



OFFICE *of*
INSPECTOR GENERAL
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UNITED STATES DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

HUD Field Service Management Quality Assurance Surveillance Plans

Office of the Chief Procurement Officer
Washington, DC | 2023-BO-0002

March 30, 2023

Date: March 30, 2023

To: Jimmy Fleming-Scott
Chief Procurement Officer, N

Julie Shaffer
Acting Deputy Assistant Secretary for Single Family Housing, HU

//signed//
From: Kilah S. White
Assistant Inspector General for Audit, GA

Subject: HUD Could Improve Its Field Service Management Quality Assurance Surveillance Plans

Attached are the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our audit of HUD's administration of the field service management quality assurance surveillance plans for management and marketing contracts.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, as amended, requires that OIG post its reports on the OIG website. Accordingly, this report will be posted at <https://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call Ronald Lloyd, Audit Director, at (617) 994-8345.

Highlights

HUD COULD IMPROVE ITS FIELD SERVICE MANAGEMENT QUALITY ASSURANCE SURVEILLANCE PLANS | 2023-BO-0002

What We Audited and Why

We audited the U.S. Department of Housing and Urban Development's (HUD) Office of the Chief Procurement Officer's use of its quality assurance surveillance plan (QASP) for its Atlanta Homeownership Center field service management (FSM) housing contracts. We initiated the audit to support HUD's priority on increasing efficiency in procurement. An assessment of HUD's use of its QASP, as part of its 3.10 FSM 5-year contract solicitation, could help HUD improve its overall effectiveness in contract administration. Our audit objective was to determine whether HUD effectively administered QASPs for its FSM contracts to assist in achieving HUD's mission.

What We Found

HUD's Atlanta Homeownership Center did not effectively develop and implement a QASP for the six FSM contracts reviewed. It did not (1) include all contract performance tasks requiring surveillance in its monitoring plans, (2) sufficiently review and accurately rate contractor performance, or (3) consistently document contractor performance in the Contractor Performance Assessment Reporting System (CPARS). These conditions occurred because HUD lacked controls to ensure that the QASP was used for contractor performance monitoring. Instead, HUD implemented a field service manager contract monitoring plan to measure contractor performance in a freestanding database, which did not include all performance standard tasks required for monitoring and did not align with the contracts' acceptable quality levels of performance measurement. As a result, HUD lacked the structure necessary to ensure that contractors were held accountable for their performance in accordance with contractual requirements.

What We Recommend

We recommend that HUD's Chief Procurement Officer (1) direct the contracting officers to update the QASP to include all minimum performance requirements and oversee the implementation of the QASP with HUD's FSM contracts, (2) require the contracting officers to timely complete CPARS reports and submissions to the governmentwide system for use by all Federal agencies, (3) require all staff involved in FSM contracts' oversight to maintain required documentation to support the contracts, and (4) require the contracting officers to designate contracting officer representatives in a timely manner. We also recommend that the Acting Deputy Assistant Secretary for Single Family Housing ensure that contracting officer representatives (1) are involved with the development, implementation, and documentation of the FSM QASP to monitor contractor performance; (2) ensure that ratings are aligned with the contract; and (3) complete CPARS in a timely manner.

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Background and Objective

The U.S. Department of Housing and Urban Development's (HUD) Office of the Chief Procurement Officer (OCPO) was created in 1998 to streamline and improve procurement operations. OCPO is responsible for obtaining goods and services needed to support HUD's missions in the most cost-effective manner as well as providing procurement-related advice, guidance, and technical assistance to HUD program offices. After a contract is awarded, OCPO and program office staff work together to oversee the successful completion of contract deliverables and quality services.

HUD's Office of Single Family Housing administers the Federal Housing Administration's (FHA) mortgage insurance programs for mortgages secured by new or existing single-family homes, condominium units, manufactured homes, and homes needing rehabilitation. When homeowners default on FHA-insured mortgages and lenders foreclose, lenders deed the home to the Secretary of HUD in exchange for an insurance claim payment. As a result of these home acquisitions, HUD is the largest single seller of real estate in the country. Since 1999, HUD has outsourced the maintenance and marketing of its foreclosed-on FHA housing inventory to field service managers. Field service managers are companies that provide property preservation and maintenance services for HUD's acquired properties, such as inspecting the property, securing it, and performing ongoing maintenance and repairs. They also propose technical solutions to provide a detailed description of the procedures, documents, or reports that will be developed to support the services requested, including property management, required reporting, and quality assurance.

HUD conducts its contracting within five principal offices: the Administration Support Division, the Program Support Division in headquarters, and the three Offices of Field Operations located in Philadelphia, Atlanta, and Denver. Besides their principal offices, the Offices of Field Operations have branches and staff located in other cities within their jurisdiction. Meanwhile, OCPO is responsible for ensuring that a quality assurance surveillance plan (QASP) is established to monitor and evaluate contractor performance and ensure that the objectives of the contract are met. The QASP is used in performance-based contracts to assess the quality, quantity, and timeliness of supplies delivered and services performed by the contractors. The QASP is the Government's counterpart to the contractor's quality control plan. It also provides a means of evaluating whether the contractor meets the performance standards and quality levels identified in the performance work statement and the contractor's quality control plan and ensuring that the Government pays only for the level of services received.

HUD developed a field service management (FSM) QASP to provide contractor performance oversight. In conjunction with the contractor's quality control plan, a contract deliverable, the contracting officer representatives (CORs) verify and determine that contract performance tasks have been completed. Regular review of contractor performance is critical to the overall success of the contract. Also, HUD developed and implemented a field service manager contract monitoring plan located in its FSM qualitative monitoring database with select tasks, instead of all QASP tasks, to monitor contractor performance, including its own internal rating system not aligned with the contract's acceptable quality levels. The contractor's quality control plan ensures that the Government receives the level of quality that is consistent with the requirements in the FSM contracts. The quality control plan provides the contractor's methodology for establishing an internal feedback system to resolve problems identified by the Government during reviews conducted in accordance with the QASP. It validates that the services or

deliverables provided under the contract have been completed with a level of quality that meets the minimum performance threshold established in the Government's QASP.

The contracting officer formally delegates contract surveillance duties and technical oversight to a COR, who is typically nominated by the program office. The COR serves as HUD's primary liaison between the contracting officer and the contractor regarding technical aspects of a contract after issuance of a written delegation of authority memorandum by the contracting officer.

The six largest FSM contracts managed by the Atlanta Homeownership Center were issued from January 2016 through December 2020, totaling around \$7.7 billion.

Our audit objective was to determine whether HUD effectively administered a QASP for its FSM contracts to assist in achieving HUD's mission.

Results of Audit

FINDING: HUD'S FIELD SERVICE MANAGEMENT QUALITY ASSURANCE SURVEILLANCE PLANS HAD WEAKNESSES

HUD's Atlanta Homeownership Center did not effectively develop and implement a QASP for the six FSM contracts reviewed. It did not (1) include all contract performance tasks requiring surveillance in its monitoring plans, (2) sufficiently review and accurately rate contractor performance, or (3) consistently document contractor performance in the Contractor Performance Assessment Reporting System (CPARS). These conditions occurred because HUD lacked controls to ensure that the QASP was used for contractor performance monitoring. HUD implemented a field service manager contract monitoring plan instead of a QASP to measure contractor performance in an FSM qualitative monitoring database, which did not include all performance standard tasks required for monitoring and did not align with the contracts' acceptable quality levels' performance measures. The field service manager contract monitoring plan did not meet HUD's own requirements for a QASP. Also, the contracting officer did not take lead responsibility to ensure that a QASP, appropriate for the contract, was developed and used throughout the contract. Further, contracting officials did not ensure that contracting officer representatives (CORs) always completed the CPARS reports at least annually and before contract options or maintained the required documentation in the contract file.

As a result, HUD lacked the structure necessary to ensure that contractors were held accountable for their performance in accordance with contractual requirements at acceptable quality levels. Further, HUD could be affecting other Federal agencies, which depend on the reporting of contractors' past performance when considering future awards.

Contract Oversight Was Not Sufficiently Developed To Include Key Performance Measures

Federal Acquisition Regulation (FAR) 46.401 calls for the QASP to be prepared in conjunction with a contract's statement of work and specify all work requiring monitoring and how that oversight should take place.¹ Accordingly, each contract reviewed required use of the QASP to define how performance standards would be applied, the frequency of monitoring, and the minimum acceptable quality levels.

For all six contracts reviewed, 3 of 12 performance tasks in the contracts' performance work statements were not included in the QASP. These three performance tasks related to initially securing property conveyed to HUD, inspecting and securing custodial properties, and processing and responding to purchaser post-closing complaints. All three are performance objectives that must be achieved by the contractor. However, HUD officials stated that not all tasks in the performance work statement were included in the QASP because some tasks were tracked in HUD's P260 case management system, which OCPO, the Office of Single Family Housing, and the Office of Asset Management developed to quantitatively score and monitor the contractors. For example, custodial HUD-held mortgage properties were assigned to an FSM contractor through the P260 system or by the COR. In addition, HUD officials

¹ See appendix B for details on applicable requirements.

stated that purchaser complaints were tracked informally through phone calls and emails. However, we were unable to locate a justification from OCPO or the Atlanta Homeownership Center for leaving some performance tasks off the QASP but not others. HUD stated that contractor quantitative performance measures were in the P260 system based on the QASP and the qualitative measures were developed by OCPO and the Office of Single Family Housing in the FSM qualitative monitoring database.²

Instead of using the QASP as required, OCPO developed and implemented a field service manager contract monitoring plan in the FSM qualitative monitoring database to ensure consistency and standardization across the four homeownership centers, but this plan did not include another 4 of 12 contract performance tasks relating to (1) ensuring environmental compliance, (2) checking for termites and wood-destroying organisms, (3) performing cosmetic enhancements and repairs, and (4) ensuring the completion of required reports. HUD officials noted that these performance tasks were not listed as separate categories in its FSM qualitative monitoring database but may have been addressed in its P260 system through work order notifications or informal emails and were not always documented in COR contract files as required. Also, CORs edited the qualitative memorandums, which are contractor performance scoring metrics, from the FSM qualitative monitoring database with a narrative to address additional issues provided monthly to the contractor. See appendix C for details on the workflow of contractor performance monitoring. However, HUD's field service manager contract monitoring plan and related qualitative monitoring database did not meet the needs of the QASP because they did not consistently capture the HUD selected elements of the contracts' performance work statement and performance requirement summary for QASP monitoring.

As a result of using monitoring systems other than the QASP, HUD officials were unable to effectively manage contractor performance across all contract elements or consistently rate performance in accordance with contract requirements.

HUD Did Not Consistently Monitor and Evaluate Its FSM Contractors' Performance

Contracting officers designate authorized representatives called contracting officer representatives (CORs) to assist in administering contracts to perform specific functions, including monitoring for contractor performance.³ Through that designation, CORs are authorized and required to monitor and evaluate the contractor performance and make timely reports of findings to the contracting officer. CORs are required to review monthly quality control reports from contractors as well as ensure that the terms of the contract are met by documenting completion of all services described in the contract's performance work statement to an acceptable level. However, CORs for the six FSM contracts reviewed did not use quality control review reports as intended, inaccurately rated contractor performance using

² The FSM qualitative monitoring database is a stand-alone system used to perform desk audits of qualitative metrics of FSM contractor performance.

³ HUD Handbook 2210.3, REV-10, subpart 2401.602-2, states that the COR must be designated no later than the date when the requisition for the contract action for which the COR will be responsible is submitted to HUD OCPO. See appendix B for details on applicable requirements.

qualitative rating memorandums, and inconsistently used CPARS reports by either nonsubmission or assessing contractors' performance late.

Quality Control Review Reports

CORs could not provide evidence of maintaining and reviewing 34 of 175 required monthly quality control review reports across the six contracts reviewed.⁴ In addition, 126 of these reports were incomplete because they did not include the contractors' response to HUD's scorecard and qualitative memorandum findings.⁵ If used correctly, a contractor's quality control review report should provide insight into the contractor's internal feedback system to resolve problems identified by the Government during reviews conducted in accordance with the QASP. As a result, HUD could have been vulnerable to receiving subpar services that were not in accordance with contractual requirements and may not have focused on the quality, quantity, and timeliness of performance outputs.

Qualitative Rating Memorandums

The results of contractor performance monitoring in accordance with the field service manager contract monitoring plan were compiled in a qualitative memorandum that provided an overall rating, which was incorporated into the quantitative scorecard. The qualitative memorandums work closely with the scorecard metrics. The CORs reviewed and edited the qualitative memorandum, from the FSM qualitative monitoring database, with a narrative as needed for issues not addressed. Then, the COR selected and placed an overall performance rating on the scorecard qualitative line item of either exceeding, satisfactory, or not satisfactory. Both the qualitative memorandum and scorecard were provided to the contractor monthly to ensure contract terms were met and quality work performed. The field service manager contract monitoring plan included standards and acceptable quality rating levels: (1) exceeding (if the pass rate of cases reviewed was greater than 97 percent), (2) satisfactory (if the pass rate of cases reviewed was between 95 and 96.9 percent), or (3) not satisfactory (if the pass rate of cases reviewed was less than 95 percent).

However, in some instances, the quality rating levels and tasks in the field service manager contract monitoring plan located within the FSM qualitative monitoring database were different than the quality rating levels and tasks found in the QASP. As a result, when evaluating the quality of the contractors' work performance, CORs did not accurately apply the contracts' required acceptable quality level ratings found in the QASP on 82 of 142 monthly qualitative memorandums. For example, one qualitative

⁴ HUD's field service manager contract monitoring plan required the CORs to provide a summary of their review of these contractor-provided reports, including (1) acknowledgement of receipt by the 10th of the month, (2) whether deficiencies identified on the prior month's scorecard were addressed, (3) whether quality control findings reported by the contractor were consistent with HUD staff findings, and (4) whether the contractor provided a remedy to issues noted. See appendix B for details on applicable requirements.

⁵ HUD's scorecard is a performance quantitative scoring metric provided to contractors monthly from HUD's P260 system. It works together with the field service manager contract monitoring plan and monthly qualitative memorandums to ensure contractors are adhering to contract terms along with standardization for HUD across the four homeownership centers.

memorandum gave a contractor a “satisfactory” score for three of four tasks when under the QASP the contractor should have received “not satisfactory.”

In addition, to be appropriately authorized to assist contracting officers in administering contracts to perform specific functions, including monitoring for contractor performance, CORs must be formally designated by a contracting officer in writing. The contracting officers responsible for the six contracts did not formally designate five of the CORs until an average of around 6 months into the contracts’ execution (the remaining COR was not designated at all), resulting in CORs’ addressing 66 qualitative memorandums to the contractors without the authorization or authority to represent the agency.

The CORs inaccurately rated contractor performance because HUD implemented and followed its field service manager contract monitoring plan to measure contractor performance that used different scoring metrics than the contract’s requirements in the QASP. The field service manager contract monitoring plan within the FSM qualitative database did not align with the performance tasks, acceptable quality level ratings, and deviations in the contract. In part, this discrepancy occurred because the field service manager contract monitoring plan qualitative database had been developed more than 5 years earlier and the performance measures and standards had not been updated since February 2015, nearly 2.5 years before the six contracts reviewed were executed. Therefore, HUD created a contract qualitative monitoring database, which included acceptable quality rating levels and scoring metrics that were not aligned with the acceptable quality rating levels in the field service manager contract monitoring plan, the QASP, or the contracts’ performance requirement summary. As a result, contractor performance was inaccurately monitored and evaluated.

In addition, the acceptable quality level ratings for performance elements within HUD’s FSM qualitative monitoring database did not align with the QASP or expectations within the contracts themselves. Despite HUD’s attempt to ensure consistency and standardization across the four homeownership centers through scorecards within its P260 system and the field service manager contract monitoring plan metrics within the FSM qualitative monitoring database, the metrics had lower acceptable quality levels than the contract, which generated conflicting “satisfactory” rather than “not satisfactory” ratings.

As shown in the table below, performance expectations within the QASP, the field service manager contracting monitoring plan, and the FSM qualitative monitoring database did not consistently reconcile with contractual performance requirements. The table shows the discrepancies between the contracts’ performance requirement summary, the QASP, the field service manager contract monitoring plan, and the FSM qualitative monitoring database for contractor monitoring. Of the 12 performance tasks in the contracts’ performance work statements, 3 were not included in the QASP or field service manager contract monitoring plan. Of the remaining nine performance tasks, two metrics from the QASP were inconsistent with the contract performance requirement summary (tasks 1 and 2). Though three metrics from the field service manager contract monitoring plan and FSM qualitative monitoring database maintained a similar lowest value for an acceptable quality level, they did not fully align with contractual requirements (tasks 3, 4 and 5). The remaining four metrics did not have performance measures in the field service manager contract monitoring plan or FSM qualitative monitoring database (tasks 6 through 9).

Task	Description	Acceptable quality level			
		Contracts' performance requirement summary	3.10 FSM QASP (version 1.0)	Field service manager contract monitoring plan	Qualitative memo in FSM monitoring database
1	Inspections	Standard: 95% (allow 5% deviation)	Standard: 100% (zero deviation)	Not listed	Not listed
2	Required reports	Standard: 95% (allow 5% deviation)	Standard: 100% (zero deviation)	Not listed	Not listed
3	Property maintenance	Standard: 100% (allow 5% deviation)	Standard: 100% (allow 5% deviation)	Exceeding: 97% Satisfactory: 95% - 97% Not satisfactory: < 95%	Satisfactory: < 95%
4	HUD property inspections	Standard: 100% (allow 5% deviation)	Standard: 100% (allow 5% deviation)	Exceeding: 97% Satisfactory: 95% - 97% Not satisfactory: < 95%	Satisfactory: < 95%
5	Health and safety hazards, emergency repairs	Standard: 100% (allow 5% deviation)	Standard: 100% (allow 5% deviation)	Exceeding: 97% Satisfactory: 95% - 97% Not satisfactory: < 95%	Satisfactory: < 95%
6	Initial cleanout services	Standard: 100% (allow 5% deviation)	Standard: 100% (allow 5% deviation)	Not listed	Not listed
7	Environmental compliance	Standard: 100% (zero deviation)	Standard: 100% (zero deviation)	Not listed	Not listed
8	Termites and wood-destroying organisms	Standard: 100% (allow 5% deviation)	Standard: 100% (allow 5% deviation)	Not listed	Not listed
9	Cosmetic enhancements and repairs	Standard: 100% (allow 5% deviation)	Standard: 100% (allow 5% deviation)	Not listed	Not listed

HUD officials stated during our review that the FSM contractors had a history of nonperformance and contract options were not always exercised on three of the contracts reviewed because FSM services were realigned with contractors that performed better.

CPARS EVALUATION REPORTS

Tracking current and past contractor performance is a key component of effective monitoring. FAR 42.1502 requires past performance evaluations to be prepared at least annually and when work under a contract is completed using the governmentwide CPARS evaluation reporting tool. HUD's Procurement Handbook calls for these evaluations to be conducted at least 60 days before contract completion on

contracts with options to permit timely consideration of contractor performance before the exercise of an option.⁶

HUD did not consistently complete or submit evaluations in a timely manner in CPARS for any of the six contracts reviewed. HUD’s contract monitoring desk guide for CORs stated the contracting officers must place and maintain a copy of all evaluations in the contract file. These contracts collectively covered 3.5 years of services rendered during the audit period, yet the contractor performance in 2 of those years was not captured or properly documented in CPARS. The submissions to the system averaged from 3 to 12.5 months late as shown in the table below.

Contract	CPARS ratings required	CPARS ratings not completed	CPARS ratings completed late	Average number of months late
1	1	1	-	-
2	2	-	2	11.5
3	2	-	2	12.5
4	4	2	2	2.75
5	3	1	2	5.5
6	3	-	3	9.5

This condition occurred because HUD lacked controls to ensure that contracting officers and CORs properly documented contractors’ past performance evaluations. As a result, the contractors were not effectively evaluated as required before options were exercised on the multiple-year FSM contracts. Untimely or absent evaluations can also affect other Federal agencies, which depend on CPARS for Government contractor performance information when selecting contractors.

Conclusion

Opportunities exist for HUD to improve oversight of its Atlanta Homeownership Center FSM contracts to ensure that it achieves HUD’s mission. HUD lacked quality assurance for its FSM contracts to ensure that contractors were held accountable for their performance in accordance with contractual requirements established in the contracts’ QASP, and the contract performance requirement summary acceptable quality levels. Further, HUD did not submit complete or timely information about its contractors’ performance to the system used by other Federal agencies when selecting contractors. As a result, HUD risked receiving subpar services.

⁶ See appendix B for details on applicable requirements.

Recommendations

We recommend that the Chief Procurement Officer

- 1A. Direct the contracting officers to review the current FSM contracts' QASP and update accordingly to ensure that all minimum contract requirements are included.
- 1B. Direct the contracting officers to oversee the implementation of the current FSM contracts' QASP.
- 1C. Require the contracting officers to implement the policies and procedures in the HUD Acquisition Policy and Procedure Handbook for completion of HUD's FSM contractor performance assessment reports in CPARS to ensure that Government past performance is documented properly and in a timely manner, at least annually, for use by all Federal agencies and maintained in the contract files.
- 1D. Require all staff involved in the oversight of FSM contracts to maintain the required documentation in the official contract file identified by HUD policy to support the contracts.
- 1E. Update HUD's field service manager contract monitoring plan and FSM qualitative monitoring databases used to monitor contractor performance to align with the QASP and contractual requirements as noted in recommendation 1G below.
- 1F. Require the contracting officers to formally designate CORs in a timely manner and maintain the required documentation in the proper location identified in the relevant HUD policies and procedures, which fully supports the CORs' oversight of the FSM contract.

We recommend that the Acting Deputy Assistant Secretary for Single Family Housing

- 1G. Coordinate with OCPO to require that the contracting officers and CORs be involved in the development, implementation, and documentation of the FSM QASPs for their FSM contracts to ensure that performance statements, acceptable quality levels, and deviation percentages are aligned with the contracts' requirements in the performance work statement, the performance requirement summary, and the contractor's quality control plan.
- 1H. Coordinate with OCPO to require the contracting officers and CORs to monitor contractor performance to ensure that evidence is maintained and documented in the contract files for each performance statement completed in the FSM QASPs and that contractor quality control report deliverables resolve problems identified by the Government during reviews conducted in accordance with the QASP for its future FSM contracts.
- 1I. Require the CORs to ensure that contractor past performance evaluations are prepared at least annually and as required by HUD policy to ensure that reporting of contractors is completed properly and in a timely manner for contract options and in CPARS.

Scope and Methodology

We performed our audit remotely from May 2021 to May 2022. Our audit period covered January 2016 to December 2020.

To accomplish our objective, we

- Reviewed the Atlanta Homeownership Center 3.10 QASP requirements for its contractors. See appendix B for details on applicable requirements.
- Reviewed the FAR and HUD Acquisition Regulation (HUDAR), HUD Handbook 2210.3, REV-10, and HUD's policies and procedures for the QASP requirements and contractor performance monitoring. See appendix B for details on applicable requirements.
- Compared the FSM QASP surveillance matrix to the contracts' performance work statement and performance requirement summary to HUD's field service manager contract monitoring plan to determine whether it contained all work requiring surveillance and the method of surveillance.
- Interviewed HUD OCPO, Office of Single Family Housing, and Atlanta Homeownership Center management and staff.
- Selected and reviewed a sample of the six largest FSM contracts to review its QASP, its field service manager contract monitoring plan, and HUD's monitoring of the contractors' performance.
- Obtained and reviewed supporting documentation of HUD's surveillance of its FSM contractors' performance according to contractual requirements and the methodology used.

To determine whether HUD effectively administered its QASP for its FSM contracts to assist in achieving HUD's mission, we obtained data for the FSM contracts. We sorted the contracts by award amount and initially selected the seven largest contracts, totaling nearly \$9 billion, for review. These seven contracts were hybrid indefinite delivery-indefinite quantity, fixed unit rate contracts that had the same award amount for the same type of service (maintenance of other residential buildings), were considered high risk, were awarded to five different vendors, and were overseen by the Office of Single Family Housing's Atlanta Homeownership Center. We removed one contract from our review because OCPO informed us that the contractor was under a small business set-aside and it did not meet the criteria for this type of contract and was, therefore, not executed. We selected a nonstatistical sample; therefore, the results were not projected to the population.

During the period January 2016 through December 2020, HUD awarded 3,953 contracts, modifications, and task orders totaling \$47.3 billion. We selected the six largest contracts, which totaled around \$7.7 billion. These six contracts were managed by the Atlanta Homeownership Center. The table below provides details on the six FSM contracts.

Contract	Contract area	Effective date	Expiration date	PRISM award amount
1	3A	6/01/2017	5/31/2018	\$1,282,982,844
2	4A	6/01/2017	6/13/2019	1,282,982,844
3	5A	6/01/2017	6/13/2019	1,282,982,844
4	7A	6/01/2017	7/31/2021	1,282,982,844
5	8A	6/01/2017	5/31/2021	1,282,982,844
6	6A	7/13/2017	7/31/2021	1,282,982,844
Total				7,697,897,064

We relied on HUD’s Purchase Request Information System Management (PRISM) system and compared it to the Federal Procurement Data System contract data from the beta.cam.gov public website to identify the universe and ensure that we selected the largest contracts. However, we did not solely rely on computer-processed data to reach our conclusions. Therefore, we did not assess the reliability of HUD’s system data. Instead, we used source documentation to determine whether HUD effectively administered its QASP for its FSM contracts.

We determined that the internal controls over program operations, compliance with laws and regulations, validity and reliability of data, and safeguarding of assets were relevant to our audit objective. We assessed HUD’s internal controls over its administration of its FSM QASP to determine whether they were effective to hold contractors accountable for their performance in accordance with contractual requirements established in the FSM QASP, the field service manager contract monitoring plan, and the established performance requirement summary acceptable quality levels. We determined that HUD did not ensure that adequate controls were in place to meet contract quality assurance requirements for the monitoring of contractor performance in the QASP and the field service manager contract monitoring plan because they did not contain all of the work task elements and requirements in the FAR; HUDAR; and HUD Handbook 2210.3, REV 10, HUD Acquisition Policy and Procedures Handbook. See appendix B for details on applicable requirements.

We conducted the 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 objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendixes

APPENDIX A - AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation – Auditee Comments



U.S. Department of Housing and Urban Development
Washington, D.C. 20410

CHIEF PROCUREMENT OFFICER

Comment 1 >

MEMORANDUM FOR: Kilah S. White, Assistant Inspector General for Audit, GA
FROM: Jimmy Fleming-Scott, Chief Procurement Officer, N
SUBJECT: Response on Draft Audit Report 2023-BO-000X
REFERENCE: HUD Field Service Management Quality Assurance Surveillance Plans

Comment 2 >

Office of the Chief Procurement Officer (OCPO) appreciates the Office of Inspector General's review and draft report on HUD's Field Service Management Quality Assurance Surveillance Plans. OCPO has the following edits/comments associated with draft audit report:

Comment 3 >

Comment 4 >

- The draft/final audit report should be addressed to the principal of the identified program office(s). In the case of OCPO, it is Mr. Jimmy Fleming-Scott.
- On Page 7, related to the finding "For all six contracts reviewed, 3 of 12 performance tasks in the contracts' performance work statements were not included in the QASP. These three performance tasks related to initially securing property conveyed to HUD, inspecting and securing custodial properties, and processing and responding to purchaser post-closing complaints";
- OCPO notes that there is a negative disincentive contained in the FSM contracts related to the initial securing services. The contracts contain the clause 52.211-11 LIQUIDATED DAMAGES – SUPPLIES, SERVICES, OR RESEARCH AND DEVELOPMENT. (SEPT 2000) which requires reimbursement at a prorated amount of the CLIN 0004 price when the initial securing services are not provided timely. While this is not captured on the scorecard, HUD's CORs are required to separately monitor and assess the Liquidated Damages on the monthly invoicing;
- Additionally, the requirement for inspection and securing of custodial properties is included in the performance numbers, but not separately broken out on the scorecards. Custodial properties require general exterior maintenance and securing. The inspection numbers and timeliness are rolled up into the overall numbers contained in the monthly scorecards and are not further broken out by property type, to include custodial properties;
- On Page 12, the report identifies that "HUD's Procurement Handbook calls for these evaluations to be conducted at least 60 days before contract completion on contracts with

Ref to OIG Evaluation – Auditee Comments


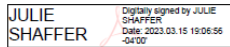
Comment 5 >

options to permit timely consideration of contractor performance before the exercise of an option”;

- OCPO would like to note that it requires draft CPARS reports to be input into the CPARS system at least 60 days prior to the expiration of the current period for options. Reports cannot be finalized in CPARS until after the current period is completed. Any reports finalized with time still remaining in the current period will have the period end date changed to the date the report is completed, and therefore a new condensed report would need to be created and finalized in the CPARS system for the remainder of that period. Documentation of the draft report is one of the required documents that is to be submitted with the Requisition to exercise the available option in accordance with OCPO’s Requirements Matrix.

If you have any questions concerning the edits/comments in response to the draft audit report, please contact Mr. Craig Karnes, Assistant Chief Procurement Officer (ACPO) for Field Operations, at 678- 732-2644 or Mr. Lawrence Chambers, Director, Risk Management and Compliance Division, at 202-402-6716.

Ref to OIG Evaluation – Auditee Comments

	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT WASHINGTON, DC 20410-8000
OFFICE OF HOUSING	
	March 15, 2023
MEMORANDUM FOR:	Kilah S. White, Assistant Inspector General for Audit, GA
	
FROM:	Julie Shaffer, Acting Deputy Assistant Secretary for Single Family Housing, HU
SUBJECT:	Discussion and Comments on Draft Audit: HUD Field Service Management Quality Assurance Surveillance Plans OIG Audit Report Number: 2023-BO-000X Issue Date: February 23, 2023
	<p>The Office of Inspector General (OIG) has audited the U.S. Department of Housing and Urban Development's (HUD) Office of the Chief Procurement Officer's (OCPO) use of its Quality Assurance Surveillance Plan (QASP) for its Atlanta Homeownership Center Field Service Management (FSM) contracts. The OIG initiated the audit to support HUD's priority on increasing efficiency in procurement and the audit objective was to determine whether HUD effectively administered QASPs for its FSM contracts to assist in achieving HUD's mission. The OIG presented the draft audit report during the exit conference on Tuesday, March 7, 2022, and provided the Office of Single Family Housing (Single Family) and OCPO the opportunity to submit comments.</p> <p>Single Family appreciates the OIG's perspective regarding the efficiency in procurement to assist in achieving HUD's mission. Below, we provide responses to the OIG's finding to the <i>Contract Oversight Was Not Sufficiently Developed To Include Key Performance Measures</i> section found on pages 7 and 8 of the draft audit report. It is also noted here that since this audit occurred, Single Family has enhanced its monitoring tools even more by incorporating the qualitative review section of the scorecard into the Asset Disposition and Management System (P260) replacing the freestanding database.</p> <p>Single Family would like to provide clarification regarding the auditors' finding that contract oversight was not sufficiently developed to include key performance measures:</p> <ol style="list-style-type: none">1) Single Family believes the three performance tasks referenced in the audit (page 7) are included in the review process. For instance, <i>Initial Securing</i> is a component of the quantitative and qualitative section of the monitoring plan and QASP per sections 5.2.2.1 and 5.2.3.1. Secondly, <i>Custodial Properties</i> are an acquisition type that are reviewed under the quantitative and qualitative plans per sections: 5.2.2.1, 5.2.3.2 and 5.2.2.3.1.
	<p>www.hud.gov espanol.hud.gov</p>

Comment 6 >

Ref to OIG Evaluation – Auditee Comments

Comment 7 >

Lastly, Purchaser Post Closing complaints are being reviewed in the Contracting Officer Representative's (COR) qualitative report.

- 2) Single Family believes the four performance tasks in the performance requirement summary and QASP referenced in the audit (page 8) are also included in the review process. Sections 5.2.4 *Environmental Compliance*, 5.2.5 *Termites and Wood Destroying Organisms*, and 5.2.7 *Cosmetic Enhancements*, are monitored and reviewed by the COR via real time Work Order Notifications in the P260 case management system. The *Required Reports* (Property Management Plan, Quality Control Plan, Contingency Plan etc.) are due in the transition phase of the contract term as defined in the Performance Work Statement (PWS). The FSM monthly Quality Control plan review is collected by the COR on the 10th of each month and is documented in the qualitative section of the scorecard.

Comment 8 >

While Single Family does believe the above mentioned items are currently covered in its review process, we do recognize that clarifications and additional instruction could be beneficial to the QASP. As Single Family prepares for the next round of FSM contracts, we will undertake a thorough review of the current PWS to ensure all requirements are clearly defined in the QASP and make updates as needed. The revised QASP will clearly state the process for reviewing, responding to, and archiving the FSM monthly Quality Control Reports as well as the Single Family's qualitative and quantitative scorecards. Single Family will also provide its CORs with additional instructions on how to evaluate and provide the annual contractor assessments to OCPO so that they can process in the Contractor Performance Assessment Reporting System (CPARS). Single Family will provide additional details regarding these changes when responding to the final audit report and providing evidence to satisfy the audit recommendations.

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OIG Evaluation of Auditee Comments

- Comment 1 We provided HUD a copy of the draft report on February 23, 2023, and held an exit conference with staff from HUD’s Office of the Chief Procurement Office (OCPO) and Office of Single Family on March 7, 2023, to discuss the results of the audit. We requested that we receive written comments for this report by March 24, 2023. On March 23, 2023, OCPO provided a draft copy of their written comments. However, we did not receive a final copy of their written comments. Therefore, we included OCPO’s draft comments into the report for our evaluation.
- Comment 2 We addressed the report to HUD’s Chief Procurement Officer as requested.
- Comment 3 We acknowledge that the CORs may monitor and assess the liquidated damages on the monthly invoicing relating to timely initial securing services in the P260 system. HUD implemented and followed its field service manager contract monitoring plan to monitor contractor performance instead of the QASP. During the audit, we requested documentation to show how the performance tasks were achieved through the contract monitoring plan. HUD provided the scorecard from its P260 system and qualitative memo from its FSM qualitative monitoring database that did not align with the contracts’ acceptable quality level measures and performance tasks. To resolve this issue, HUD needs to update its contract monitoring plan and FSM qualitative monitoring databases to align with the QASP and the contractual requirements to show how these performance tasks are measured.
- Comment 4 We acknowledge that the custodial properties were rolled up in the overall numbers but not broken out by property type. During the audit, we requested documentation to show how the performance tasks were achieved through the contract monitoring plan, but HUD did not provide evidence on how the performance task was monitored and completed. Instead, HUD stated the custodial properties were tracked in different ways until the title was turned over to HUD. To resolve this issue, HUD needs to update its contract monitoring plan and FSM qualitative monitoring databases to align with the QASP and the contractual requirements to show how these performance tasks are measured.
- Comment 5 We acknowledge that CPARS reports cannot be finalized in the CPARS system until after the current period is completed. The CPARS reports are considered a draft report when they are prepared at least 60 days prior to the expiration of the current contract period for options. During the exit conference, we explained that the average months late for the CPARS reports in the report were based on a conservative estimate by determining the timeliness calculation from the end of each contract period or when the work was completed. Therefore, the average months late summarized in the table for the submission of CPARS reports was not adjusted in the audit report.
- Comment 6 Although HUD mentioned it believed these three performance tasks were included in HUD’s review process, we did not receive the documentation to support that

each performance task was monitored. Instead of using the QASP, HUD used the field service manager contract monitoring plan for contractor performance monitoring. Therefore, we found that the performance requirement summary, the QASP, and the contract monitoring plan did not contain 5.2.2.2 Initial Securing, 5.2.6 Custodial Properties, and 5.2.8 Purchaser Post Closing Complaints as categories.

Comment 7 Neither HUD's field service manager contract monitoring plan, nor its FSM qualitative monitoring database measured the four performance tasks in the contracts' performance requirement summary and the QASP. To ensure adequate monitoring for future FSM contracts, HUD needs to show that the FSM contract monitoring plan is aligned with the contract's requirements and the QASP.

Comment 8 We are encouraged that HUD recognizes that clarifications and additional instruction could be beneficial to the QASP, and a thorough review will be undertaken for the next FSM contracts to ensure all contract requirements are defined in the QASP. Also, we appreciate that HUD will provide CORs additional instructions on proper submission of the CPARS reports and evidence to satisfy the audit recommendations.

APPENDIX B – CRITERIA

Reference material	
<p>Title 48 - FAR</p>	<p>FAR 37.604 requires that QASPs be established either by the Government preparing or the offerors preparing and submitting a proposed QASP for the Government’s consideration in the development of the Government’s plan.</p> <p>FAR 46.401(a) states that the QASPs should be prepared in conjunction with the preparation of the statement of work and should specify all work requiring surveillance and the method of surveillance.</p> <p>FAR 42.1501(b) requires agencies to monitor the contractors’ compliance with the past performance evaluation requirements and to use CPARS and the Past Performance Information Retrieval System metric tools to measure the quality and timely reporting of past performance information.</p> <p>FAR 42.1502(a) requires that past performance evaluations be prepared at least annually and at the time the work under a contract or order is completed. Past performance information must be entered into CPARS, which is the governmentwide evaluation reporting tool for all past performance reports on contracts.</p> <p>FAR 42.1502(c) requires agencies to prepare an evaluation of contractors’ performance for each contract and each order that exceeds the simplified acquisition threshold.</p> <p>FAR 42.1503(a)(1) states that agencies must assign responsibility and management accountability for the completeness of past performance submissions.</p>
<p>HUDAR</p>	<p>We reviewed the HUDAR sections for service contracts and contract administration. The HUDAR was issued to provide uniform departmental policies and procedures for the acquisition of supplies, personal property, and nonpersonal services by HUD’s contracting activities and to make these policies and procedures readily available to departmental personnel and to the public.</p> <p>Part 2401.601-70 states that unless otherwise designated by the HUD Secretary through a delegation of authority, OCPO is HUD’s Senior Procurement Executive and is responsible for all departmental procurement policy, regulations, and procedures and oversight of all HUD procurement operations. The Senior Procurement Executive is also responsible for the development of HUD’s procurement system standards, evaluation of the system in accordance with approved criteria, enhancement of career management of the procurement workforce, and certification to the Secretary that HUD’s procurement system meets approved criteria.</p>

Reference material

	<p>Part 2442.1502 - Contractor Performance Information Policy states that the Chief Procurement Officer is responsible for establishing past performance evaluation procedures and systems as required by FAR 42.1502 and 42.1503.</p> <p>Part 2452.246-70 - Inspection and acceptance clause states that the following clause is required in all contracts - "Inspection and acceptance of all work required under this contract shall be performed by the Government Technical Representative⁷ or other individual as designated by the Contracting Officer or Government Technical Representative."</p>
<p>HUD Handbook 2210.3, REV-10</p>	<p>Subpart 2401.602-2(a) states that it is HUD policy that a COR be delegated duties for each contract above the simplified acquisition threshold, including individual tasks issued under the General Services Administration Federal supply schedule contract. The simplified acquisition threshold was set at \$150,000 during our review.</p> <p>Subparts 2401.602-2(a)(3)(i) and (4) require that the COR be designated no later than the date when the requisition for the contract action for which the COR would be responsible is submitted to OCPO. The contracting officer will formally designate CORs by issuance of a written delegation of authority memorandum that identifies the contracts to which it applies and specifies the delegated duties and responsibilities to the nominee. The COR will maintain the original delegation of authority memorandum in the COR contract file.</p> <p>Subpart 2442.1503-70(a)(1) requires the CORs and contracting officials to evaluate past performance annually for all multiple-year contracts (2 or more years). Further, the evaluations are to be conducted at least 60 days before the contract completion on contracts with renewal options to allow timely consideration of contractor performance before exercising an option.</p> <p>Subpart 2442-1503-72(b) requires that the COR initiate a request for the performance assessment in CPARS. However, if the COR fails to perform this function in a timely manner, the contracting officer must then initiate the request, which will notify the COR that a performance evaluation has been assigned for completion.</p> <p>Subpart 2442.1503-72(f) requires that if the COR does not provide the draft submission to the contracting officer within 60 days before an option is exercised, the contracting officer or contract specialist will reclaim the evaluation from the</p>

⁷ Government technical representative means the individual serving as the COR who is responsible for monitoring the technical aspects of a contract, including guidance, oversight, and evaluation of the contractor's performance and deliverables.

Reference material

COR in CPARS and complete the performance evaluation using his or her own working knowledge of the contractor's performance.

Subpart 2442-1503-72(k) states that the ultimate conclusion on the performance evaluation is determined by the contracting agency and that copies of the evaluation, contractor response, and review comments must be retained as part of the evaluation record.

Subpart 2446.401 states that contractor performance under all HUD performance-based contracts for services must be assessed using a QASP.

Subpart 2446.470 requires that the methodology the Government will use to monitor and evaluate contractor performance and ensure that the objectives of the contract have been met are established in the QASPs. The QASP must fully incorporate and delineate what, when, and who relative to the performance of contract surveillance activities.

Subparts 2446.470(c)(1)(i) and (iii) state that the COR has the lead responsibility for developing the QASP but the contracting officer is ultimately responsible for ensuring that a QASP, appropriate for the contract, is developed and used throughout the contract.

Subpart 2446.470(c)(3) requires, at a minimum, that the QASP include

- a. the performance metrics;
- b. an assessment schedule or frequency;
- c. a summary of the efforts or outputs under surveillance, including identification of the specific performance work statement paragraph or section addressed by each surveillance activity;
- d. the methodology used to evaluate performance;
- e. the names and organizations of the personnel responsible for the performance objective;
- f. any incentives and disincentives that may be applied and how to assess them;
- g. roles and responsibilities of all parties involved;
- h. procedures to be followed for assessment and acceptance;
- i. a performance requirement summary that sets forth each performance objective (requirement of the contract), the acceptable performance standard, the method of performance assessment, and any incentives (positive or negative);
- j. a sample contract discrepancy report if negative incentives are used;
- k. customer complaint or customer survey procedures, if used; and
- l. certification of acceptance of services.

Reference material

HUD Handbook 2225.6, REV-1, CHG-10	<p>The handbook states that the COR is the program person responsible for the technical direction and evaluation of contractor performance. The COR files' documentation includes copies of the request for services, request for proposals and amendments, technical and cost proposals and modifications submitted by the contractor, conformed copy of contract and modifications, contractor's management reports to the COR, COR reports and memorandums, contractor's interim and final technical reports, COR evaluation reports, and any related correspondence or other documents for a total of 6 years after the contract is formally closed out.</p>																																								
FSM contracts' performance requirement summary	<p>The performance requirement summary in each of the FSM contracts states that the summary lists the contract's primary requirements, the associated performance standards, the expected target performance, and the methods of surveillance. HUD had developed a QASP to be used to provide contract oversight. In conjunction with the contractor's quality control plan and various other methods of assessing performance, the COR may perform onsite reviews and other types of verification to determine that the specified target performance requirements have been met. Regular review of contractor performance is critical to the overall success of the contract. The COR will evaluate the quality of the product or services monthly, using the following standards or acceptable quality levels:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 5%;"></th> <th style="width: 15%;">Performance statement number</th> <th style="width: 55%;">Performance statement name</th> <th style="width: 25%;">Standard-acceptable quality level</th> </tr> </thead> <tbody> <tr> <td>a.</td> <td>5.2.1.1</td> <td>Inspections</td> <td>5% deviation</td> </tr> <tr> <td>b.</td> <td>5.2.2.1</td> <td>HUD property inspection</td> <td>95%</td> </tr> <tr> <td>c.</td> <td>5.2.2.3</td> <td>Initial cleanout services</td> <td>95%</td> </tr> <tr> <td>d.</td> <td>5.2.2.3.1</td> <td>Health and safety hazards and emergency repairs</td> <td>95%</td> </tr> <tr> <td>e.</td> <td>5.2.3</td> <td>Property maintenance</td> <td>95%</td> </tr> <tr> <td>f.</td> <td>5.2.4</td> <td>Environmental compliance</td> <td>Zero deviation</td> </tr> <tr> <td>g.</td> <td>5.2.5</td> <td>Termites and wood-destroying organisms</td> <td>95%</td> </tr> <tr> <td>h.</td> <td>5.2.7</td> <td>Cosmetic enhancements and repairs</td> <td>95%</td> </tr> <tr> <td>i.</td> <td>5.3</td> <td>Required reports</td> <td>5% deviation</td> </tr> </tbody> </table>		Performance statement number	Performance statement name	Standard-acceptable quality level	a.	5.2.1.1	Inspections	5% deviation	b.	5.2.2.1	HUD property inspection	95%	c.	5.2.2.3	Initial cleanout services	95%	d.	5.2.2.3.1	Health and safety hazards and emergency repairs	95%	e.	5.2.3	Property maintenance	95%	f.	5.2.4	Environmental compliance	Zero deviation	g.	5.2.5	Termites and wood-destroying organisms	95%	h.	5.2.7	Cosmetic enhancements and repairs	95%	i.	5.3	Required reports	5% deviation
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3.10 FSM QASP, Version 1.0	<p>Section 4.3 establishes the acceptable quality levels in Appendix 1 - Surveillance Matrix for contractor performance to allow the contractor to manage how the work is performed. For certain critical activities, such as those involving property inspection reports, the desired performance level is established at 100 percent. Other levels of performance are keyed to the relative importance of the task to the overall mission performance. Specifically, the acceptable quality levels in appendix 1 are as follows:</p>																																								

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<p>HUD's field service manager contract monitoring plan, revised 02/2015</p>	<p>The plan establishes the scoring of quality reviews. Specifically, when conducting each review, the COR determines the contractor's pass rate and then assigns the applicable ratings as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>If the pass rate of cases reviewed is...</th> <th>Then the rating is...</th> </tr> </thead> <tbody> <tr> <td>> 97.0%</td> <td>Exceeding</td> </tr> <tr> <td>95.0% - 96.9%</td> <td>Satisfactory</td> </tr> <tr> <td>< 95.0%</td> <td>Not satisfactory</td> </tr> </tbody> </table> <p>For each case included in the reviews, the COR determines whether the response to each is "yes, no, or N/A." If the response is "no or N/A," the COR documents the reason for the determination. The results of the reviews are rolled up to determine the contractor's monthly qualitative rating. Each quality review is a summarized rating included on the contractor's scorecard.</p>				If the pass rate of cases reviewed is...	Then the rating is...	> 97.0%	Exceeding	95.0% - 96.9%	Satisfactory	< 95.0%	Not satisfactory
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<p>Housing Enterprise eFile Database (HEED) Standard Operating Procedure (SOP), March 2016</p>	<p>The HEED SOP states that the purpose is to provide guidance to Office of Housing CORs on the implementation and mandatory use of the HEED SharePoint site for maintaining the electronic COR contract files in lieu of paper files. The HEED SOP further states that the documents are to be organized and kept as follows:</p> <ul style="list-style-type: none"> a. section A to contain contract information; b. section B to contain contract modifications, task orders, and modifications to task orders; c. section C to contain COR appointments, reassignments, cancellations, records on contractors' performance scorecards and qualitative memorandums, and CPARS reports; d. section D to contain information on funding balance and payment records; 											

Reference material

- e. section E to contain QASP, inspection-site visits, inspection reports, and review of deliverables; and
- f. section F to contain correspondence and summaries of substantive oral technical guidance and documented phone calls; letters; memorandums; emails; and other pertinent information, to include deficiency letters, cure notices, and show cause and demand letters.

The HEED SOP specifies that the CORs are not to state that correspondence "is maintained in the COR outlook folder" and should include a word document note when documents are not kept on the specified SharePoint Site folder but, instead, kept in another system, such as PRISM, P260, the Single Family Acquired Asset Management System, etc.

APPENDIX C – WORKFLOW OF CONTRACTOR PERFORMANCE MONITORING

