



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

# HUD's Office of Single Family Housing Did Not Consistently Monitor Its Field Service Management Contractors' Property Preservation and Protection Services

**Audit Report Number: 2025-KC-0002**

**May 27, 2025**

To: Matthew Jones  
Deputy Assistant Secretary for Single Family Housing, HU

**//signed//**  
From: Kilah S. White  
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Subject: HUD's Office of Single Family Housing Did Not Consistently Monitor Its Field Service Management Contractors' Property Preservation and Protection Services

Attached is 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 monitoring process 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 Patrick Anthony, Audit Director, at (716) 646-7056.

## Highlights

### HUD's Office of Single Family Housing Did Not Consistently Monitor Its Field Service Management Contractors' Property Preservation and Protection Services | 2025-KC-0002

#### What We Audited and Why

We audited the U.S. Department of Housing and Urban Development's (HUD) monitoring of the Field Service Management (FSM) contractors' property preservation and protection services. Property preservation and protection services contractors assist HUD in its efforts to effectively maintain its real estate owned (REO) inventory and protect the FHA insurance fund. In 2023, HUD awarded 11 new FSM contracts totaling more than \$714 million to 3 new FSM contractors. Our audit objective was to assess how HUD monitors its FSM contractors' property preservation and protection services.

#### What We Found

HUD's Office of Single Family Housing did not consistently monitor its FSM contractors' property preservation and protection services. Specifically, our analysis of 34 of 79 statistically sampled records found discrepancies between HUD's assessment, the supporting documentation contractors submitted, and the criteria in the performance work statement. These conditions occurred because HUD did not develop a clear and uniform review framework to ensure effective monitoring of the FSM contracts. As a result, HUD could not ensure its current REO inventory of 2,628 active properties, as of March 2025, was being maintained in an adequate condition and whether contracting actions are needed to address the deficient performance.

#### What We Recommend

We recommend that HUD (1) develop and implement uniform procedures for each inspection type of the FSM monitoring review process, including a second level review of FSM monitoring; (2) update the FSM monitoring plan and the qualitative monitoring database to clearly define the questions and which routine inspection reports will be reviewed to assess the quality of routine inspection monitoring reviews; and (3) ensure that program officials periodically provide all FSM contracting officer representatives and staff involved in the monitoring process uniform property inspection training.

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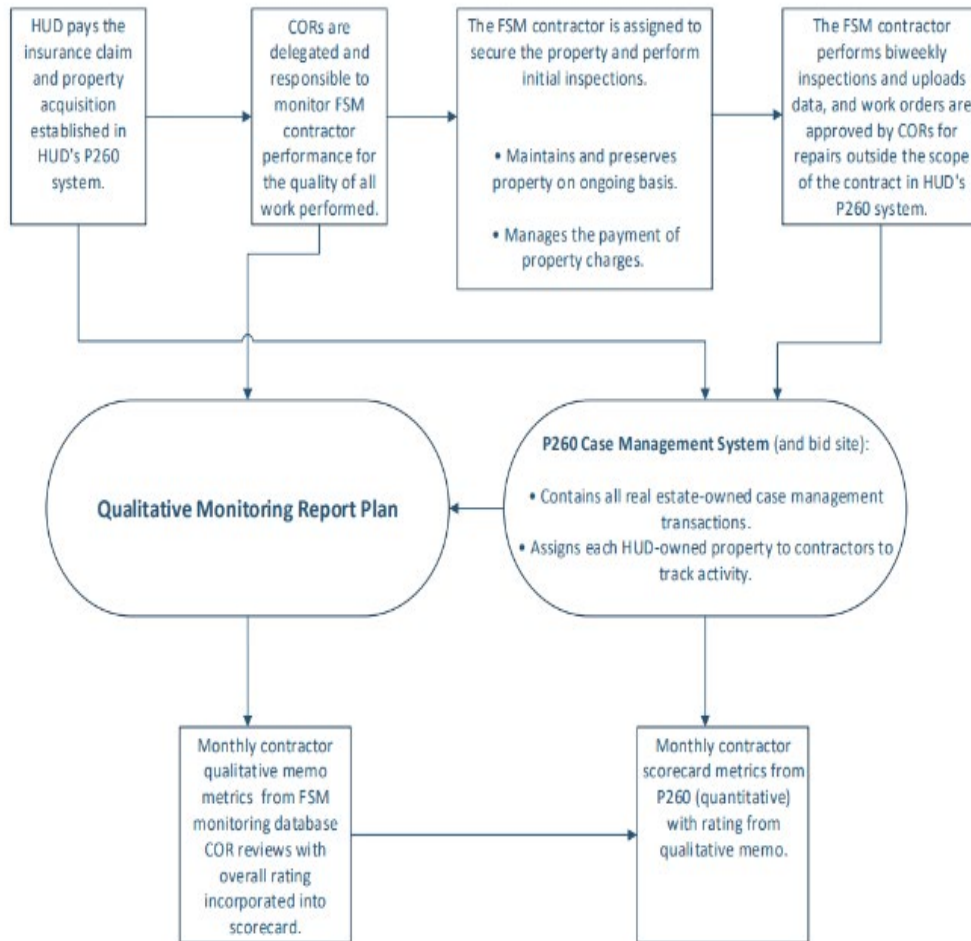
## Background and Objective

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. The FHA insurance program is one of the largest insurers of mortgages in the world, insuring more than 50 million mortgages since its inception in 1934. FHA mortgage insurance provides lenders with protection against losses if a property owner defaults on his or her mortgage. When a borrower with a loan in default cannot or will not resume and complete mortgage payments, lenders must take steps to acquire the property or see that it is acquired by a third party. In instances when foreclosure is appropriate, lenders will acquire the property and deed the home to the Secretary of HUD in exchange for an insurance claim payment.

Since 1999, HUD has outsourced the maintenance and marketing of its REO properties to Field Service Management (FSM) contractors. The FSM contractors are companies that provide property preservation and maintenance services for HUD's acquired properties. FSMs inspect, secure and perform ongoing maintenance and repairs. The condition of properties maintained by the FSM contractors has a direct effect on sales prices and FHA's insurance fund. Specifically, well-maintained homes generally receive a higher appraisal value than homes with noticeable damage and neglect. Further, the funds received when properties are sold offset the losses to the FHA Mutual Mortgage Insurance Fund (MMIF) on claims paid.

HUD developed the Qualitative Monitoring Plan Report (QMPR) to evaluate FSM contractor performance. The purpose of this report is to confirm that the FSM contractor is performing the work necessary to adequately maintain a property. HUD evaluates each FSM contractor on multiple metrics which it compiles into a monthly scorecard in the P260 system that tracks the stages of HUD's REO properties to market them for sale. FSM contractors also use the P260 system to upload documents such as inspection reports and photographs to support their property preservation and protection services. In addition, HUD uses the P260 system to select a monthly sample of properties from each FSM contractor to review performance. A HUD official in one of the four Homeownership Centers (HOC) located in Philadelphia, Atlanta, Denver and Santa Ana then evaluates the sample using a predetermined set of questions. The questions are completed through a desk monitoring review and does not involve field inspection verification. The flowchart below is an overview of the workflow of HUD's FSM contractor monitoring process.

## Workflow of HUD's FSM Contractor Monitoring Process



The performance work statement outlined that contractors who are performing at a satisfactory level as indicated on the Quarterly Performance (QPR) will likely continue to receive new property acquisitions to manage within their awarded geographical areas. Contractors who are performing below a satisfactory level as indicated by the QPR review may find their assignments adversely impacted. Adverse actions may include but are not limited to realignment, non-assignment, and non-exercise of option periods.

The contracting officer formally delegates QMPR monitoring duties and technical oversight to a contracting officer representative (COR), who the HOC typically nominates. The COR serves as HUD's primary liaison between the contracting officer and the contractor regarding technical aspects of a contract.

Our audit objective was to assess how HUD monitors its Field Service Management contractors' property preservation and protection services.

## Results of Audit

### HUD's Office of Single Family Housing Did Not Consistently Monitor Its Field Service Management Contractors' Property Preservation and Protection Services

HUD's Office of Single Family Housing did not consistently monitor its FSM contractors' property preservation and protection services. Specifically, HUD provided inconsistent monitoring for 34 of the 79 statistically sampled records we reviewed, and these involved discrepancies between HUD's assessment, the support, and the performance work statement (PWS). HUD did not develop and apply a clear and uniform review framework to ensure that its process and procedures provided for effective FSM contract monitoring. As a result, HUD (1) cannot ensure its REO inventory is being maintained in an adequate condition and (2) is not aware of whether contracting actions are needed to address deficient performance.

#### HUD Did Not Consistently Monitor its FSM Contractors

HUD was not consistently monitoring its FSM contractors' property preservation and protection services. Regarding 34 of the 79 statistically sampled records we reviewed, we identified discrepancies between HUD's assessment, the criteria outlined in the PWS, and the support. The sample was stratified to consider each FSM contractor and inspection type and resulted in 79 unique records that coincide with 78 properties and FHA case numbers. In one instance, one case number was in the sample twice for 2 unique records. The narrative and the following tables discuss the properties in the sample records we reviewed. To test the effectiveness of HUD's review, we independently answered the same monitoring review questions for each sample record and reviewed the support HUD used to evaluate FSM contractors' performance. The table below provides a breakdown of the number of monitoring discrepancies we identified, by inspection type.

Inspection Type	Properties With Discrepancies
Q1: Ready to Show Activities and HUD Property Inspection Report	8
Q2: Custodial Services Provided and HUD Property Inspection Report	8
Q3: Routine Inspection Activities	8
Q4: Health and Safety Inspections	4
Q5: Not Ready to Show Ongoing Inventory	3
Q6: Held Off Market	3
Q7: New Not Ready to Show Property	0
<b>Total</b>	<b><u>34</u></b>

Our analysis found that nearly half of the properties in our sample included multiple discrepancies. We identified the discrepancies based on contractual requirements provided in the PWS, HUD’s assessment of the contractor’s compliance with the requirements, and the evidence HUD reviewed to support the contractor’s compliance. Nearly 35 percent of the discrepancies we identified involved health and safety hazards or other conditions which caused the properties to not be in a ready to show condition. The table below provides an overall breakdown for each type of discrepancy identified in our sample

Discrepancy Type	Number of Discrepancies
Exterior Health and Safety	1
Interior Health and Safety	6
Exterior Debris Not Removed	4
Interior Debris Not Removed	1
Yard Maintenance	9
Unrepaired Fence	1
Missing Sign In Sheet	2
Work Order Notice (WON)	11
Lack of Supporting Photos	5
Other	14
OIG Determination of Pass <sup>1</sup>	9
<b>Total</b>	<b><u>63</u></b>

Properties with health and safety hazards – There were 7 health and safety discrepancies (1 exterior and 6 interior) in our sample. The PWS defines health and safety hazards as any condition or situation at the property that exposes the government to abnormal risk; that presents a source of danger, which could cause an accident; or poses the threat of injury or harm to the public or property. Contractors are required to remedy any health and safety conditions and make any emergency repairs within one calendar day of notification. The contractor is required to update the P260 system with the corresponding work orders and with before and after photographs within two calendar days of completing the remedial action. The following photographs illustrate a few examples of the health and safety discrepancies noted during the audit.

Case number 1 included an interior health and safety issue involving a falling and tripping hazard. As seen in the picture below, the floor was missing planks. The COR should have, but did not cite the hazard during the monitoring review. We provided HUD with our conclusion during the audit, and it agreed with our assessment that the COR should have failed the question during the monitoring review.

<sup>1</sup> The OIG Determination of Pass category in the table above involves monitoring questions where our review determined that HUD should have, but did not pass a monitoring question during its desk review.





Case number 2 included an interior health and safety issue: a broken window.

As seen in the picture below, the property had a broken window. The COR should have, but did not cite this health and safety hazard during the monitoring review. Instead, the COR failed the question and made a comment about a mobile home on the property. After considering our conclusion, HUD commented that the COR conservatively reflected the question as fail. However, the question HUD was referring to was whether the property was in ready to show condition. We acknowledge that the property was not in ready to show condition for multiple reasons, including the mobile home. However, HUD only cited the mobile home. The broken window should have been included as a reason that the property was not in ready to show condition. However, HUD has no assurance that the health and safety issue was remedied.



Case number 3 included an exterior health and safety issue involving a falling or tripping hazard due to missing handrails on the stairs.

As seen in the picture below, the property had a missing handrail on its exterior stairs. The COR should have, but did not cite the hazard during the monitoring review. HUD's position after considering the audit results was that the COR should have failed the question. In this case, the question was whether the FSM contractor properly addressed negative findings identified in the routine inspection report with additional pictures after the issue was abated. HUD improperly answered the question with not applicable.



Ready to show conditions – Our review and analysis identified 15 ready to show discrepancies that did not involve health and safety issues. These discrepancies included landscaping problems or deficiencies, properties not being clean and in “broom swept” condition, interior and exterior debris, and an unrepaired fence. The following photographs illustrate a few examples of the ready to show discrepancies.

Case number 4 involved unremoved yard debris and untrimmed weeds.

As seen in the picture below, the property had unremoved yard debris and untrimmed weeds. The COR should have, but did not cite the lawn maintenance issue during the monitoring review. HUD agreed with our assessment that the COR should have failed the question. In this instance, the question involved whether the FSM contractor completed a thorough and accurate interior and exterior inspection of the property.



Case number 5 involved exterior debris left on property.

As seen in the picture below, the property had unremoved exterior debris. The COR should have, but did not cite the presence of debris during the monitoring review. After considering our conclusion, HUD agreed that the COR should have failed the question. In this instance, the question involved whether the FSM contractor had removed exterior debris.



Case number 6 involved exterior debris left on property.

As seen in the picture below, the property had unremoved exterior debris. The COR should have, but did not cite the debris issue during the monitoring review. HUD's position after considering the audit results was that the COR should have failed the question. In this instance, the question involved whether the FSM contractor had removed exterior debris.



**Inspection Photograph Date Stamp Anomaly**

Our review also identified 27 photo date stamp anomalies which occurred in 79 percent of the cases with discrepancies. In most of the cases, the photos did not include the original date stamp embedded into the photographs. Instead, the photos were digitally altered and dates were placed on top of the original embedded date stamps. We questioned officials from all four HOCs about their process of reviewing date stamps, and officials from each HOC stated that they required the original date stamp to be visible. However, the HOCs’ explanations included slight differences in their review process for the photo date stamps. Further, HUD was not able to provide procedures to document that it had a formal review process for ensuring the accuracy of the date stamps.

The date stamps are an important control to ensure the FSM contractor has provided timely and accurate photos. For instance, in one of the sampled properties, we identified that one of two inspections in April 2023 did not have an embedded photo date stamp. The photos below illustrate this. The first inspection photos for the month had an embedded date of April 6, 2023, and showed green grass and foliage in the trees. However, the second inspection photos, which had an unembedded date of April 21, 2023, showed brownish grass and no leaves in the trees on the property. Therefore, we determined that the photos did not support the inspection dates for the month. HUD agreed that the date stamp did not support the inspection date and commented that the COR should have failed the question. We did not include the date stamp anomaly in our discrepancy total because the QMPRs monitoring questions did not include a question specifically designed to review the date stamps on the inspection photos.



We discussed this issue with each HOC, and they explained that they were aware of it. One HOC's monitoring officials explained that they would reach out to the FSM contractor if they identified a potential date alteration. They added that the issue is not a common occurrence within their review area because the vendors are familiar with HUD processes for inspections. Other HOC officials stated that they recently had a meeting with the new FSM contractors and that during that meeting, they requested that the FSM contractors leave the original date stamp in the photos and add a secondary date on the left side of the photo if they wanted to provide a clearer date stamp. However, the HOC officials explained that the new FSM contractors continue to cover up the original date stamp.

### **HUD Did Not Develop a Consistent Review Framework**

The discrepancies we identified occurred because HUD did not develop a consistent monitoring framework. The QMPR questions and the FSM contractor monitoring plan did not provide specific procedures to support the steps the reviewer should take to accurately answer the questions. Furthermore, some of the QMPR questions lacked clarity. HUD developed and implemented an FSM contract monitoring plan located in its QMPR database. HUD's QMPR database includes a template of questions for each inspection type. HUD uses the questions to assess FSM contractor compliance based on the PWS in the FSM contracts. CORs from three of the four HOCs commented that the questions could be improved for specificity, clarity and applicability. The table below provides four examples of monitoring questions that are ambiguous.<sup>2</sup>

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<sup>2</sup> Appendix B provides a more detailed outline of the monitoring questions that could be enhanced.

Inspection Type	QMPR database questions and OIG comments
<p style="text-align: center;">Q1</p> <p>Ready to Show and HUD Property Inspection Report</p>	<p>Question 1d provides: If Work Order Notices (WONs) were issued, were they completed satisfactorily?</p> <p>The FSM Monitoring Plan question template only provides two review answer options (PASS / FAIL). However, the response should include an option for Not Applicable (N/A). Further, the FSM monitoring plan does not state what supporting documentation should be reviewed.</p>
<p style="text-align: center;">Q2</p> <p>Custodial Services and HUD Property Inspection Report</p>	<p>Question 2e provides: If WONs were issued, were they completed satisfactorily?</p> <p>The question could be better defined to eliminate subjectivity, which could lead to inconsistent COR responses. We interviewed the HOCs' CORs, and some explained they would potentially "pass" this question while others stated they would answer "N/A."</p>
<p style="text-align: center;">Q3</p> <p>Routine Inspections</p>	<p>Question 3f provides: Were negative findings identified in the routine inspection report properly addressed by the FSM contractor with additional pictures after the issue was abated?</p> <p>The question indicates that only one routine inspection report should be reviewed. However, HUD explained its routine inspections monitoring process involves reviewing the previous month's routine inspection reports. HUD did not provide formal procedures to support the process. Further, the FSM monitoring plan did not clearly outline which routine inspection reports the CORs should consider when answering the routine inspection questions. We interviewed the HOCs' CORs, and one of the HOCs explained that it reviews only the most recent prior routine inspection report. However, the remaining three HOCs stated that they consider all the prior month's routine inspections for review.</p>
<p style="text-align: center;">Q7</p> <p>New Not Ready to Show (NRTS) Properties</p>	<p>Question 7a inquires whether the property is being maintained in Ready to Show (RTS) condition. The question did not specifically outline what documents should be considered when making a review determination of whether the property is in RTS condition. Further, the FSM monitoring plan doesn't include a section for Q7 NRTS properties. Instead, the FSM monitoring plan only includes a template of questions for Q1 through Q6.</p>

### HUD Lacked Formal Procedures for its FSM Monitoring Process

HUD did not develop formal procedures to establish clarity and uniformity with its controls for its four HOCs. Specifically, the process lacked (1) formal procedures, (2) a second level of review, and (3) uniform inspection training. We conducted interviews with each HOC's CORs and questioned them about what documents they consider to be the formal written procedures for the monitoring process. We found that there were no procedures consistently agreed upon by all the HOCs. Instead, the HOCs individually explained that they use different documents for the monitoring review process including, but not limited to, the PWS, the inspection reports, the FSM monitoring plan, and the QMPR database. However, the

PWS only outlines stipulations required by the FSM contractors. The QMPR database only includes a template of monitoring questions used to assess FSM contractor performance. The FSM monitoring plan discusses the monitoring review process, but it lacks clarity. HUD acknowledged that it had not developed formal procedures for its FSM monitoring reviews.

### **HUD Lacked a Second Level Review for the Monitoring Reviews**

Based on interviews with the HOCs, we determined that HUD's monitoring review process did not have a second level review for its monitoring. Specifically, the QMPR monitoring database only supported one level of review for the monitoring process. The FSM monitoring plan also did not discuss a second level of review. HUD is required to continuously monitor and assess the effectiveness of management controls for their programs.

Officials at three of the four HOCs commented that the monitoring review process could be subjective in some instances, and we agreed. For example, the audit independently determined that 34 of the 79 properties involved discrepancies, and we provided HUD with a summary of each discrepancy. In most instances, HUD agreed with our determinations. In effect, HUD's consideration of our conclusions is an example of how a second level of review could benefit HUD's FSM monitoring process.

### **HUD Lacked a Uniform Inspection Training for the Monitoring Reviews**

None of the CORs we interviewed had received uniform training geared towards how to properly conduct property inspections. Officials from two of the HOCs explained that they conducted informal trainings developed in-house that were related to the inspections; however, HUD was not able to show that it provided consistent and uniform training for all its HOCs. The PWS requires that HUD provide training to FSM contractors that will include quality assurance and compliance monitoring activities. However, HUD still needs to provide inspection training for current and future monitoring staff, especially because HUD awarded 11 new FSM contracts in 2023.

### **Impact of Inconsistent Monitoring Framework**

Due to its inconsistent monitoring framework, HUD may not be identifying all the FSM contractors' performance issues. For example, the statistical sample we analyzed resulted in a weighted average of 43.17 percent for monitoring questions with a discrepancy. At least 33.71 percent of the records met this condition after deducting for a statistical margin of error. Further, extending this percentage to the universe would result in at least 4,893 records with a discrepancy. Therefore, HUD may not be holding FSM contractors accountable due to inaccurate scorecards.<sup>3</sup> Further, HUD may not be aware of the contracting actions it needs to take to address deficient performance and improve its ability to more quickly sell properties in its inventory. FSM performance issues can negatively impact the funds received when properties are sold, which are used to offset the losses to the MMIF on claims paid.

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<sup>3</sup> HUD's scorecards are a performance quantitative scoring metric provided to contractors monthly from the P260 system.

## Conclusion

HUD is not consistently monitoring its FSM contractors' property preservation and protection services, and its monitoring review framework needs to be improved. Because HUD has not developed adequate processes and procedures, it may not be able to ensure its REO inventory is being maintained in an adequate condition, which could impact the FHA insurance fund. HUD has an opportunity to enhance its FSM monitoring process, which is significant considering it recently awarded 11 new FSM contracts for property preservation and protection services.

## Recommendations

We recommend that HUD's Deputy Assistant Secretary for Single Family Housing

- 1A. Develop and implement uniform procedures for the FSM desk monitoring review, including a second level review for the FSM monitoring reviews and process for each inspection type.
- 1B. Update the FSM monitoring plan and FSM qualitative monitoring database to: (a) clearly define the monitoring questions, (b) include a section for Q7 New Not Ready to Show (NRTS) properties, (c) define which routine inspection reports will be reviewed to conduct the routine inspection monitoring reviews and (d) develop a monitoring question to evaluate photo date stamps.
- 1C. Ensure that program officials periodically provide all FSM CORs and staff involved in the monitoring process uniform property inspection training.



## Scope and Methodology

We performed our audit work from July 2024 to January 2025. We conducted our fieldwork off site for this assignment. Our audit period covered November 2022 through October 2023.

To accomplish our objective, we


- Reviewed Federal Acquisition Regulations (FAR), HUD Acquisition Regulation (HUDAR), HUD Handbook 2210.3, REV-10 and Office of Management and Budget Circular A-123;
- Reviewed a prior HUD OIG audit discussing FSM contractors<sup>4</sup>;
- Obtained an understanding of the monitoring review process;
- Reviewed FSM contracts including criteria in the PWSs;
- Interviewed HUD officials from the Office of the Chief Procurement Officer and the Office of Single Family Housing, along with management and monitoring review staff from the Atlanta, Philadelphia, Denver and Santa Ana HOCs;
- Reviewed HUD's FSM monitoring plan and its qualitative monitoring plan reports;
- Obtained access to HUD's P260 case management system in order to review FSM management and monitoring documentation including, but not limited to, inspection reports, work order notices, photographs, communications logs and emails;
- Selected and reviewed a statistical sample of HUD's monitoring review questions. The assessment involved making a review determination based on questions provided in HUD's QMPR database. The review considered HUD's monitoring activity for contractors awarded under the 3.10 FSM contract vehicle.

We initiated the audit due to HUD awarding 11 new FSM contracts to 3 different FSM contractors in 2023, totaling over \$714 million for property preservation and protection services with a performance period of November 2, 2023, to November 1, 2024. We did not include the new contracts in this review as they had not started providing services during our audit period.

We relied on data and documentation in HUD's P260 case management system to achieve our audit objective. The P260 system tracks HUD's REO properties. P260 includes a portal for lenders to upload information such as pre-conveyance requests and scans of title documents. We relied on the system to obtain the audit universe which consists of 14,518 questions in inspection reports generated by HUD's FSM property preservations and protections services in 214 monitoring inspection reports completed across the 4 HOCs. The reports ranged from November 2022 through October 2023. Although we did not perform a detailed assessment of data reliability, we performed a minimal level of testing and found the data to be adequately reliable for our purposes. The tests for reliability included, but were not limited to, accessing computer-processed data in the P260 system to verify whether HUD had support for its monitoring reviews. For each sample record, we reviewed multiple documents including, but not limited to, inspection reports, work order notices, photographs, communications logs and emails. The sampling units were individual and unique questions per property per month completed by HUD's FSM property preservation and protection services contractors. We reviewed a systematic random sample of 79 records. (See appendix C.)

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<sup>4</sup> See *HUD Field Service Management Quality Assurance Surveillance Plans, 2023-BO-0002, March 30, 2023*



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. 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

On April 24, 2025, we provided HUD with a draft audit report for review and comment. On May 20, 2025, the Deputy Assistant Secretary for Single Family Housing informed us that HUD elected not to provide formal comments to the draft audit report.

## Appendix B – Weaknesses in Monitoring Question Framework Outline

Inspection Type	QMPR database questions and OIG comments
<p style="text-align: center;">Q1</p> <p style="text-align: center;">Ready to Show and HUD Property Inspection Report (HPIR)</p>	<p>For the questions 1a, 1b, 1c and 1e, the FSM monitoring plan explains the COR should review the HPIR and supporting documentation to make a review determination. However, it does not clearly explain what should be specifically reviewed in the HPIR. It also does not define what supporting documentation should be reviewed or how to access it.</p> <p>For question 1d, it asks, “If WONs were issued, were they completed satisfactorily?” The FSM Monitoring Plan question template only provides 2 review answer options (PASS / FAIL). However, the question indicates there should be an option for Not Applicable (N/A). Further, the FSM monitoring plan does not state what supporting documentation should be reviewed or how to access it.</p>
<p style="text-align: center;">Q2</p> <p style="text-align: center;">Custodial Services and HPIR</p>	<p>For the questions 2a, 2b, 2c, and 2f, the FSM monitoring plan explains the COR should review the HPIR and supporting documentation to make a review determination. However, it does not clearly explain what should be specifically reviewed in the HPIR. It also does not define what supporting documentation should be reviewed or how to access it.</p> <p>For question 2e, it asks, “If WONs were issued, were they completed satisfactorily?” The question could be better defined to eliminate subjectivity in the question which could lead to inconsistent COR responses. We interviewed each of the HOC’s CORs and some explained they would potentially “pass” this question while others stated they would answer “N/A.”</p>
<p style="text-align: center;">Q3</p> <p style="text-align: center;">Routine Inspections</p>	<p>For all routine inspections questions (Q3), HUD explained its routine inspections monitoring process involves reviewing the previous month’s routine inspection reports. However, HUD did not provide formal procedures to clearly support the process. The FSM monitoring plan included questions the CORs should answer when reviewing routine</p>

	<p>inspections. However, it did not include language to support which routine inspection the CORs should consider. The monitoring database also did not support which routine inspection reports HUD used to justify its review determination in each case. We interviewed the CORs at each HOC. One of the HOCs explained that it reviews only the most recent routine inspection. However, the remaining 3 HOCs stated that it considers all the prior months routine inspections for review.</p>
<p>Q4 Health and Safety Inspections</p>	<p>For question 4a, it asks, “If there was a hazard on the property, did the photographs document the hazard was properly abated?” The question does not clearly show whether the COR should consider if the Health and Safety Work Order Notice (WON) was resolved timely within 24 hours of notification as required by the FSM contract. We conducted interviews with the HOCs’ CORs and identified that 1 of the 4 HOCs does not consider timing criteria when answering the question. The HOC officials explained that there was no qualitative requirement to review the timing within the Q4 questions.</p>
<p>Q5 Not Ready to Show</p>	<p>For question 5a, it inquires about whether the WON(s) were addressed in a timely manner. However, the question does not define what timely is, and the FSM monitoring plan does not outline the process the COR should implement to make the determination.</p>
<p>Q6 Held Off Market Properties</p>	<p>For question 6c, it asks, “Are routine property inspections being performed in accordance with the contract?” The question lacks clarity. In one case, HUD commented pass for question 6c. However, our review identified that there was no record of routine inspections being completed in the monitoring database prior to HUD’s review on March 13, 2023. HUD commented that it correctly answered pass due to the three regular and consecutive inspections in April 2023. The monitoring question should have, but did not, specifically define how a COR should go about making the determination of whether routine inspections were being performed in accordance with the contract.</p>

<p>Q7 New Not Ready to Show (NRTS) Properties</p>	<p>For question 7a, it inquires whether the property is being maintained in Ready to Show (RTS) condition. The question does not specifically outline what documents should be considered when making a review determination of whether the property is in RTS condition. Further, the FSM monitoring plan doesn't include a section for Q7 NRTS properties. Instead, the FSM monitoring plan only includes a template of questions for Q1 through Q6.</p>
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## Appendix C – Statistical Projection – Results and Methodology

### Audit Universe

The audit universe consisted of 14,518 questions in 214 monitoring inspection reports generated by HUD’s FSM property preservations and protections services completed across the 4 Home Ownership Centers.

### Sampling Methodology

We selected a systematic random sample of 79 records for auditing among the audit universe. The sample size equation with a finite population correction factor calls for 68 records to sample. We employed the systematic technique to help control for differences across inspection questions. However, to ensure accurate sampling coverage, we added 11 more records to make the sample count 79. In order to get proper coverage of all the data points for this universe, we stratified by the FSM contractor. The table below details the stratification and other sample specific information.

Sampling Design Table			
Stratum Label	Universe Count Per Stratum	Sample Count Per Stratum	Sampling Count Per Stratum
FSM Contractor 1	641	4	160.25
FSM Contractor 2	1,687	9	187.44
FSM Contractor 3	11,195	61	183.22
FSM Contractor 4	995	5	199.00
<b>Total</b>	<b>14,518</b>	<b>79</b>	<b>N/A</b>

### Projection/Estimation Methodology:

We computed<sup>5</sup> the percentage and number of counts sampling unit discrepancies with an exception based on the audit results. We extended this result to the population using the survey freq<sup>6</sup> procedure provided by SAS<sup>7</sup>. We estimated the lower confidence interval using a Gaussian sampling distribution, which is appropriate for error rates in this range. We extended these percentages to the 14,518 records in the universe to get the total universe count of records with exceptions.

5 The review team did not use any spares. Therefore, the sampling weights did not change.

6 The survey freq procedure produces one-way to n-way frequency and crosstabulation tables from sample survey data. These tables include estimates of population totals, population proportions, and their standard errors. Confidence limits, coefficients of variation, and design effects are also available. The procedure provides a variety of options to customize the table display. Please reference [The SURVEYFREQ Procedure \(sas.com\)](https://www.sas.com/learn/procedures/survey/freq) for more information.

7 SAS (previously "Statistical Analysis System") is a statistical software suite developed by SAS Institute for data management, advanced analytics, multivariate analysis, business intelligence, criminal investigation, and predictive analytics.

The basic estimation calculations are as follows:

$$Count_{LCL} = N * (pct - t_{\alpha/2} SE_{\%})$$

$Count_{LCL}$  = Total number of sampling units with the error after deducting a margin of error.

$N$  = Total number of sampling units in the sampling frame.

$pct$  = Weighted percent of sampling units with the error in the sampling frame.

$SE_{\%}$  = Standard error per unit, as applies to projecting proportions.

$t_{\alpha/2}$  = Student's - t for projecting a one-sided confidence interval for a sample of this size.

### Percent/Count Projection Results:

We found that in 34 out of 79 records reviewed, the audit team found a discrepancy. This amounts to a weighted average of 43.17 percent. Deducting for a statistical margin of error, we can say- with a one-sided confidence interval of 95 percent- that at least 33.71 percent of the records met this condition. Extending this percent to this universe of 14,518 records, at least 4,893 records have a discrepancy, and this number could be higher.

Percentage Calculation:  $43.17\% - (1.664 \times 5.68\%) \approx 33.71\%_{LCL}$

Total Records Projection:  $14,518 \times (43.17\% - (1.664 \times 5.68\%)) \approx 4,893.72_{LCL}$