

# GAO Highlights

Highlights of [GAO-19-254](#), a report to congressional committees

## Why GAO Did This Study

Over 2 million low- and moderate-income households live in HUD-assisted (subsidized) or -insured multifamily housing. HUD's REAC uses contractors to inspect the physical condition of these properties to determine that they are decent, safe, sanitary, and in good repair. The 2017 Consolidated Appropriations Act, Joint Explanatory Statement, included a provision for GAO to review REAC's policies and processes.

This report discusses, among other things, (1) REAC's process for identifying physical deficiencies and (2) REAC's selection, training, and monitoring of contract inspectors and its own quality assurance inspectors. GAO reviewed HUD documents and data related to REAC's physical inspection process, use of contract and quality assurance inspectors, and enforcement processes. GAO also interviewed HUD officials and housing industry stakeholder groups and conducted discussion groups with contract and quality assurance inspectors.

## What GAO Recommends

GAO makes 14 recommendations to HUD to improve REAC's physical inspection process and its selection, training, and monitoring of contract and quality assurance inspectors, among other things. HUD agreed with 11 recommendations, partially agreed with 2, and neither agreed nor disagreed with 1. GAO maintains that its recommendations should be fully addressed to improve the inspection process.

View [GAO-19-254](#). For more information, contact Daniel Garcia-Diaz at (202) 512-8678 or [garciadiazd@gao.gov](mailto:garciadiazd@gao.gov).

March 2019

## REAL ESTATE ASSESSMENT CENTER

### HUD Should Improve Physical Inspection Process and Oversight of Inspectors

## What GAO Found

The Department of Housing and Urban Development's (HUD) Real Estate Assessment Center's (REAC) standardized process to identify physical deficiencies at HUD multifamily properties (including public housing) has some weaknesses. For example, REAC has not conducted a comprehensive review of its inspection process since 2001, even though new risks to its process have emerged, such as property owners misrepresenting the conditions of their properties. A comprehensive review could help REAC identify risks and ensure it is meeting the goal of producing inspections that are reliable, replicable, and reasonable. In addition, REAC does not track its progress toward meeting its inspection schedule for certain properties, which could hinder HUD's ability to take enforcement actions. Finally, in the wake of concerns that inspections were not always identifying troubled properties, REAC and other HUD units, including the Office of Multifamily Housing, made eight recommendations in January 2017 to enhance the inspection process, but HUD had only approved three of these recommendations and had not implemented any of them as of December 2018.

REAC uses contractors to inspect properties; these contract inspectors are trained and overseen by quality assurance inspectors hired directly by REAC. However, REAC's processes to select, train, and monitor both contract inspectors and quality assurance inspectors have weaknesses.

- **Selection.** REAC does not verify the qualifications of contract inspector candidates before they are selected to begin training to become certified inspectors. Formal processes to verify qualifications may help REAC identify unqualified candidates before they begin training and avoid expending resources on training these candidates.
- **Training.** REAC lacks formal mechanisms to assess the effectiveness of its training program for contract and quality assurance inspectors. In addition, unlike other professional inspection organizations, REAC does not have continuing education requirements. Formal mechanisms to assess the effectiveness of its training program could help REAC ensure that its program supports the development needs of inspectors. Further, requiring continuing education could help REAC ensure that inspectors are current on any changes in REAC's policies or industry standards.
- **Monitoring.** REAC has not met management targets for the number and timeliness of its inspection oversight reviews of contract inspectors. For example, REAC has not met its target of conducting three quality assurance reviews of poor-performing contractors per quarter. As a result, if deficiencies are not identified and recorded by contract inspectors, they may not be addressed in a timely manner. In addition, REAC's performance standards for its quality assurance inspectors have not been updated to reflect their broader job duties, such as conducting inspector oversight reviews and coaching and mentoring contract inspectors. Performance standards that are directly linked to these job duties would help ensure that inspectors are assessed on all of their key responsibilities.