



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

HUD's Office of Multifamily Housing Programs Can Improve Its Monitoring of Civil Rights Compliance

Audit Report Number: 2025-BO-0001

March 11, 2025

To: C. Lamar Seats
Deputy Assistant Secretary, Office of Multifamily Housing Programs, HT

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

Subject: HUD's Office of Multifamily Housing Programs Can Improve Its Monitoring of Civil Rights Compliance

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 Office of Multifamily Housing Programs' monitoring of civil rights compliance in its program activities.

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 J. Lloyd, Audit Director, at (215) 704-0554.

Highlights

HUD's Office of Multifamily Housing Programs Can Improve Its Monitoring of Civil Rights Compliance | 2025-BO-0001

What We Audited and Why

We audited the U.S. Department of Housing and Urban Development's (HUD) Office of Multifamily Housing Programs' monitoring of civil rights compliance. Robust monitoring for civil rights compliance is critical to HUD's goals to support underserved communities. Our audit objective was to assess the extent to which HUD monitored civil rights compliance in its program activities.

What We Found

HUD and performance-based contract administrators (PBCA) perform minimal monitoring of civil rights compliance when conducting management and occupancy reviews (MOR) for multifamily properties due to (1) a lack of training and emphasis regarding civil rights monitoring and (2) contract issues with the PBCAs. From April 1, 2021, through December 31, 2023, HUD and the PBCAs monitored civil rights compliance for only 12 multifamily properties from a statistical sample of 132 properties. By performing minimal monitoring of civil rights compliance, HUD is missing opportunities to identify discriminatory practices or civil rights violations, thereby missing opportunities to report these concerns to the Office of Fair Housing and Equal Opportunity for resolution.

What We Recommend

We recommend that HUD's Deputy Assistant Secretary for Multifamily Housing (1) implement training at the regional level to provide instruction on and stress the importance of monitoring civil rights compliance as part of the MORs conducted, (2) direct HUD staff to perform all required monitoring of civil rights compliance as part of the MORs conducted, (3) instruct the PBCAs to include the completion of the addendum B checklist as part of the MORs performed by the PBCAs, and (4) provide technical training to the multifamily property owners and management agents on monitoring for civil rights compliance as part of the MORs.

Table of Contents

Background and Objective	1
Results of Audit	2
HUD’s Office of Multifamily Housing Programs Can Improve Its Monitoring of Civil Rights Compliance	2
Scope and Methodology	5
Appendix	9
Auditee Comments and OIG’s Evaluation	9

Background and Objective

The Fair Housing Act (the Act), as amended, prohibits discrimination on the basis of race, color, religion, national origin, sex, disability, and familial status. The Act applies to certain issues, including harassment and discrimination in the sale, rental, advertising, or financing of housing; the provision of brokerage services; and other activities related to residential real estate transactions. With some exceptions, the Act covers all “dwellings,” which are defined generally as buildings designed to be used in whole or in part for a residence, as well as vacant land offered for sale and lease for constructing or locating a building.

HUD’s Office of Multifamily Housing Programs is responsible for the overall management, development, direction, and administration of HUD’s multifamily housing programs. HUD and performance-based contract administrators (PBCA) conduct management and occupancy reviews (MOR) of multifamily properties. The purpose of the MORs is to assess the management and oversight of multifamily housing properties and determine compliance with HUD’s business agreements. The management review consists of three parts: (1) desk review, (2) onsite review, and (3) summary report. The desk review, which is conducted before the onsite review, provides a well-rounded view of the project and identifies potential problems to assess during the onsite review. The onsite review requires completion of the onsite management and review form (form HUD-9834) through an interview approach with the property owner or management agent. The summary report specifies whether existing conditions and operating procedures are acceptable or whether corrective action or improvement is needed. HUD sends the summary report to the property owner and the management agent.

HUD has protocols and monitoring tools to evaluate civil rights for subsidized and unsubsidized multifamily housing programs. The civil rights monitoring tools consist of (1) onsite limited monitoring using the addendum B checklist of form HUD-9834¹, and (2) front-end review of the Affirmative Fair Housing Marketing Plan (AFHMP). The addendum B checklist is used to monitor civil rights compliance at multifamily housing properties. Throughout this report, when referring to the monitoring of civil rights compliance, we are referring directly to whether addendum B was fully completed as part of the MOR performed. The Fair Housing Act requires HUD to administer all programs and activities in a manner that affirmatively furthers fair housing. The property owners and management agents update the AFHMP every 5 years only if the property’s circumstances or local demographics change or if the property owners determine that the current AFHMP has led to demographic concentrations among residents. The property owners and management agents send the updated plan to HUD for compliance reviews.

Our audit objective was to assess the extent to which HUD’s Office of Multifamily Housing Programs monitored civil rights compliance in its program activities.

¹ Checklist for On-Site Limited Monitoring and Section 504 Reviews, Addendum B, form HUD-9834 (06/2016), Office of Fair Housing and Equal Opportunity and Office of Multifamily Housing
<https://www.hud.gov/sites/documents/9834.PDF>

Results of Audit

HUD's Office of Multifamily Housing Programs Can Improve Its Monitoring of Civil Rights Compliance

HUD performed minimal monitoring of civil rights compliance of its multifamily properties by not fully completing addendum B of form HUD-9834. The addendum B checklist is used to monitor civil rights compliance. Specifically, of 132 multifamily properties reviewed during the audit, HUD performed monitoring of civil rights compliance for only 12 properties, or 9 percent. The lack of monitoring of civil rights compliance is caused by (1) a lack of training and emphasis regarding civil rights monitoring and (2) contract issues with the PBCAs. By performing minimal monitoring of civil rights compliance, HUD is missing opportunities to identify discriminatory practices or civil rights violations, thereby missing opportunities to report these concerns to HUD's Office of Fair Housing and Equal Opportunity (FHEO) for resolution.

HUD and PBCAs Performed Monitoring of Civil Rights Compliance for 9 Percent of Multifamily Properties

HUD Handbook 4350.1, REV-1, requires the completion of the addendum B checklist of form HUD-9834 as part of its onsite review process during a MOR. Addendum B is used to monitor civil rights compliance at multifamily housing properties. We reviewed a statistical sample of 64 MORs conducted by HUD, which showed that HUD performed monitoring of civil rights compliance for 7 of the 64 multifamily properties, or 11 percent. When projected to the universe, of the 940 multifamily properties that HUD performed the MORs, HUD did not monitor at least 775 multifamily properties for civil rights compliance.

We reviewed a second statistical sample of 68 MORs conducted by a PBCA, which showed that the PBCAs performed monitoring of civil rights compliance for 5 of the 68 multifamily properties, or 7 percent. When projected to the universe, of the 13,040 multifamily properties that PBCAs performed the MORs, the PBCAs did not monitor at least 11,416 multifamily properties for civil rights compliance. Together, monitoring of civil rights compliance was performed for only 12 of the 132 MORs reviewed, or 9 percent.

HUD Can Benefit From Additional Training and Recommitting to Monitoring Civil Rights Compliance

To improve its monitoring of civil rights compliance, HUD can benefit from additional training and recommitting to its civil rights monitoring efforts. According to several HUD officials, including Chief Account Executives and Asset Management Division Directors, many of their staff members have been employed for 5 years or less. These officials believe that this condition creates a challenge due to staff turnover, resulting in the loss of civil rights knowledge and the relatively new staff's unfamiliarity with conducting MORs. They also believe their staff would benefit from additional training, to include all aspects of civil rights, additional information on FHEO's organizational structure, how FHEO uses the information gathered, and civil rights regulations as they relate to MORs.

The Director of the Assisted Housing Oversight Division stated that staff placed less emphasis on completing the addendum B checklist over the years, knowing that the PBCAs no longer completed the addendum B checklist as part of the MORs they performed. The Director acknowledged that the completion of the checklist is required and that the responsibilities of HUD staff did not change. The Director further stated that HUD staff did complete the checklist previously and that HUD leadership

needs to reinforce the requirement, which should help HUD staff recommit to performing the required monitoring. The Director also stated that the property owners and management agents would similarly benefit from technical training regarding the completion of the addendum B checklist.

Contract Issues With PBCAs Affect Monitoring of Civil Rights Compliance

HUD contracts with PBCAs through annual contribution contracts (ACC) to provide management and occupancy reviews of multifamily properties. There are two ACCs between HUD and the PBCAs, with one covering 42 States and the other covering 11 States and territories. Contract issues and disputes between HUD and the PBCAs regarding the fees earned by the PBCAs for completing the required contract tasks affect monitoring of civil rights compliance. In the past, HUD awarded ACCs to the PBCAs through a notice of funding opportunity (NOFO). When HUD announced a new NOFO in 2011 that did not include the MORs, the PBCAs covering 42 States filed a lawsuit to prevent the implementation of the NOFO because some of the functions previously performed by the PBCAs would roll back to HUD. In 2015, the U.S. Supreme Court denied a request to review a Court of Appeals decision holding that HUD would need to follow contracting rules and issue a procurement action for the ACCs covering the PBCAs.

The current ACC is under its final 6-month extension through January 2025. HUD's Director of Assisted Housing Oversight Division stated that the complexity of the procurement process is a challenge, as much of the PBCA work is considered inherently governmental. The Director added that under procurement action, decision-making authority for the PBCAs would shift back to HUD, fundamentally changing how they operate. The PBCAs currently make decisions that align with HUD handbooks and program guidance, which HUD monitors. However, under procurement law, that decision-making responsibility could revert to HUD, potentially creating a bottleneck impacting the workflow. Uncertainty remains regarding the status of the ACC beyond its expiration in January 2025. When resources are available, HUD and its partners must complete management reviews within established timeframes or circumstances.

Program Monitoring of Civil Rights Compliance Is Valuable to FHEO

According to FHEO's Acting Director, Enforcement Division, the addendum B checklist contains crucial information on civil rights that is not captured anywhere else. The information included on the checklist is important to FHEO when it investigates or reviews a particular multifamily property. For instance, the checklist details whether the property is classified as elderly disabled (age 62+ or disabled) or elderly only (age 62+), and FHEO is aware of properties drifting from elderly disabled to elderly only and excluding people with disabilities. The Acting Director further stated that property classification is not consistent from year to year, with some properties switching from elderly disabled one year to elderly only the next. The Acting Director considers this distinction crucial because it impacts the ability to access housing for hundreds of thousands of disabled people across the country if the property is classified and marketed as elderly only when it is accessible to the elderly and the disabled. The Acting Director stated that the addendum B checklist serves as a basic check against this significant issue and could provide an immediate indicator to HUD that the property might be misclassified as elderly only when it should be classified as elderly disabled.

Conclusion

By performing minimal civil rights compliance monitoring reviews, HUD is missing opportunities to identify discriminatory practices or civil rights violations. Through an improved effort to perform monitoring of civil rights compliance, HUD and the PBCAs could detect discriminatory practices or civil

rights violations, thereby helping to protect vulnerable populations. The addendum B checklist contains important civil rights information valuable to FHEO, and, working together, HUD's Office of Multifamily Housing Programs and FHEO could improve the overall monitoring of civil rights compliance.

Recommendations

We recommend that HUD's Deputy Assistant Secretary for Multifamily Housing

- 1A. Implement training at the regional level to provide instruction on and stress the importance of monitoring civil rights compliance as part of the MORs.
- 1B. Direct HUD staff to perform all required monitoring of civil rights compliance as part of the MORs conducted.
- 1C. Instruct the PBCAs to include the completion of the addendum B checklist as part of the MORs performed by the PBCAs.
- 1D. Provide technical training to the multifamily property owners and management agents on completing addendum B accurately as part of the MORs.

Scope and Methodology

We performed our audit off-site from our offices in Hartford, CT, Pittsburgh, PA, and Richmond, VA, from November 2023 through August 2024. The audit generally covered the period April 1, 2021, through March 31, 2023, but was expanded to include a review of management reviews conducted by HUD through December 31, 2023.

To accomplish our audit objective, we

- Reviewed relevant laws, regulations, and handbooks related to multifamily civil rights compliance.
- Reviewed the ACCs between HUD and the PBCAs to determine the tasks required.
- Interviewed Office of Multifamily Housing Programs staff to gain an understanding of the procedures followed to monitor civil rights compliance.
- Interviewed FHEO staff to gain an understanding of its role in the monitoring of civil rights by HUD's program offices and to discuss the importance of the addendum B checklist.

HUD provided a list of 13,056 MORs performed from April 1, 2021, through March 31, 2023, for all multifamily properties, which included the multifamily project monitored, the type of monitoring (remote or onsite) performed, and the dates on which HUD conducted monitoring for the multifamily project. We performed data validation tests on the MORs list and removed MORs that did not include the ratings of the properties, were duplicates, and were outside the timeframe of our review. The final universe included 13,040 MORs conducted by a PBCA for statistical sampling.

We statistically selected 68 MORs from a population of 13,040 MORs conducted by PBCAs from April 1, 2021, through March 31, 2023, for review. The purpose of this review was to determine whether the multifamily property was monitored for civil rights compliance through the completion of the addendum B checklist of form HUD-9834. We statistically projected the results for the 68 units to the population of 13,040 MORs.

Methodology for Projections – Sample 1

Among the universe of 13,040 MORs, we employed a stratified systematic random sample of 68 MORs for review. We used the geographic region each multifamily property was associated with to design the five strata. We detail the sample counts per stratum and sampling weights in the sample design table below.

Stratum	Sample frame count	Sample count	Probability of selection	Sampling weight
Midwest Region	2,620	14	0.20092	187.14
Northeast Region	3,726	19	0.28574	196.11
Southeast Region	2,437	13	0.18689	187.46
Southwest Region	1,796	9	0.13773	199.56
West Region	2,461	13	0.18873	189.31

We computed the percentage and number of counts of MORs with incomplete addendum B forms and extended this result to the population using the surveyfreq² procedure provided by SAS.³ We estimated the lower confidence interval using a Gaussian⁴ sampling distribution, which is appropriate for error rates in this range. We extended these percentages to the 13,040 records in the universe to get the total universe count of incomplete addendum B forms.

The basic estimation calculations are as follows:

$$Percent_{LCL} = pct - t_{\alpha/2} SE_{\%}$$

$$Universe\ count_{LCL} = N * percent_{LCL}$$

<i>Percent_{LCL}</i>	= Percentage of sampling units after deducting a margin of error
<i>Universe count_{LCL}</i>	= Total number of sampling units in the universe after deducting a margin of error
<i>N</i>	= Total number of sampling units in the sampling frame
<i>pct</i>	= Weighted percentage of sampling units with the error in the sampling frame
<i>SE_%</i>	= Standard error per unit, as applies to projecting proportions
<i>t_{α/2}</i>	= Student's - t for projecting a one-sided confidence interval for a sample of this size

Our findings with mathematical demonstrations are as follows:

Findings:

Based on a stratified systematic random sample designed to minimize error, we can say the following:

Percent-Count Projection Results: Incomplete Review of Civil Rights Compliance Monitoring Forms (Addendum B of the Management Review for Multifamily Housing Projects)

We found that 63 of 68 addendum B forms were not complete during MORs for multifamily housing projects. This amounts to a weighted average of 92.48 percent. Including a statistical margin of error, we can say, with a one-sided confidence interval of 95 percent, that there was a deficiency in at least 87.54 percent of the reviews tested. Extending this percentage to the universe of 13,040 records, at least 11,416 reviews had a deficiency for the attribute tested; however, this count could be higher.

Percentage calculation: 92.48% - (1.667 × 2.96 %) ≈ 87.54% LCL
 Total records projection: 13,040 × (92.48% - (1.667 × 2.96%)) ≈ 11,416 LCL

- HUD provided a second list of 993 MORs conducted by HUD staff from January 1 through December 31, 2023. We performed data validation tests on the second population and removed duplicate MORs. The final universe included 940 MORs conducted by HUD staff for statistical sampling.

² The surveyfreq 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) for more information.

³ SAS (previously "Statistical Analysis System") is a statistical software suite developed by the SAS Institute for data management, advanced analytics, multivariate analysis, business intelligence, criminal investigation, and predictive analytics.

⁴ In statistics, a normal distribution or "Gaussian" distribution is a type of continuous probability distribution for a real-valued random variable.

- We statistically selected 64 MORs from a population of 940 MORs conducted by HUD staff from January 1 through December 31, 2023, for review. The purpose of this was to determine whether the multifamily property was monitored for civil rights compliance through the completion of the addendum B checklist of form HUD-9834. We statistically projected the results for the 64 units to the population of 940 MORs.

Methodology for Projections – Sample 2

We employed a stratified systematic random sample of 64 for review among the universe of 940 MORs. We used the geographic region each multifamily property was associated with to design the five strata. We detail the sample counts per stratum and sampling weights in the sample design table below.

Stratum	Sample frame count	Sample size	Probability of selection	Sampling weight
Midwest	155	10	0.0645	15.50
Northeast	174	12	0.0690	14.50
Southeast	218	15	0.0688	14.53
Southwest	191	13	0.0681	14.69
West	202	14	0.0693	14.43

We computed the percentage and number of counts of MORs with incomplete addendum B forms and extended this result to the population using the surveyfreq⁵ procedure provided by SAS.⁶ We estimated the lower confidence interval using a Gaussian⁷ sampling distribution, which is appropriate for error rates in this range. We extended these percentages to the 940 records in the universe to get the total universe count of incomplete addendum B forms.

⁵ See footnote 2.

⁶ See footnote 3.

⁷ See footnote 4.

The basic estimation calculations are as follows:

$$Percent_{LCL} = pct - t_{\alpha/2} SE_{\%}$$

$$Universe\ count_{LCL} = N * percent_{LCL}$$

$Percent_{LCL}$ = Percentage of sampling units after deducting a margin of error

$Universe\ count_{LCL}$ = Total number of sampling units in the universe after deducting a margin of error

N = Total number of sampling units in the sampling frame

pct = Weighted percentage 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

Our findings with mathematical demonstrations are as follows:

Findings:

Based on a stratified systematic random sample designed to minimize error, we can say the following:

Percent-Count Projection Results: Incomplete Review of Civil Rights Compliance Monitoring Forms (Addendum B of the Management Review for Multifamily Housing Projects)

We found that 57 of 64 addendum B forms were not complete during MORs for multifamily housing projects. This amounts to a weighted average of 88.98 percent. Including a statistical margin of error, we can say with a one-sided confidence interval of 95 percent, that there was a deficiency in at least 82.45 percent of the reviews tested. Extending this percentage to the universe of 940 records, at least 775 reviews had a deficiency for the attribute tested; however, this count could be higher.

Percentage calculation:	$88.98\% - (1.670 \times 3.91\%) \approx 82.45\%_{LCL}$
Total records projection:	$940 \times (88.98\% - (1.670 \times 3.91\%)) \approx 775.0_{LCL}$

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, DC 20410-8000

OFFICE OF HOUSING

MEMORANDUM FOR: Kilah S. White, Assistant Inspector General for Audit, Office of Inspector General, GA

FROM: Donald A. Billingsley, Associate Deputy Assistant Secretary for Multifamily Housing Programs

DocuSigned by:
Donald Billingsley
233C4BDFF6FBA41...

SUBJECT: OIG Audit HUD’s Office of Multifamily Housing Programs Can Improve Its Monitoring of Civil Rights Compliance Formal Response

Comment 1 >

This memorandum serves as the Office of Multifamily Housing Programs official response to the Subject draft audit. We appreciate your staff’s willingness to work with Multifamily Housing on the audit and response. The below discusses each of the “Recommendations” and our response. Generally, we intend to comply with each recommendation, except for Recommendation 1E, for which your staff requested additional reasoning.

Comment 1 >

1A. Implement training at the regional level to provide instruction on and stress the importance of monitoring civil rights compliance as part of the MORs.

Multifamily Response: Multifamily will provide this training to field staff.

Comment 1 >

1B. Direct HUD staff to perform all required monitoring of civil rights compliance as part of the MORs conducted.

Multifamily Response: Multifamily will direct Multifamily staff to include the addendum B in all MORs conducted.

Comment 2 >

1C. Include the completion of the addendum B checklist as part of the MORs performed for any new ACCs with the PBCAs and if unable to do so, develop an alternative plan for monitoring civil rights compliance for impacted multifamily properties.

Multifamily Response: Multifamily will instruct the PBCAs to include the addendum B checklist in all MORs performed by the PBCAs. Based on our prior conversation, we request that the first clause from the “Recommendation” be removed as Multifamily is unable to obtain new ACCS without Congressional action.

Ref to OIG Evaluation – Auditee Comments

 **Comment 1 >**

2

1D. Provide technical training to the multifamily property owners and management agents on completing addendum B accurately as part of the MORs.

Multifamily Response: Multifamily will make available to multifamily property owners and agents technical training on addendum B accurate completion as part of MORs.

 **Comment 3 >**

1E. Implement a system to track the progress of monitoring civil rights compliance and provide access to FHEO's Compliance and Enforcement Division.

Multifamily Response: The "recommendation" seeks to create a function for the Office of Multifamily Housing Programs. As stated informally, the role of Multifamily Housing in monitoring civil rights compliance is limited to collecting the data in the addendum B during the MOR and performing reviews of Affirmative Fair Housing Marketing Plans of Multifamily participants and transmitting those to the Office of Fair Housing and Equal Opportunity. It is not the responsibility of Multifamily Housing to monitor civil rights compliance of program participants. When instances of non-compliance of program participants are found in Multifamily Housing Program participants, typically referrals are made to FHEO and FHEO assists Multifamily staff in any resolution of the non-compliance.

OIG Evaluation of Auditee Comments

- Comment 1 HUD’s Office of Multifamily Housing Programs accepted the finding and expressed its intention to comply with each recommendation, except for recommendation 1E. We appreciate HUD’s willingness to address the finding and recommendations in the report and look forward to working with HUD during the audit resolution process to ensure that its corrective actions are sufficient and fully address the recommendations.
- Comment 2 HUD requested that we remove the first clause from recommendation 1C, as it is unable to obtain new ACCs without Congressional action. We removed the clause and reworded the recommendation to better align it with the actions HUD plans to take.
- Comment 3 Although not directly mentioned in HUD’s formal comments, during both the exit conference and subsequently, HUD did request the removal of recommendation 1E for the reasons stated in its response. Considering that the monitoring of civil rights is limited to collecting addendum B during the MORs, we agree that a system to track the progress of monitoring civil rights compliance is not needed. Therefore, we removed the recommendation.