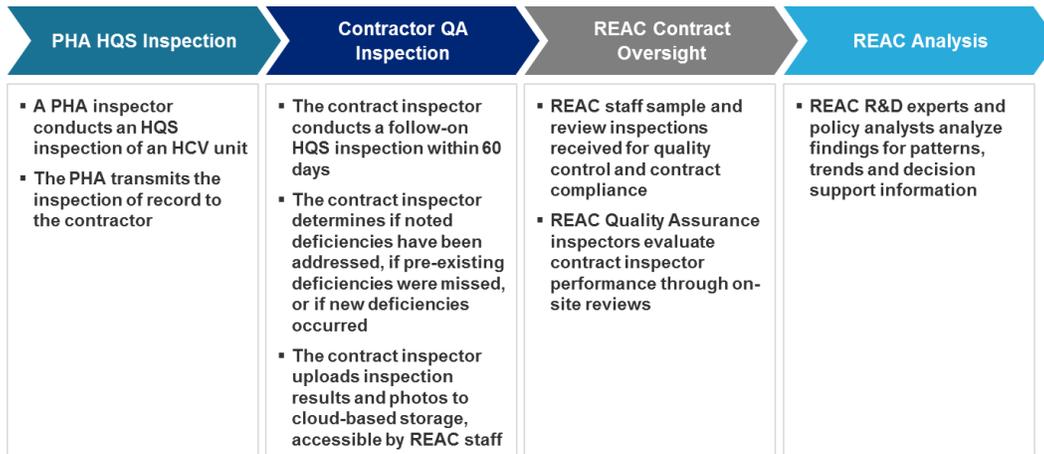
Summary of Inspections Performed – PHA Size and Unit Type				
PHA Size / Unit Type	Extra-Large	Large	Other	Total by Unit Size
Duplex	680	1,298	132	2,110
Low Rise	5,366	4,226	417	10,009
Manufactured Housing	64	27	14	105
Mid/High Rise	1,444	786	55	2,285
Other	1,657	639	23	2,319
Row House	975	2,136	255	3,366
Single Family	2,775	2,792	231	5,798
<b>Total by PHA Size</b>	<b>12,961</b>	<b>11,904</b>	<b>1,127</b>	<b>25,992*</b>

\*25,992 includes nine (9) inspections that resulted in “Inconclusive” results and are not included in the total inspection count (25,983) referenced throughout the remainder of this document

**Table 1: Summary of Inspections Performed**

Due to practical constraints, such as the time needed for PHAs to provide unit inspection data, the two-week tenant notification period, and the time needed to schedule inspections, the contractor conducted independent HQS inspections within 60 days of the PHA’s inspection of record on the same unit. HUD structured the contractor inspections to systematically assess the consistency of PHA application of the HQS inspection protocol, and not to perform compliance reviews. The contractor inspection results were used solely in the aggregate to evaluate the HQS inspection process within the inspected cohort.

Where inspection results differed between PHA inspections and contract follow-on inspections, contract inspectors applied professional expertise to determine the most likely reasons for the discrepancy. The contract inspectors then transmitted the inspection data, including pictures of deficiencies, to REAC for review. REAC analysts conducted desktop reviews on a sample of inspections to ensure the inspections were of high quality, either accepting or rejecting the outcome noted by the contractor, and to ensure the inspections were conducted in accordance with the terms of the contract.



**Figure 3: HCV Inspection Oversight Project Components**

## 2 HQS Background

The goal of the HCV program is to provide decent, safe and sanitary affordable housing to low-income families. To meet this goal, in the 1970s, HUD established minimum housing quality standards, known as HQS, for all HCV units which must be met prior to being rented by program participants.

The primary objective of the minimum housing quality standards as designed was to protect program participants by guaranteeing a basic level of acceptable housing, a threshold, whereby families would have a wide range of housing types and locations from which to find a property to rent.

### 2.1 HUD Audit Findings

Congressional Committee Senate Report 113-045 directs HUD to “... move to a consistent inspection standard across housing assistance programs, as well as [for] oversight of Section 8

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units.” The HUD Office of Inspector General (OIG) has released numerous audit reports regarding the HCV Program and has highlighted systemic weaknesses in the HCV inspection standard and the program’s oversight of that standard<sup>1</sup>. Specifically, the OIG reports have identified challenges with the interpretation, application and oversight of HQS inspections. For example, ambiguous deficiency definitions force an increase in reliance on inspector judgment.

## **2.2 Overview of HQS Inspection Standard and Protocol**

Generally, HQS requires that if an inspectable item within a unit does not meet the minimum health and safety guidelines for habitability, then that item constitutes a deficiency and the entire unit fails the HQS inspection. The HQS inspection form, HUD Form 52580, contains broad categories that group inspectable items by Room, Heating and Plumbing, Building Exterior and General Health and Safety. For each inspectable item within each of these broad categories, the inspection form requires the inspector to “Pass/Fail” the item or mark as “Inconclusive.” For instance, the “Electrical Hazards” category asks the inspector if the room is free from electrical hazards. Although the form provides examples, it does not actually define an electrical hazard or any other observable deficiency. Rather, it requires the inspector to rely on his/her judgment in making that determination. If the inspector is uncertain about the severity of the problem, he/she is instructed to seek expert advice and select “Inconclusive” instead of “Pass” or “Fail.”

## **3 Summary of Findings from HCV Inspection Oversight Project**

The results indicate that HQS is not being applied consistently across PHAs. Many identified weaknesses, such as inefficiencies associated with a paper inspection form, lack of consistent identification and recording of deficiencies, and diverse baseline skills among inspectors, can be ameliorated by moving to a standardized inspection protocol with established electronic processes, such as UPCS, and by increasing the amount of technical assistance and training offered by HUD.

Inherent weaknesses in HQS’ design and protocol have also resulted in HUD’s inadequate knowledge of and controls over the physical condition of units in the HCV program. These inherent weaknesses in the HQS standard and associated protocol include:

- Lack of objective, well-defined deficiency descriptions for inspection line items
- Inability to capture granular condition data
- Absence of modern health and safety provisions
- Lack of HQS inspector training requirements

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<sup>1</sup> OIG Audit Report No. 2013-CH-1005, entitled The Warren Metropolitan Housing Authority, Lebanon, OH, Did Not Adequately Enforce HUD’s Housing Quality Standards, dated August 2013 and OIG Audit Report No. 2014-NY-1003, entitled The New York City Housing Authority, New York, NY, Did Not Always Ensure That Its Housing Choice Voucher Program Units Met HUD’s Housing Quality Standards, dated May 2014.

- Absence of universal list of life threatening/emergency (LTE) deficiencies
- Lack of protocol requiring PHAs to submit inspection data to HUD

### 3.1 Lack of Objective, Well-defined Deficiency Descriptions

The HCV Inspection Oversight Project results confirmed that the lack of objective, well-defined deficiency descriptions is a problem inherent in the design of HQS and the associated inspection form. The absence of defined, observable deficiencies leads to reliance on inspector judgment for determining what constitutes a “Pass” or “Fail” decision on a particular line item. This is problematic because the interpretation of what constitutes a “Pass” or “Fail” varies among inspectors in the absence of standardized deficiencies.

Of the 25,983 HCV units inspected by contractors for the HCV Inspection Oversight Project, the PHA inspector and contract inspector agreed on the “Pass/Fail” status of only 12,899 units, or roughly 50% of all units inspected. Figure 4 illustrates the specific breakdown of the “Pass/Fail” results of PHA inspectors compared to the “Pass/Fail” results of contract inspectors. Most notable is the fact that PHAs passed 10,774 HCV units that contract inspectors failed during their follow-on inspection. This underscores how widespread the interpretation of “Pass/Fail” for deficiencies can be when applying HQS. There were also 2,125 instances where PHAs failed a unit, but the contract inspector passed the unit. This is likely the result of cited deficiencies being repaired by owners or tenants.

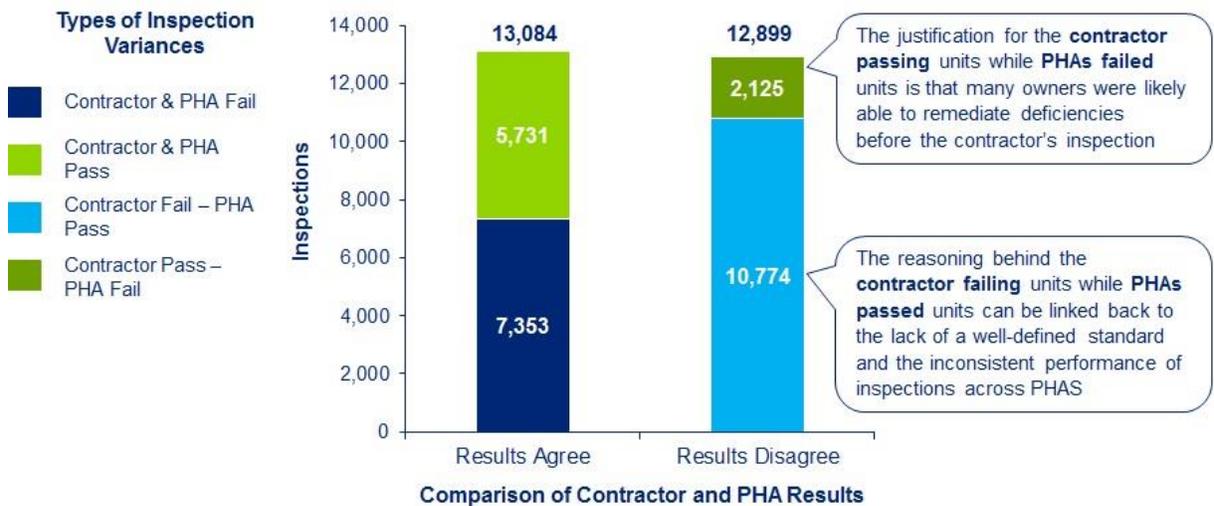


Figure 4: PHA & Contract Inspector “Pass/Fail” Results for HCV Inspections

Table 2 lists the top five most prevalent deficiencies noted by both PHA and contract inspectors. The differing top five overall reasons for deficiencies also suggests that the lack of observable, well-defined descriptions promotes inconsistencies in both the “Pass/Fail” status and the categorization of deficiencies.

PHA Inspector	Contract Inspector
1. Electric	1. Electric
2. Security	2. Smoke Detector
3. Wall Condition	3. Ventilation
4. Windows	4. Water Heater

PHA Inspector	Contract Inspector
5. Floors	5. Other Interior Hazards

**Table 2: Top Five Overall Reasons for Deficiencies for PHAs and Contractors**

The disparity in PHA and contract inspection results can be attributed, at least in part, to unclear definitions in the standard. The deficiency descriptions in the HQS 52580 inspection form are subjective and qualitative, leading to inconsistencies when “Pass/Fail” decisions are summarized on the 52580 checklist (samples of both forms are shown below in Figure 5). For example, the HQS inspection form asks the inspector to determine if the room is free from electrical hazards; however, the form does not define what constitutes an electrical hazard. As a result, determining the “Pass/Fail” status of a unit based on electrical hazards is often based on the inspector’s judgment, leading to inconsistent inspection results across PHAs.

1. Living Room		For each number		
		Decision	Yes, Pass	No, Fail
Item No.	Description			
1.1	Living Room Present Is there a living room?	<input type="checkbox"/>	<input type="checkbox"/>	
1.2	Electricity Are there at least two working outlets or one working outlet and one working light fixture?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.3	Electrical Hazards Is the room free from electrical hazards?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.4	Security Are all windows and doors that are accessible from the outside lockable?	<input type="checkbox"/>	<input type="checkbox"/>	

B. Summary Decision On Unit (To be completed after form has been filled)			
<input type="checkbox"/>	Pass	Number of Bedrooms for Purposes of the FMR or Payment Standard	Number of Sleep
<input type="checkbox"/>	Fail		
<input type="checkbox"/>	Inconclusive		

Inspection Checklist				
Item No.	1. Living Room	Yes Pass	No Fail	In-Conc.
1.1	Living Room Present	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.2	Electricity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.3	Electrical Hazards	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.4	Security	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.5	Window Condition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.6	Ceiling Condition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.7	Wall Condition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.8	Floor Condition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Figure 5: HQS Inspection Form (52580-A) and HQS Inspection Checklist (52580)**

### 3.2 Inability to Capture Granular Unit Condition Data

HQS does not provide the ability to capture granular condition data therefore inspections do not indicate when items are deteriorated but not yet in a fail status. Each itemized condition is not scored by level of severity (e.g., a rating of 1, 2 or 3 that indicates the level of severity for a deficiency) so it is difficult to predict whether or not the line item will degrade in the future, and if so, how quickly. The ability to collect granular data would provide HUD with more visibility into the details of the condition of a unit and foster a risk-based approach to biennial physical inspections. By knowing which units have a higher probability to enter into a fail status prior to the next regularly scheduled inspection (every two years), PHAs can prioritize their risk-based inspection to focus on those units that are highest risk to their program. It also could potentially be a more efficient input into the rent reasonableness process to help ensure the rent reflects the unit condition. With HQS, HUD lacks the ability to analyze risk-based indicators and perform risk management activities.

### 3.3 Absence of Modern Health and Safety Provisions

HQS also lacks modern health and safety provisions due to its age. HQS was created in the 1970s and the standard has not been updated since its inception. HQS was also intended for use by highly-skilled and well-trained inspectors who would use their judgment to effectively

perform inspections, using HQS as a guide. It has not been feasible for PHAs to train and retain highly- skilled inspectors, mainly due to financial constraints. Consequently, less experienced inspectors are conducting inspections and relying on their “best judgment” and the dated standard guides when performing inspections.

Moreover, life-safety technologies have evolved significantly over the past 40 years, but HQS has not been modernized to account for these changes. For example, many states and municipalities now require building-wide sprinkler systems in multifamily properties. HQS, however, provides no guidance on inspecting sprinkler systems for HCV units. Because HQS does not have provisions for many modern health and safety items, many inspectors do not inspect building features that are crucial to maintaining the safety of tenants.

### 3.4 Lack of HQS Inspector Training Requirements

Many of the inherent weaknesses of HQS are compounded by the lack of standardized training requirements for PHA inspectors. As mentioned earlier, HQS deficiency descriptions, as found on the 52580 inspection form, permit reasonable minds to differ significantly on what observable items should result in a “Fail” and permit inspectors to use a wide range of interpretations when completing inspections. In addition to lacking inspector training requirements, HUD has not developed a model for certifying or validating the numerous HQS inspection trainings that are available in the market. The absence of a methodology for certifying or accrediting vendors who wish to offer inspection trainings results in inconsistent training deliveries that do not cover or emphasize the same material across training vendors.

### 3.5 Absence of Universal List of Life Threatening/Emergency (LTE) Items

When an inspector finds LTE deficiencies during an inspection – a deficiency that threatens life, health and/or safety of the tenant(s) -- the inspector is to provide a list of such deficiencies to the responsible party -- either tenant or owner -- for repair within 24 hours. Although a specific set of LTEs is not defined in HQS, for consistency in the inspection reviews, HUD provided the contractor a list of 14 LTEs to use when inspecting HCV units during the project. See Table 3. PHAs also were provided the same list but were not required to use them in their inspections because under HQS each PHA is required to define for its jurisdiction the items that must be corrected within 24 hours.

LTE List Provided to Contract Inspectors
<input type="checkbox"/> Missing entry door
<input type="checkbox"/> Waterlogged/damaged ceilings, floor or walls in imminent danger of potential collapse
<input type="checkbox"/> Major plumbing leaks or flooding
<input type="checkbox"/> Natural or Liquid Petroleum (LP) gas leak or fumes
<input type="checkbox"/> Electrical problems which could result in shock or fire
<input type="checkbox"/> Presence of a non-working air conditioner or lack of adequate ventilation when the outside temperature has reached above 90 degrees Fahrenheit
<input type="checkbox"/> Utilities not in service (e.g., electricity, gas (LP/natural), water or oil)
<input type="checkbox"/> No running hot water
<input type="checkbox"/> Structural integrity condition where the building, or a component of the building, is in imminent danger of potential collapse
<input type="checkbox"/> Absence of a functioning toilet if there is only one toilet in the unit
<input type="checkbox"/> Lack of at least one functional smoke detector on each floor level of the unit
<input type="checkbox"/> Conditions that present the imminent probability of serious injury

LTE List Provided to Contract Inspectors	
<input type="checkbox"/>	Building lacks an alternate means of exit in case of fire
<input type="checkbox"/>	Absence of a heating source capable of providing adequate heat to at least 55 degrees Fahrenheit to all rooms used for living when the exterior temperature is below 40 degrees Fahrenheit

**Table 3: Contract Inspector LTE List**

Table 4 below provides reasons for observed LTE discrepancies, detailing instances when the contract inspector found a LTE deficiency that was not identified by the PHA inspector (missed-unable to determine, missed, or new deficiency).

Reasons for LTE Discrepancies			
Reason for Discrepancy	Missed – Unable to Determine	Missed	New Deficiency
<b>Discrepancy Explanation</b>	Contract inspector could not explain the difference in inspection decisions but the nature of the deficiency leads REAC to believe that these were pre-existing	Contract inspector determined that the deficiency existed but was not recorded by the PHA inspector during the inspection	Contract inspector determined that the deficiency did not exist during the PHA’s inspection, but occurred within the 60 days between inspections

**Table 4: Reasons for LTE Discrepancies**

Table 4 does not include discrepancies that resulted from additional PHA-defined LTEs. In keeping with normal HQS practices, the PHAs were allowed to address any LTEs in accordance with their existing processes and procedures.

### 3.6 Lack of PHA Requirement to Submit Inspection Data to HUD

The HQS protocol does not require PHAs to submit inspection data which prevents HUD from efficiently collecting, analyzing and storing inspection results. In addition, the majority of PHAs do not have the ability to collect and store their inspection data electronically or send the inspection data electronically. This prevents HUD and PHAs from accessing inspection data to ensure units are in compliance with program requirements or to conduct statistical trending, analyses and quality assurance reviews to identify PHAs and properties that may be at risk.

## 4 Overview of UPCS

Inspections conducted using HUD’s UPCS inspection protocol follow what has become a widely accepted standard for government-assisted and affordable housing inspections. UPCS was derived from HQS, using the HQS framework as the basis for identifying performance requirements and observable deficiencies. However, as a result of UPCS’ well-defined deficiency descriptions, PHA inspectors are able to make more accurate and objective decisions on a consistent basis. In addition to requiring the inspection of individual units, the UPCS inspection protocol is designed to ensure that housing properties are decent, safe,

sanitary, and in good repair by requiring inspection of the properties’ exterior, the properties’ systems and the properties’ common areas that are generally used by the residents.

#### 4.1 Benefits of UPCS

One of the most substantial benefits of converting HCV inspections to a UPCS-based standard is the consistency with which inspections are performed across and within PHAs. A UPCS-based standard will enable PHA inspectors to perform inspections on a consistent basis. This would ensure that families with vouchers live in decent, safe and sanitary housing, and that owners are treated consistently and fairly across jurisdictions.

From training PHA inspectors to reporting inspection results and analyzing data, the ability of PHAs to consistently perform inspections greatly reduces ambiguity throughout the inspection process. The reduction in ambiguity is largely driven by a well-defined list of itemized deficiencies, which are measurable through observation, and allow inspectors to consistently arrive at the same conclusion for a given line item. For example, on the UPCS inspection form, doors are scored within the following standardized observable deficiency categories: 1) damaged frames/threshold/lintels/trim; 2) damaged hardware/locks; 3) damaged surface (holes/paint/rusting/glass); 4) damaged/missing screen/storm/security door; 5) deteriorated/missing caulking/seals; or 6) missing door. See Figure 6 below for an itemized line item example from the UPCS – Comprehensive Listing inspection form.

Property ID / Name: _____		Inspection Date: _____					
Building Number: _____							
			Level				
Inspectable Item	Observable Deficiency	NOD	1	2	3	NA	H&S
Doors	Damaged Frames/Threshold/Lintels/Trim						NLT
	Damaged Hardware/Locks						
	Damaged Surface (Holes/Paint/Rusting/Glass)						
	Damaged/Missing Screen/Storm/Security Door						NLT
	Deteriorated/Missing Caulking/Seals						
	Missing Door						

Figure 6: UPCS - Comprehensive Listing Inspection Form

In addition to itemizing deficiencies within specific categories, UPCS-based inspections score deficiencies by severity level, allowing inspectors to capture the overall condition of the unit. Although a unit may not have a deficiency that results in a “Fail” status, inspectors are able to capture granular data about the unit, recording deficiencies on a level of 1, 2 or 3. Capturing and analyzing this granular data will enhance HUD’s knowledge of the physical state of units in the HCV program.

In support of achieving accurate and consistent inspection results within and across PHAs, a UPCS-based standard and its well-defined protocol will allow HUD to develop criteria for accrediting vendors that are interested in providing UPCS-based training to program stakeholders. Whether inspections are performed by a PHA’s internal staff, or the PHA procures an entity to complete its required inspections, HUD will have greater confidence that inspections are being performed consistently across PHAs. These accredited trainings will also increase HUD’s ability to rely on inspection data when performing analyses and HCV program and unit assessments.

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A UPCS-based protocol will allow HUD to electronically and systematically receive and warehouse detailed inspection data from PHAs, providing HUD with the ability to analyze PHAs' HCV unit inspection results over time. This electronic inspection data will include photos that will reduce ambiguities and allow HUD to efficiently archive, analyze and assess PHA inspector noted deficiencies. Providing HCV management with an electronic solution that requires the submission of photos for each deficiency could eventually allow property owners to electronically submit deficiency remediation photos to PHAs, drastically reducing PHAs' re-inspection burden to certify remediation of noted deficiencies.

HUD has used the UPCS inspection protocol when conducting physical inspections of Public Housing (PH) and subsidized Multifamily Housing (MFH) properties for the past 16 years, overseeing more than 250,000 inspections and solidifying UPCS as the industry standard for government-assisted and affordable housing inspections. Moving to a UPCS-based standard for the HCV program would result in a scorable standard that can be used consistently within and across PHAs to produce reliable data that allows HUD to better understand the physical state of units in the HCV program.

## **5 Justification for Moving to UPCS-V**

Using the current UPCS definitions will not fully meet the inspection needs for the new inspection standards for the HCV Physical Inspection Program. Instead, HUD will leverage current UPCS definitions and modify them to develop a UPCS standard, referred to as UPCS-V, to better meet the HCV program needs. These modifications will help refine the inspection protocol and standards to create a relevant and modernized inspection standard and facilitate the consistent performance of inspections at PHAs.

### **5.1 Plan to Develop UPCS-V**

Under HQS, inspections can result in three different outcomes: "Pass," "Fail" or "Inconclusive." Inspections that result in a "Pass" outcome require no further action by the PHA. Inspections that result in "Fail" or "Inconclusive" outcomes are communicated to the owner and the tenant. These results require follow-up inspections or PHA verification to confirm the remediation of the deficiency/deficiencies. Depending upon the nature of the deficiency/deficiencies that resulted in the "Fail" or "Inconclusive" outcome, responsibility for correcting the deficiencies rests with the owner or the tenant.

As well as capturing a level of severity for all deficiencies, UPCS-V will require inspectors to capture all deficiencies that meet the standard's definition of a LTE – a deficiency that threatens the life, health and/or safety of the residents. As part of the development of UPCS-V, HUD will create a comprehensive and standardized minimum list of LTE deficiencies and descriptions, ensuring all inspectors use the same list to identify LTEs. HUD also will develop the protocol requiring owners or tenants to correct or abate LTE deficiencies within 24 hours after completion of the inspection, as well as the requirement that PHAs certify to the correction or abatement activity. UPCS-V will further address HQS' dated inspection guidance and account for widely accepted health and safety standards with provisions for items such as carbon monoxide detectors and fire extinguishers/sprinklers.

PHAs will continue to be responsible for conducting inspections and reporting the results to HUD and HUD will monitor their performance. With increased confidence in the reliability of inspection data provided by PHAs, HUD will be able to perform detailed analyses of the inspection data to better monitor the performance of PHAs and the overall physical status of units in the HCV program. The consistent performance of inspections under UPCS-V and the increased reliability of PHA inspection data also will allow HUD to generate a unit condition score for each unit. Unit condition scores will be used as a metric to assist PHAs in monitoring the habitability of units, and allow HUD to identify trends and help identify at-risk units.

## 5.2 Benefits of Transitioning to UPCS-V

UPCS-V seeks to permanently modify HQS by utilizing well-defined and observable deficiency descriptions, and instituting an inspection standard that can be used consistently within and across PHAs. The following table summarizes the UPCS-V benefits and describes how they address HQS deficiencies by developing a viable and long-term inspection standard for the HCV program.

Benefits of UPCS-V	HQS Inadequacies and Deficiencies Addressed	Effects on HCV Inspection Process
<b>Provides standardized, well-defined deficiencies and measurable requirements</b>	<b>Lack of objective, well-defined deficiencies</b> – Increases the level of ambiguity throughout the inspection process and the reliance on inspector judgment	UPCS-V avoids much of the ambiguity inherent in HQS by providing standardized, well-defined deficiencies and measurable requirements that allow inspectors to make accurate and objective decisions on a consistent basis
<b>Captures level of severity for line item deficiencies</b>	<b>Inability to capture granular condition data</b> – HUD and PHAs are unable to gain detailed insight into the physical condition of units in their HCV programs	UPCS-V inspections capture deficiencies by level of severity, allowing inspectors to capture the “true” condition of the unit; greatly enhancing HUD’s ability to understand, and accurately report on, the physical status of its HCV
<b>Ensures that the standard is up-to-date with widely accepted health and safety standards</b>	<b>Absence of modern health and safety provisions</b> – HQS does not account for many of the physical inspection codes and protocol that have evolved since the 1970s	UPCS-V will be developed to ensure that the standard is up-to-date with widely accepted health and safety standards and includes provisions for items such as carbon monoxide detectors and fire extinguishers/sprinklers
<b>Facilitates the development of uniform trainings for program stakeholders</b>	<b>Lack of HQS inspector training requirements</b> – Promotes inconsistency when performing inspections and increases reliance on inspector judgment	Uniform trainings for program stakeholders drives consistent performance of inspections within and across PHAs, and allowing HUD staff to apply universal quality assurance procedures

<b>Benefits of UPCS-V</b>	<b>HQS Inadequacies and Deficiencies Addressed</b>	<b>Effects on HCV Inspection Process</b>
<b>Creates a comprehensive and standardized list of LTE deficiencies</b>	<b>Absence of universal list of LTE deficiencies</b> – Many units exhibiting what HUD considers LTEs are passed by PHA inspectors due to inconsistent LTE lists	HUD will create a comprehensive and standardized list of LTE deficiencies that should be noted during HCV inspections, ensuring that all inspectors are utilizing the same list of deficiency descriptions to identify LTEs
<b>Defines a standard that can be used by PHAs to submit an inspection to HUD</b>	<b>Lack of PHA requirement to submit inspection data to HUD</b> – HUD does not have the ability to adequately assess units in the HCV program, monitor PHA performance or perform trend analyses	HUD will establish a standard that can be used by any program stakeholder to submit inspection data to HUD, which HUD will then score

**Table 5: Benefits of Transitioning to UPCS-V**

## **6 Conclusion and Next Steps**

As described in Section 3 above, there are serious problems with the HQS inspection protocol in its current form and application. The results of the almost 26,000 inspections conducted in the HCV Inspection Oversight Project validate this.

UPCS ameliorates the ambiguities in HQS and results in objective, consistent and replicable inspections. By transitioning to a UPCS-V inspection protocol for the HCV program, HUD will be able to develop and implement standardized observable deficiencies, develop and implement up-to-date health and safety provisions that include a standard list of LTEs. Additionally, a new HCV inspection standard will enable HUD to electronically receive and store inspection data, allowing for statistical trending and analyses. By incorporating these features into a UPCS-type inspection standard, HUD can improve the quality of the HCV program, have detailed knowledge of the physical condition of its HCV housing stock, and ensure tenants are living in decent, safe and sanitary housing.

To support the transition to UPCS-V from HQS, HUD will develop, field test and refine the UPCS-V standard and protocol. HUD will also define the Information Technology (IT) vision for the collection, storage and analysis of HCV inspection data. When fully developed and refined, HUD will seek to implement the new UPCS-V standard and protocol to all PHAs nationwide.