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**Course Outline**

$[( \# \text{ of words } / 140 ) + ( \text{ Video time in min. } ) + ( \# \text{ of questions } \times 1.85 ) ] / 50 = \text{CEUs}$ . Calculation of CEUs uses the prescribed word count formula (Approved by InterNACHI, AICPA, and NASBA). The word count for the text of the required reading of the program is divided by 140, the average reading speed of adults reading technical content. The total number of review questions, exercises and final examination questions is multiplied by 1.85, which is the estimated average completion time per question. These two numbers plus actual audio/video duration time, if any, are then added together and the result divided by 50 to calculate the CEUs for the self study program. If the total minutes are not equally divisible by 50, the CEUs granted may be rounded down to the nearest one-half credit.

**(0.5 hours) Inspector Standards of Practice [NAC 645D.450 to NAC 645D.470, NAC 645D.4355.1.(a), NAC 645D.4355.1.(b), and NAC 645.4355.2.(d).]**

- Nevada SOP: Standards of Conduct

**(0.5 hours) Inspection of Structures [NAC 645D.480 to NAC 645D.580, and NAC 645D.4355.2.(d).]**

- Interior Components
- Built-In Kitchen Appliances
- Insulation & Ventilation Systems
- Plumbing Systems
- Electrical Systems
- Heating Systems
- Air-Conditioning Systems
- Exterior Components
- Roofing Components
- Structural Systems
- Site of Structure

**(1.6 hours) Administration of Legal, Certification, and Enforcement [NAC 645D.600 to NAC 645D.660, NAC 645D.700 to NAC 645D.730, NAC 645D.210 to NAC 645D.230, and NAC 645D.4355.2.(b).]**

- Nevada SOP: Miscellaneous Provisions
- NV Rules: Complaints; Disciplinary Action
- Miscellaneous Certification Provisions

**(0.6 hours) Administration of Laws and Regulations Governing Inspections of Structures [NRS 645D.010, NRS 645D.020, NRS 645D.050, NRS 645D.053, NRS 645D.057, NRS 645D.080, NRS 645D.110, NRS 645D.120, NRS 645D.125, NRS 645D.130, NRS 645D.135, NRS 645D.140, NRS 645D.150, NRS 645D.160, NRS 645D.170, NRS 645D.180, NRS 645D.190, NRS 645D.200, NRS 645D.205, NRS 645D.240, NRS 645D.690, NRS 645D.700, NRS 645D.710.]**

- Introduction to NRS 645D
- Duty of Division; restrictions
- Adoption of regulations
- Authority for Division
- Fees Charged and Collected by the Division
- Record Keeping by the Division
- Records that are Confidential
- Money Collected by Division
- Attorney General Duties
- Required Certificate or License

- Definition of Inspector
- Energy Auditor Defined
- Application Submission
- Proof of Insurance
- Denial of Certification
- Denial of License
- Disciplinary Proceedings
- Grounds for Disciplinary Action
- Unprofessional Conduct of Certified Inspector

**(0.6 hours) Legislative Issues and Legal Case Law [NAC 645D.4355.2.(a).]**

Burbach v. Analytical Labs

- Campbell v. Groves
- Dicker v. Housemaster
- Drullinsky v. Tauscher
- Freeman v. Duhamel
- Goldstein v. Carnell
- Gray v. Sullivan
- Grzymala v. Mckeon
- 12 Steps That Help Home Inspectors Avoid Laws

**(0.8 hours) Office Management, Employee Provisions, and Business Operations [NAC 645D.4355.2.(b).]**

- Business Requirements and Office Management
- Forms of Inspection Businesses
- Scheduling an Inspection
- Employee Agreement

**4.0 CEUs - Continuing Education Units (in hours)**

## **Student Verification & Interactivity**

### **Student Verification**

By enrolling in this course, the student hereby attests that s/he is the person completing all coursework. S/he understands that having another person complete the coursework for him or her is fraudulent and will result in being denied course completion and corresponding credit hours.

The course provider reserves the right to make contact as necessary to verify the integrity of any information submitted or communicated by the student. The student agrees not to duplicate or distribute any part of this copyrighted work or provide other parties with the answers or copies of the assessments that are part of this course. If plagiarism or copyright infringement is proven, the student will be notified of such and barred from the course and/or have his/her credit hours and/or certification revoked.

Communication [on the message board or forum](#) shall be of the person completing all coursework.



### **Interactivity**

Interactivity between the student and the course provider is made by the opportunity to correspond via email. Students will receive a timely response within 24 hours during the work week and by close of business on Monday for questions received over the weekend.

The student can join in the conversation with other students by visiting the course's [online forum](#). Students are free to post questions and comments there. The thread will be monitored by the course instructor.

### **Contact:**

Director of Education Ben Gromicko: [ben@internachi.org](mailto:ben@internachi.org)

### **Refund & Cancellation Policy**

This course is offered free to dues-paid InterNACHI members and for a fee to non-members.

If, for any reason, the student wishes to cancel his/her enrollment, a full refund for any fees paid will be offered. The student will not be issued a Certificate of Completion for this course, and any Continuing Education credits awarded for this course will be revoked and removed from the student's InterNACHI Education Transcript. Please email course author/instructor and Director of Education Ben Gromicko at [ben@internachi.org](mailto:ben@internachi.org) with questions.

## Course Objectives & Outline

This course is designed for Nevada home inspectors who must understand the process and adhere to the standards of practice and legal requirements, as set forth in the Nevada Administrative Code for Inspectors of Structures, Chapter 645D (<http://leg.state.nv.us/NAC/NAC-645D.html#NAC645D>; in particular, NAC-645D.460 through 645D.580), per the State of Nevada Real Estate Division, in order to perform home inspections in Nevada, and also to fulfill the state's Continuing Education law/legal course requirements for home inspectors.



## Standards for Courses

As described by the [Nevada Administrative Code NAC 645D.4355 Standards for courses \(NRS 645D.120\)](#), the following sections are covered in this online course:

- NAC 645D.4355.1(a) Current information on inspection practices that will improve the professional knowledge of the holder of a certificate and enable him to provide better service to the public.
- NAC 645D.4355.1(b) Information that pertains to pertinent state or federal laws and regulations relating to inspections or inspection practices.
- NAC 645D.4355.2.(a) Legislative issues that concern holders of certificates or the practice of inspecting structures, including, without limitation, pending and recent legislation.
- NAC 645D.4355.2.(b) The administration of laws and regulations governing inspections of structures, including, without limitation, certification, enforcement, office management and employees' contracts.
- NAC 645D.4355.2.(d) The evaluation of a structure and its components, including, without limitation, the evaluation of the items set forth in NAC 645D.480 to 645D.580; and
- NRS 645D. Administration of Laws and Regulations Governing Inspections of Structures, including: NRS 645D.010, NRS 645D.020, NRS 645D.050, NRS 645D.053, NRS 645D.057, NRS 645D.080, NRS 645D.110, NRS 645D.120, NRS 645D.125, NRS 645D.130, NRS 645D.135, NRS 645D.140, NRS 645D.150, NRS 645D.160, NRS 645D.170, NRS 645D.180, NRS 645D.190, NRS 645D.200, NRS 645D.205, NRS 645D.240, NRS 645D.690, NRS 645D.700, NRS 645D.710.

## Sections of this Course

[Inspector Standards of Practice](#) covers:

- NAC 645D.450 to NAC 645D.470,
- NAC 645D.4355.1.(a),
- NAC 645D.4355.1.(b), and
- NAC 645.4355.2.(d).

[Inspection of Structures](#) covers:

- NAC 645D.480 to NAC 645D.580, and
- NAC 645D.4355.2.(d).

[Administration of Legal, Certification, and Enforcement](#) covers:

- NAC 645D.600 to NAC 645D.660,
- NAC 645D.700 to NAC 645D.730,
- NAC 645D.210 to NAC 645D.230, and
- NAC 645D.4355.2.(b).

[Administration of Laws and Regulations Governing Inspections of Structures](#) covers:

- NRS 645D.010, NRS 645D.020, NRS 645D.050, NRS 645D.053, NRS 645D.057, NRS 645D.080, NRS 645D.110, NRS 645D.120, NRS 645D.125, NRS 645D.130, NRS 645D.135, NRS 645D.140, NRS 645D.150, NRS 645D.160, NRS 645D.170, NRS 645D.180, NRS 645D.190, NRS 645D.200, NRS 645D.205, NRS 645D.240, NRS 645D.690, NRS 645D.700, NRS 645D.710.

[Legislative Issues and Legal Case Law for Home Inspectors](#) covers:

- NAC 645D.4355.2.(a).

[Office Management, Employee Provisions, and Business Operations](#) covers:

- NAC 645D.4355.2.(b).

## Nevada SOP: Standards of Conduct

### **NAC 645D.450 Conduct of inspection, partial inspection or re-inspection; preparation of inspection report.**

1. Except as otherwise provided in this section, a certified inspector shall conduct each inspection and prepare a complete inspection report of each inspection in accordance with [NAC 645D.460](#) to [645D.580](#), inclusive.
2. A certified inspector may exceed the requirements set forth in [NAC 645D.460](#) to [645D.580](#), inclusive, when conducting an inspection.
3. A certified inspector may conduct a partial inspection or re-inspection that does not satisfy all the requirements of [NAC 645D.480](#) to [645D.580](#), inclusive, if:
  - (a) the partial inspection or re-inspection satisfies all the relevant requirements of [NAC 645D.460](#) to [645D.580](#), inclusive; and
  - (b) the inspection report:
    - (1) states that a partial inspection or re-inspection has been performed;
    - (2) describes the purpose of the partial inspection or re-inspection; and
    - (3) clearly identifies the matters included in the partial inspection or re-inspection.
4. The provisions of [NAC 645D.480](#) to [645D.580](#), inclusive, do not require a certified inspector to move or disturb any item, including, without limitation, insulation, personal items, panels, furniture, equipment, plants, soil, snow, ice or other debris, that obstructs his access to or visibility of any item listed in [NAC 645D.480](#) to [645D.580](#), inclusive.

*(Added to NAC by Real Estate Div. by R214-97, eff. 5-11-98; A by R177-01, 5-20-2002)*

### **NAC 645D.460 Professional conduct.**

A certified inspector shall:

1. perform his duties with the highest standard of integrity, professionalism and fidelity to the public and the client, with fairness and impartiality to all.
2. avoid association with any person or enterprise of questionable character or any endeavor that creates an apparent conflict of interest.
3. conduct his business in a manner that will assure his client of the inspector's independence from outside influence and interest which would compromise his ability to render a fair and impartial inspection.
4. not disclose any information concerning the results of an inspection without the approval of the client or his representative for whom the inspection was performed.
5. not accept compensation, financial or otherwise, from more than one interested party for the same service on the same property without the consent of all interested parties.



6. not, whether directly or indirectly, accept a benefit from, or offer a benefit to, a person who is dealing with the client in connection with work for which the inspector is responsible. As used in this subsection, “benefit” includes, without limitation, a commission, fee, allowance, or promise or expectation of a referral for other work.
7. not express the estimated market value of an inspected property while conducting an inspection.
8. not use the term or designation “state-certified inspector” unless he is certified.
9. before the execution of a contract to perform an inspection, disclose to the client any interest of the inspector in a business that may affect an interest of the client.
10. not allow his interest in any business to affect the quality or results of an inspection.

*(Added to NAC by Real Estate Div. by R214-97, eff. 5-11-98; A by R144-06, 9-18-2007)*

**NAC 645D.470 Prohibited acts.**

A certified inspector shall not, while making an inspection:

1. offer to perform or perform any act or service that is unlawful.
2. offer warranties or guarantees of any kind.
3. offer to perform or perform any job function for which he does not have a license, including, but not limited to, the services of an engineer, architect, plumber or electrician.
4. calculate the strength, adequacy or efficiency of any system or component.
5. enter any area or perform any procedure that may damage any part of the structure being inspected or endanger any person, including, but not limited to, the certified inspector.
6. operate any system or component that is shut down or otherwise inoperable.
7. operate any system or component that does not respond to normal operating controls.
8. determine the presence or absence of any suspected adverse environmental condition or hazardous substance, including, but not limited to, toxins, molds and other fungi, carcinogens, radon, noise or contaminants, unless he is licensed or certified to make such inspections and determinations.
9. determine the effectiveness of any system installed to control or remove suspected hazardous substances.
10. predict the future condition of any system or component, including, but not limited to, the failure of a component.
11. project the operating costs of any component.
12. repair a defect identified during the inspection.

*(Added to NAC by Real Estate Div. by R214-97, eff. 5-11-98; A by R177-01, 5-20-2002; R144-06, 9-18-2007)*

**Quiz #1: Standards of Conduct**

Please review your answers below. Any questions that you answered incorrectly can be changed and the quiz can be resubmitted as many times as you like.

T/F: An inspector is not allowed to exceed the provisions as set forth in the NAC.

True

False (correct)

T/F: An inspector must perform a complete and full inspection, without exception.

False (correct)

True

T/F: An inspector is not required to move personal items, equipment, debris, etc., in order to perform an inspection.

False

True (correct)

T/F: Regarding inspections, an inspector does not need to be concerned about an apparent conflict of interest if it's not a genuine conflict of interest.

False (correct)

True

T/F: Once an inspection report has been created, it becomes a matter of public record.

False (correct)

True

T/F: An inspector may not accept any benefit related to an inspection, which may include a promise or expectation of a referral of other work.

True (correct)

False

T/F: An inspector may offer his/her opinion regarding the efficiency of a radon-mitigation system.

True

False (correct)

T/F: An inspection serves as a warranty of the inspected items.

False (correct)

True

T/F: During an inspection, an inspector shall not activate any system or component that is shut down.

False

True (correct)

T/F: If qualified or able to do so, an inspector may repair a defective item discovered during the inspection.

True

False (correct)

**Interior Components**

**NAC 645D.480 Interior components.**

1. A certified inspector shall inspect the interior components of the structure being inspected, including, but not limited to, the following components of the interior:
  - (a) the walls, ceilings and floors;
  - (b) the steps, stairways, balconies and railings;
  - (c) a representative number of doors and windows; and
  - (d) the counters and a representative number of cabinets.
  
2. An inspection of the interior components must include, without limitation:
  - (a) the operation of a representative number of the windows and interior doors; and
  - (b) the reporting of any sign of abnormal or harmful water penetration into the structure or any sign of abnormal or harmful condensation.

*(Added to NAC by Real Estate Div. by R214-97, eff. 5-11-98)*

**Quiz #2: Interior Components**

Please review your answers below. Any questions that you answered incorrectly can be changed and the quiz can be resubmitted as many times as you like.

T/F: An inspector shall inspect all windows and doors.

True

False (correct)

T/F: An inspector shall inspect all countertops and cabinets.

False (correct)

True

T/F: An inspector must open and close a representative number of doors and windows.

True (correct)

False

T/F: An inspector must report signs of abnormal condensation.

False

True (correct)

T/F: The inspection of an interior balcony falls outside Nevada's SOP.

True

False (correct)

## **Built-In Kitchen Appliances**

### **NAC 645D.490 Built-in kitchen appliances.**

1. A certified inspector shall inspect the built-in kitchen appliances of the structure being inspected, including, but not limited to, the following kitchen appliances if they are not shut off or otherwise inoperable:
  - (a) the dishwasher;
  - (b) the range, cook top and oven;
  - (c) the trash compactor;
  - (d) the garbage disposal;
  - (e) the ventilation equipment and range hood; and
  - (f) the microwave oven.
  
2. An inspection of the built-in kitchen appliances must include, without limitation, the operation of the dishwasher through at least one normal cycle.

*(Added to NAC by Real Estate Div. by R214-97, eff. 5-11-98)*

**Quiz #3: Built-In Kitchen Appliances**

Please review your answers below. Any questions that you answered incorrectly can be changed and the quiz can be resubmitted as many times as you like.

T/F: The inspector shall inspect the dishwasher.

False

True (correct)

T/F: An inspector is required to inspect a dishwasher but not operate it.

True

False (correct)

T/F: The inspection of a dishwasher includes both built-in units and portable units that rely on the kitchen's main water supply.

True

False (correct)

T/F: An inspector is not required to inspect a microwave if it is inoperable.

True (correct)

False

T/F: An inspector is not required to inspect a trash compactor.

False (correct)

True

T/F: An inspector is required to inspect a range hood.

True (correct)

False

## Insulation & Ventilation Systems

### NAC 645D.500 Insulation and ventilation systems.

1. A certified inspector shall inspect the insulation and ventilation systems of the structure being inspected, including, but not limited to, the following components of the insulation and ventilation systems:
  - (a) the insulation and vapor retarders in unfinished spaces;
  - (b) the ventilation of the attics and the area of the foundation; and
  - (c) the kitchen, bathroom and laundry venting systems.
  
2. An inspection of the insulation and ventilation systems must include, without limitation:
  - (a) the operation of any readily accessible attic ventilation fan;
  - (b) if the temperature of the structure permits, the operation of any readily accessible thermostatic control;
  - (c) a description of the condition of the insulation in the unfinished spaces; and
  - (d) a description of any unfinished space at conditioned surfaces in which the insulation is absent.

*(Added to NAC by Real Estate Div. by R214-97, eff. 5-11-98)*

**Quiz #4: Insulation & Ventilation Systems**

Please review your answers below. Any questions that you answered incorrectly can be changed and the quiz can be resubmitted as many times as you like.

T/F: An inspector must inspect the vapor retarder in unfinished spaces.

False

True (correct)

T/F: The inspector is not required to inspect the ventilation in the area of the foundation.

True

False (correct)

T/F: An inspector must describe the efficiency of the insulation in unfinished attic spaces.

True

False (correct)

T/F: The inspector must describe the R-value of the insulation in unfinished spaces.

True

False (correct)

T/F: The inspector must describe the condition of the insulation in unfinished spaces.

True (correct)

False

T/F: An inspection of the ventilation system does not include a laundry room.

False (correct)

True

T/F: An inspector is required to report only on insulation that is present and visible.

True

False (correct)



## Plumbing Systems

### NAC 645D.510 Plumbing systems.

1. A certified inspector shall inspect the plumbing system of the structure being inspected, including, but not limited to, the following components of the plumbing system:
  - (a) the hot and cold water systems;
  - (b) the waste and drain systems;
  - (c) the vent systems; and
  - (d) the readily accessible gas lines.
  
2. An inspection of the plumbing system must include, without limitation:
  - (a) an identification and description of the type of water lines and a determination of whether the system has been activated;
  - (b) the operation of all plumbing fixtures and a visual inspection of all readily accessible components of the plumbing system;
  - (c) a determination of the functional flow of the waste, drain, water and vent lines; and
  - (d) an identification and description of the type of domestic water heater, energy source and any safety devices attached thereto.

*(Added to NAC by Real Estate Div. by R214-97, eff. 5-11-98)*

**Quiz #5: Plumbing Systems**

Please review your answers below. Any questions that you answered incorrectly can be changed and the quiz can be resubmitted as many times as you like.

T/F: The inspection of gas lines falls outside Nevada's SOP.

False (correct)

True

T/F: The inspector must operate a representative number of plumbing fixtures.

True

False (correct)

T/F: The identification of any safety devices attached to a water heater falls outside Nevada's SOP

True

False (correct)

T/F: The inspector must inspect the readily accessible gas lines.

False

True (correct)

T/F: The inspector must identify and describe the type of water lines at a plumbing system.

False

True (correct)

T/F: The inspector must determine the functional flow of the waste, drain, water and vent lines.

True (correct)

False

T/F: The inspector is not required to describe the type of water heater at a home, but merely confirm that one exists.

False (correct)

True

T/F: The inspector must visually inspect all of the readily accessible components of the plumbing system.

True (correct)

False

## **Electrical Systems**

### **NAC 645D.520 Electrical systems.**

1. A certified inspector shall inspect the electrical systems of the structure being inspected, including, but not limited to, the following components of the electrical system:
  - (a) the switches, receptacles and fixtures;
  - (b) the main panel box and all sub-panel boxes, including, but not limited to, the feeders; and
  - (c) the readily accessible wiring and junction boxes.
  
2. An inspection of the electrical system must include, without limitation:
  - (a) an identification and description of the amperage and type of over-current protection devices, including, but not limited to, the fuses and breakers;
  - (b) a description of the condition of the electrical system, including, but not limited to, the grounding cables;
  - (c) a verification of the compatibility and condition of the main and branch circuit over-current protection devices to the size of the conductors served by them;
  - (d) the testing of a representative number of readily accessible switches, receptacles and light fixtures in each room or area of the structure;
  - (e) a test and verification of the grounding, polarity and operation of all readily accessible ground-fault circuit interrupter devices; and
  - (f) an evaluation of the system and all readily accessible wiring.

*(Added to NAC by Real Estate Div. by R214-97, eff. 5-11-98; A by R177-01, 5-20-2002)*

### Quiz #6: Electrical Systems

Please review your answers below. Any questions that you answered incorrectly can be changed and the quiz can be resubmitted as many times as you like.

T/F: The inspection of accessible wiring falls outside Nevada's SOP.

True

False (correct)

T/F: The inspection of the electrical system includes testing all the accessible switches, receptacles and fixtures.

False (correct)

True

T/F: The inspector is required to identify and describe the amperage of fuses and breakers.

False

True (correct)

T/F: The inspection of the main panel box, sub-panel boxes and junction boxes falls within Nevada's SOP.

False

True (correct)

T/F: The inspector must identify and describe the type of over-current protection devices installed at an electrical system.

True (correct)

False

T/F: The inspector must describe the condition of the electrical system.

False

True (correct)

T/F: The inspector must verify the compatibility of main and branch circuit over-current devices to the size of the conductors served by them.

False

True (correct)

T/F: The inspector is not required to describe the condition of any grounding cables.

True

False (correct)

T/F: The inspector is not required to verify the amperage of over-current devices.

False (correct)

True

T/F: The inspector is required to test a representative number of GFCI devices.

False (correct)

True

## **Heating Systems**

### **NAC 645D.530 Heating systems.**

1. A certified inspector shall inspect the heating system of the structure being inspected, including, but not limited to, the following components of a heating system:
  - (a) the heating equipment and heating distribution system;
  - (b) the operating controls; and
  - (c) the auxiliary heating units.
  
2. An inspection of the heating system must include, without limitation:
  - (a) an identification and description of the type of system, distribution, energy source and number of units or systems in the structure;
  - (b) the opening of all readily accessible access panels or covers provided by the manufacturer so that the enclosed components can be evaluated; and
  - (c) an evaluation of the readily accessible controls and components.

*(Added to NAC by Real Estate Div. by R214-97, eff. 5-11-98)*

**Quiz #7: Heating Systems**

Please review your answers below. Any questions that you answered incorrectly can be changed and the quiz can be resubmitted as many times as you like.

T/F: The inspector is not required to open or remove any access panels of a heating system in order to evaluate any enclosed components.

False (correct)

True

T/F: The inspection of auxiliary heating units falls outside Nevada's SOP.

True

False (correct)

T/F: The inspector is required to estimate the number of heating units and systems in the inspected structure.

True

False (correct)

T/F: The inspector must evaluate the accessible controls and components of the heating system.

True (correct)

False

T/F: The inspector is not required to describe the energy source of a heating system.

False (correct)

True

## Air-Conditioning Systems

### **NAC 645D.540 Air-conditioning systems.**

1. A certified inspector shall inspect the air-conditioning system of the structure being inspected, including, but not limited to, the following components of the air-conditioning system:
  - (a) the cooling equipment and cooling distribution systems; and
  - (b) the operating controls.
  
2. An inspection of the air-conditioning system must include, without limitation:
  - (a) an identification and description of the type of system, distribution, energy source and number of units or systems in the structure;
  - (b) the opening of all readily accessible access panels or covers provided by the manufacturer so that the enclosed components can be evaluated; and
  - (c) an evaluation of the readily accessible controls and components.

*(Added to NAC by Real Estate Div. by R214-97, eff. 5-11-98)*

**Quiz #8: Air-Conditioning Systems**

Please review your answers below. Any questions that you answered incorrectly can be changed and the quiz can be resubmitted as many times as you like.

T/F: The inspector is required to inspect an air-conditioning system's operating controls and components.

True (correct)

False

T/F: The inspector is not required to open or remove any access panels in order to evaluate a system's enclosed components.

False (correct)

True

T/F: The inspector is required to identify the number of systems in a structure.

True (correct)

False

T/F: The inspector is required to identify an AC system's energy source.

False

True (correct)

T/F: The inspection of an AC system includes its accessible cooling distribution components.

False

True (correct)



## **Exterior Components**

### **NAC 645D.550 Exterior components.**

1. A certified inspector shall inspect the exterior components of a structure being inspected, including, but not limited to:
  - (a) the exterior wall components;
  - (b) the exposed molding and trim;
  - (c) the windows and exterior doors; and
  - (d) the fireplaces, flues and chimneys.
  
2. An inspection of exterior components must include, without limitation:
  - (a) an identification of the type of structure and covering of the exterior component, including, but not limited to, whether it is block, siding, shingle, stucco, wood, asbestos, hardboard or masonry;
  - (b) an evaluation of the wall covering;
  - (c) an evaluation of the condition of a representative number of windows and doors, including, but not limited to, the associated trim and hardware; and
  - (d) an inspection and description of the condition of readily accessible porches, decks, steps, balconies and carports attached to the structure.

*(Added to NAC by Real Estate Div. by R214-97, eff. 5-11-98)*

**Quiz #9: Exterior Components**

Please review your answers below. Any questions that you answered incorrectly can be changed and the quiz can be resubmitted as many times as you like.

T/F: The inspection of the exterior includes fireplaces, chimneys and flues.

True (correct)

False

T/F: The inspector must identify asbestos that is used in a structure's exterior covering.

False

True (correct)

T/F: The inspector must evaluate the condition of all exterior doors and windows.

True

False (correct)

T/F: The inspector must be able to identify stucco, shingle, hardboard, wood and masonry siding.

False

True (correct)

T/F: The inspector is not required to inspect any exposed exterior molding or trim.

True

False (correct)

T/F: The inspector is required to evaluate the condition of the exterior wall covering.

True (correct)

False

T/F: The inspector is required to inspect any exterior porches, steps, decks and carports that are attached to the structure.

False

True (correct)

## Roofing Components

### NAC 645D.560 Roofing components.

1. A certified inspector shall inspect the roofing components of the structure being inspected, including, but not limited to:
  - (a) the roof covering;
  - (b) the flashing;
  - (c) the insulation;
  - (d) the ventilation;
  - (e) the soffits and fascia; and
  - (f) the skylights, roof accessories and penetrations.
  
2. The inspection of roofing components must include, without limitation:
  - (a) an identification and description of the materials of the visible roof structure, roof flashing, skylights, penetrations, ventilation devices and roof drainage;
  - (b) an evaluation of the condition of the readily accessible attic areas;
  - (c) a determination of the type, condition and approximate thickness of the attic insulation; and
  - (d) a description of the method of observation used to inspect the roof.

*(Added to NAC by Real Estate Div. by R214-97, eff. 5-11-98)*

**Quiz #10: Roofing Components**

Please review your answers below. Any questions that you answered incorrectly can be changed and the quiz can be resubmitted as many times as you like.

T/F: The inspector is required to describe how s/he inspected the roof.

True (correct)

False

T/F: The inspector is required to describe the type of insulation installed in the attic area.

True (correct)

False

T/F: The inspection of skylights falls outside Nevada's SOP.

False (correct)

True

T/F: The inspector must evaluate the readily accessible areas of the attic.

True (correct)

False

T/F: The inspector is required to identify the R-value of attic insulation

True

False (correct)

T/F: The inspector is not required to inspect any roof accessories.

True

False (correct)

T/F: Inspection of the roof includes the visible roof structure, soffits and fascia.

False

True (correct)

T/F: The inspector must evaluate the condition of the visible flashing and roof drainage.

True (correct)

False

T/F: The inspector must evaluate the condition of attic insulation.

True (correct)

False

T/F: The evaluation of ventilation components and devices is part of a roof inspection.

True (correct)

False

## Structural Systems

### NAC 645D.570 Structural systems.

1. A certified inspector shall inspect the structural system of the structure being inspected, including, but not limited to, the foundation, floors, walls, columns, ceilings and roof.
2. An inspection of the structural system must include, without limitation:
  - (a) an identification and description of the type of foundation, floor structure, wall structure, columns, ceiling structure, roof structure and other attached structural components;
  - (b) a probe of all structural components in which deterioration is suspected, unless the probe will damage any finished surface;
  - (c) entry under the floor crawl spaces and attic spaces, except when access is obstructed or not readily accessible, entry could damage the property, or dangerous or adverse conditions are obvious or suspected;
  - (d) a report of all signs of water penetration or abnormal or harmful condensation on building components; and
  - (e) a description of any visible structural damage to the framing members and foundation system.

*(Added to NAC by Real Estate Div. by R214-97, eff. 5-11-98)*

**Quiz #11: Structural Systems**

Please review your answers below. Any questions that you answered incorrectly can be changed and the quiz can be resubmitted as many times as you like.

T/F: An inspection of the structural system includes floors, walls and ceilings.

True (correct)

False

T/F: An inspector must probe all structural components that s/he suspects are deteriorated, unless doing so will damage a finished surface.

False

True (correct)

T/F: Abnormal condensation on building components is considered a cosmetic issue and need not be reported.

False (correct)

True

T/F: The inspection of visible framing members falls outside Nevada's SOP.

True

False (correct)

T/F: The inspection of the structural systems includes the foundation and roof.

True (correct)

False

T/F: Columns should be inspected as part of the evaluation of the structural system.

False

True (correct)

T/F: An inspector is not required to identify the type of foundation, as this falls outside Nevada's SOP.

True

False (correct)

T/F: The inspector is required to report all signs of water penetration on building components.

True (correct)

False

T/F: The inspector is required to inspect all crawlspaces.

False (correct)

True

T/F: If unsafe or adverse conditions are suspected, an inspector is not required to inspect an attic space.

False

True (correct)

**Site of Structure**

**NAC 645D.580 Site of structure.**

1. A certified inspector shall inspect the site of the structure while conducting an inspection of the structure, including, but not limited to:
  - (a) the land grade and water drainage;
  - (b) the retaining walls affecting the structure;
  - (c) the driveways and walkways; and
  - (d) the porches and patios.
  
2. An inspection of the site must include, without limitation:
  - (a) an identification and evaluation of the materials and conditions of the driveways, walkways, grade steps, patios and other items contiguous with the inspected structure;
  - (b) an observation of the drainage and grading for conditions that adversely affect the structure; and
  - (c) an observation of the above-grade vegetation which affects the exterior of the structure.

*(Added to NAC by Real Estate Div. by R214-97, eff. 5-11-98)*

**Quiz #12: Site of Structure**

Please review your answers below. Any questions that you answered incorrectly can be changed and the quiz can be resubmitted as many times as you like.

T/F: The inspector is required to inspect the root system of exterior vegetation that is suspected of negatively affecting the exterior of the structure.

True

False (correct)

T/F: The inspector is not required to inspect walkways or driveways.

True

False (correct)

T/F: The inspector is required to inspect retaining walls that affect the structure.

True (correct)

False

T/F: The inspector is required to inspect porches and patios.

False

True (correct)

T/F: The inspector must identify the material(s) of the grade steps.

False

True (correct)

T/F: The inspector is not required to inspect the water drainage or land grading of the building's site.

True

False

T/F: Any item that is contiguous with the inspected structure must itself be inspected as part of an evaluation of the site.

False

True (correct)



## Administration of Legal, Certification, and Enforcement

### Nevada SOP: Miscellaneous Provisions

#### **NAC 645D.600 Determination of unprofessional conduct or professional incompetence.**

In determining whether a certified inspector is guilty of unprofessional conduct or professional incompetence, the Division will consider, among other things, whether the inspector has:

1. failed to perform an inspection and prepare a complete inspection report of the inspection in accordance with [NAC 645D.450](#) to [645D.580](#), inclusive;
2. done his utmost to protect the public against fraud, misrepresentation or unethical practices relative to his profession;
3. made an inspection and prepared an inspection report of any property outside of his field of experience or competence without the assistance of a qualified authority; or
4. adequately documented any required disclosures of his interest in any property with which he is dealing.

*(Added to NAC by Real Estate Div. by R214-97, eff. 5-11-98; A by R177-01, 5-20-2002)*

#### **NAC 645D.610 Disclosures required in advertisement.**

In any advertisement through which a certified inspector offers to perform services for which a certificate is required pursuant to this chapter, he shall disclose the name under which he does business and the type of certificate he holds.

*(Added to NAC by Real Estate Div. by R214-97, eff. 5-11-98)*

#### **NAC 645D.620 Maintenance of records; inspection and audit by Division.**

1. A certified inspector shall keep at his place of business, or other location approved by the Division, a copy of the inspection report, work file and any other pertinent information relating to each inspection he conducts for at least three years after the completion of the inspection. Only one set of files needs be maintained, but the information must be available to all participating inspectors.
2. All inspections conducted by a certified inspector must be filed in an orderly fashion, including, but not limited to, numerically, chronologically by date or alphabetically, to permit an audit by a representative of the Division.
3. The inspection report, work file and other pertinent information relating to an inspection must be open to inspection and audit by the Division upon its request during its usual business hours, as well as other hours during which the certified inspector regularly conducts his business.
4. The certified inspector shall give written notice to the Division of the exact location of his records and may not remove them until he has delivered a notice that informs the Division of the new location.

*(Added to NAC by Real Estate Div. by R214-97, eff. 5-11-98; A by R144-06, 9-18-2007)*

**NAC 645D.630 Examination of office; form.**

1. The Division may use a form of its design to conduct any office examination and require the certified inspector or his office manager to sign such a form.
  
2. An examination must include, without limitation:
  - (a) the address of the office;
  
  - (b) the system used in filing records;
  
  - (c) advertising; and
  
  - (d) the availability of current statutes and regulations at the place of business.

*(Added to NAC by Real Estate Div. by R214-97, eff. 5-11-98)*

**NAC 645D.640 Cooperation in examination of office and audits.**

A certified inspector shall, upon demand, provide the Division with the documents and the permission necessary to complete fully an office examination and audit of his records.

*(Added to NAC by Real Estate Div. by R214-97, eff. 5-11-98)*

**Quiz #13: Miscellaneous Provisions**

Please review your answers below. Any questions that you answered incorrectly can be changed and the quiz can be resubmitted as many times as you like.

T/F: The failure of an inspector to disclose any interest s/he has in an inspected property can trigger an investigation into his/her professional conduct.

True (correct)

False

T/F: An inspector may prepare a partial inspection report for an inspected property, as long as the items noted are addressed in Nevada's SOP.

False (correct)

True

T/F: An inspector may be found guilty of unprofessional conduct if s/he fails to do his/her utmost to protect the public against fraud relative to the inspection profession.

True (correct)

False

T/F: An inspector certified under the provisions of Nevada's SOP is prohibited from advertising his/her services without prior approval of the Division.

False (correct)

True

T/F: An inspector must maintain copies of inspection reports for a period of at least two years.

True

False (correct)

T/F: The Division reserves the right to conduct an audit of the inspector's inspection reports and work records.

False

True (correct)

T/F: An inspector is allowed to store his/her inspection reports and work records in any location at his/her discretion and may relocate them at any time that s/he deems necessary.

True

False (correct)

T/F: An inspector may decline to allow the Division to examine his/her office or place of business without fear of consequences.

True

False (correct)

T/F: An inspector may decline to sign a form designed and approved solely by the Division in order to agree to an examination of his/her office or place of business without fear of consequences.

False (correct)

True

T/F: An inspector's method for maintaining work records is considered confidential and not subject to audit by the Division.

True

False (correct)

T/F: An inspector's advertisements are subject to examination by the Division.

True (correct)

False

T/F: An inspector is required to comply, upon demand by the Division, with an audit of his/her work records.

False

True (correct)

T/F: An inspector's advertisements must include his/her business name.

False

True (correct)

## NV Rules: Complaints; Disciplinary Action

### NAC 645D.650 Citizen’s complaint; investigation.

1. The Division will prepare and require a standard form or affidavit for use in making a citizen’s complaint. This form may require any information the Division considers pertinent.
2. Except as otherwise provided in subsection 3, if a citizen’s complaint is made, the Division will investigate any action that appears to violate a provision of [Chapter 645D](#) of NRS or this chapter and need not be limited to the matter in the complaint.
3. If a citizen’s complaint or a formal complaint is made against a certified inspector, the Division will:
  - (a) not investigate the complaint unless the complaint:
    - (1) is in writing, signed and dated;
    - (2) contains the mailing address and daytime telephone number of the person making the complaint; and
    - (3) contains the complete address of the structure that is the subject of the complaint.
  - (b) require a certified inspector to maintain all records relating to the complaint until the issue is resolved.
4. A certified inspector shall disclose all facts and documents pertinent to an investigation to members of the Division’s staff conducting the investigation.
5. If the Division determines that sufficient evidence exists to establish a violation, it will prepare and file a formal complaint. If insufficient evidence exists, the Division may dismiss the matter without prejudice at any time.

*(Added to NAC by Real Estate Div. by R214-97, eff. 5-11-98)*

### NAC 645D.660 Correction of deficiencies

1. The Division may grant any certified inspector not more than 10 calendar days to correct any deficiency involving advertising, the location of his business or office operation. A notice of the deficiency and a request to correct the deficiency must be mailed to the certified inspector. Failure to comply with the request may be grounds for the suspension or revocation of a certificate. The notice must be sent on a form provided by the Division and set forth the deficiencies or violations, the recommended action and the date by which the deficiencies must be corrected.
2. The Division may grant an extension for a definite time to correct the deficiency whenever the correction requires additional time.

*(Added to NAC by Real Estate Div. by R214-97, eff. 5-11-98)*

**NV Rules: Hearings and Other Procedures**

**NAC 645D.700 Procedure for hearing.**

1. Upon the filing of a formal complaint by the Division, the Administrator shall set the matter for a hearing within 90 days before a hearing officer appointed by the Administrator from the staff of the Department of Business and Industry. The hearing officer must be a person who has not investigated or prosecuted the complaint.
2. The time of the hearing may be continued by the Division or upon motion of the respondent with the approval of the Administrator or his designated hearing officer.
3. The Division will give the respondent at least 20 days’ prior notice in writing of the date, time and place of the hearing, which notice will contain a copy of the complaint, including, but not limited to:
  - (a) an exact statement of the charges; and
  - (b) copies of all reports, affidavits and depositions in possession of the Division which may be used in evidence against the respondent.
4. Notice of the hearing may be served by personal delivery to the respondent or by certified mail to his last known business or home address.
5. The respondent shall file an answer within 30 days after service of the notice. The answer must contain an admission or denial of each of the averments contained in the complaint and any defenses upon which the respondent will rely.
6. The answer may be served by personal delivery to the Division at its office in Las Vegas or Carson City or by mail to the principal office of the Division.
7. Before the hearing, the Division may request, and the respondent may produce upon request, documents and other materials that are under his control. The Division may take depositions and obtain materials by subpoena.
8. All witnesses at the hearing must be sworn by the Administrator or his designated hearing officer, and a tape recording of the proceedings must be made and included as a part of the record in the case.

*(Added to NAC by Real Estate Div. by R214-97, eff. 5-11-98)*

**NAC 645D.710 Notice of decision.**

1. The Administrator or the hearing officer shall render a decision within 30 days after the date of the hearing and immediately give notice in writing of the decision to the respondent.
2. If the decision is adverse to the respondent, the Administrator or hearing officer shall also state in the notice of decision the date upon which the decision becomes effective, which will be not less than 30 days after the date of the notice.

*(Added to NAC by Real Estate Div. by R214-97, eff. 5-11-98)*

#### **NAC 645D.720 Informal meeting.**

The Division will schedule an informal meeting rather than a formal hearing for matters that may be settled or otherwise do not require a formal hearing, in accordance with the following procedures:

1. The Division will initiate the procedure for an informal meeting by giving notice which must include a concise statement of all the facts necessary to understand the possible violation and a brief statement of the relief desired by the Division, if appropriate;
2. Informal meetings will be held by the Administrator or his designee at a time and place prescribed by the Administrator;
3. The Administrator, his designee or any other party may require a tape recording to be made of the informal meeting;
4. The initiation of an informal meeting by the Division is without prejudice to its right to initiate a complaint and formal proceedings covering the same subject matter; and
5. All matters discussed and all material presented in an informal meeting may be used in a subsequent formal hearing, and the Division will inform all parties of that fact at the beginning of the informal meeting.

*(Added to NAC by Real Estate Div. by R214-97, eff. 5-11-98)*

#### **NAC 645D.730 Petition for reconsideration of action of Division.**

1. Any person aggrieved by an action of the Division, except the revocation or suspension of a certificate issued pursuant to this chapter, may petition the Division for reconsideration of its action within 15 days after its order.
2. The petition must be in writing and state in detail the grounds on which the petitioner relies.
3. If the petitioner desires to present oral argument with his petition, oral argument must be requested in writing at the time the petition is submitted to the Administrator. If oral argument is requested, the Division will set a time for a hearing to occur not later than 20 days after receipt of the petition. The Division will give at least 15 days' notice of the hearing.
4. Not later than 15 days after receiving the petition or hearing of oral argument, the Division will render a decision in writing to the petitioner.

*“Nevada Home Inspectors Standards of Practice & Legal Rules” online course.*  
<http://www.nachi.org/nevada-standards-of-practice-and-legal-rules-course.htm>

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*(Added to NAC by Real Estate Div. by R214-97, eff. 5-11-98; A by R144-06, 9-18-2007)*



### Quiz #14: Complaints & Disciplinary Action

Please review your answers below. Any questions that you answered incorrectly can be changed and the quiz can be resubmitted as many times as you like.

T/F: The Division is required to investigate all verbal complaints lodged against inspectors.

False (correct)

True

T/F: The Division is required to investigate any anonymous complaint lodged against an inspector to the furthest extent that it is able to.

True

False (correct)

T/F: The Division is required to investigate only matters specified in a complaint against an inspector.

False (correct)

True

T/F: An inspector has 30 calendar days to correct any deficiencies found in his/her business advertising, as deemed by the Division.

False (correct)

True

T/F: The inspector has 10 calendar days to correct any deficiencies found in the location of his/her business, as deemed by the Division.

True (correct)

False

T/F: An inspector's failure to correct deficiencies found in his/her office operation, as deemed and notified by the Division, may result in the suspension or revocation of his/her certificate.

True (correct)

False

T/F: If the Division determines that there is insufficient evidence based on a complaint filed against an inspector, it may dismiss the complaint without prejudice.

False

True (correct)

T/F: If an inspector is summoned to a hearing based on a complaint against him/her, s/he is not required to offer a denial or admission of the charges until the date of the hearing.

True

False (correct)

T/F: The Division reserves the right to serve an inspector under investigation with a subpoena to produce documents or appear at a deposition.

False

True (correct)

T/F: An inspector reserves the right to have his/her hearing conducted privately and without any taped record of the proceedings.

True  
False (correct)

T/F: The Division must render its decision within 30 days of the hearing.  
True (correct)  
False

T/F: If a hearing results in an adverse decision for the inspector, the effective date will be no fewer than 30 days from the date of the decision.  
False  
True (correct)

T/F: The Division reserves the right to hold an informal meeting or a formal hearing based on a complaint against an inspector.  
True (correct)  
False

T/F: If the Division opts to hold an informal meeting to resolve a complaint against an inspector, it may not then opt to hold a formal hearing.  
True  
False (correct)

T/F: An inspector may petition the Division to reconsider its suspension or revocation of his/her certificate.  
False (correct)  
True

### Miscellaneous Certification Provisions

#### **NAC 645D.210 Requirements for certificate as certified residential inspector.**

1. Except as otherwise provided in subsection 3, an applicant for a certificate as a certified residential inspector:

(a) Must furnish proof satisfactory to the Division that he has successfully completed:

(1) Not less than 40 hours of classroom instruction in subjects related to structural inspections in courses approved by the Division.

(2) An examination approved by the Division.

(3) The observation of at least 25 inspections performed by:

(I) A certified general inspector or a certified master inspector for a fee; or

(II) An instructor approved by the Administrator.

(b) Must possess a high school diploma or its equivalent.

(c) Must demonstrate his ability to produce a complete and credible inspection report according to the standards and requirements set forth in [NAC 645D.460](#) to [645D.580](#), inclusive.

2. An applicant must submit to the Division a log of the inspections he observed on a form supplied by the Division.

3. An applicant who has held a certificate as a residential inspector, or the equivalent, issued by another state may submit 25 inspection reports that he completed during the 2 years immediately preceding his application. If the Division determines that the inspection reports are complete and credible according to the standards and requirements set forth in [NAC 645D.460](#) to [645D.580](#), inclusive, the Division may accept the reports in lieu of the 25 observations of inspections required by subsection 1.

(Added to NAC by Real Estate Div. by R214-97, eff. 5-11-98; A by R177-01, 5-20-2002; R177-01, 5-20-2002; R144-06, 9-18-2007)

#### **NAC 645D.220 Requirements for certificate as certified general inspector.**

1. An applicant for a certificate as a certified general inspector:

(a) Must furnish proof satisfactory to the Division that he has successfully completed:

(1) Not less than 50 hours of classroom instruction in subjects related to structural inspections in courses approved by the Division.

(2) An examination approved by the Division.

(3) As a certified residential inspector, at least 200 inspections for a fee, of which not less than 25 must be inspections of commercial structures or structures consisting of more than four residential units.

(4) At least three inspections of commercial structures under the supervision of a certified master inspector. The inspections must be evaluated by the supervising certified master inspector and recorded on a form provided by the Division.

(b) Must possess a high school diploma or its equivalent.

(c) Must demonstrate his ability to produce a complete and credible inspection report according to the standards and requirements set forth in [NAC 645D.460](#) to [645D.580](#), inclusive.

2. An applicant must submit to the Division a log of the inspections he performed for a fee on a form supplied by the Division.

(Added to NAC by Real Estate Div. by R214-97, eff. 5-11-98; A by R214-97, 5-11-98, eff. 7-1-98; R214-97, 5-11-98, eff. 1-1-99; R177-01, 5-20-2002; R144-06, 9-18-2007)

#### **NAC 645D.230 Requirements for certificate as certified master inspector.**

1. An applicant for a certificate as a certified master inspector:

(a) Must furnish proof satisfactory to the Division that he has successfully completed:

(1) Not less than 60 hours of classroom instruction in subjects related to structural inspections in courses approved by the Division;

(2) An examination approved by the Division; and

(3) As a certified residential inspector or certified general inspector, at least 400 inspections for a fee. Not less than 50 of the inspections must be of commercial structures or structures consisting of more than four residential units that were occupied before or during the inspection.

(b) Must possess a high school diploma or its equivalent.

(c) Must submit to the Division at least two inspection reports which demonstrate his ability to produce a complete and credible inspection report according to the standards and requirements set forth in [NAC 645D.460](#) to [645D.580](#), inclusive. Each inspection report must document the applicant's inspection of a commercial structure that uses at least five of the following:

(1) Structural steel framing.

(2) Concrete tilt-up panels.

(3) Roofing that uses a single-ply membrane.

(4) A system of commercial storefront windows and doors.

(5) A system of fire suppression that uses:

(I) Water dispersed by sprinklers; or

(II) A gas, including, without limitation, an inert gas, Halon, as defined in 40 C.F.R. § 82.260, or other gaseous compound.

(6) A boiler.

(7) A system of climate control that uses:

(I) A chiller; or

(II) An air-conditioning unit that has a cooling capacity of more than 5 tons.

(8) A system of refrigeration other than a system of conventional heating, ventilating and air-conditioning.

(9) A three-phase electrical system.

(10) An elevator or escalator.

2. An applicant must submit to the Division a log of the inspections he performed for a fee on a form supplied by the Division.

(Added to NAC by Real Estate Div. by R214-97, eff. 5-11-98; A by R177-01, 5-20-2002; R144-06, 9-18-2007)

**Quiz #15 Misc. Certification Provisions**

Please review your answers below. Any questions that you answered incorrectly can be changed and the quiz can be resubmitted as many times as you like.

A certified residential inspector must successfully complete not less than \_\_\_\_\_ hours of classroom instruction in subjects related to structural inspections in approved courses.

- 120
- 100
- 40 (correct)
- 80

A certified residential inspector must successfully complete the observation of at least \_\_\_\_\_ inspections performed.

- 50
- 25 (correct)
- 125
- 35

An applicant for a certificate as a certified general inspector must successfully complete not less than \_\_\_\_\_ hours of classroom instruction in subjects related to structural inspections in approved courses.

- 60
- 50 (correct)
- 80
- 70

An applicant for a certificate as a certified general inspector must successfully complete at least \_\_\_\_\_ inspections for a fee.

- 50 (correct)
- 12
- 5
- 25

An applicant for a certificate as a certified master inspector must successfully complete not less than \_\_\_\_\_ hours of classroom instruction in subjects related to structural inspections in approved courses.

- 60 (correct)
- 100
- 120

An applicant for a certificate as a certified master inspector must successfully complete at least \_\_\_\_\_ inspections for a fee.

- 375
- 250
- 400 (correct)
- 100

T/F: An applicant for a certificate as a certified master inspector must submit to the Division at least two inspection reports documenting an inspection of a commercial structure.

- True (correct)
- False

## **Administration of Laws and Regulations Governing Inspections of Structures**

### **Introduction to NRS 645D**

Within the Nevada Revised Statutes (NRS) are the current codified laws of the State of Nevada. In Chapter 645D, Inspectors of Structures and Energy Auditors, there is a section titled "Administration", which is described in detail from Section NRS 645D.110 to NRS 645D. 150.

This section of this course shall teach upon those aforementioned sections.

To view Chapter 645D in the Nevada Revised Statues, please visit <http://www.leg.state.nv.us/NRS/NRS-645D.html#NRS645Dsec110>.

## **Duty of the Division**

In Section 645D.110 of the Nevada Revised Statutes, the Duty of Division is described.

But first, let's define "Division."

In NRS 645D.050 “Division” is defined. “Division” means the Real Estate Division of the Department of Business and Industry. See <http://www.leg.state.nv.us/NRS/NRS-645D.html#NRS645Dsec050>.

Let's continue with NRS 645D.110. The Division shall administer the provisions of this chapter and may employ legal counsel, investigators and other professional consultants necessary to discharge its duties pursuant to this chapter.

An employee of the Division shall not:

- Be employed by or have an interest in any business that prepares inspection reports or energy audit;
- Act as an inspector or as an agent for an inspector; or
- Act as an energy auditor or as an agent for an energy auditor.



### **Adoption of regulations**

In [NRS 645D.120](#), Adoption of regulations, it says that the Division shall adopt:

- Regulations prescribing the education and experience required to obtain a certificate.
- Regulations prescribing a standard of practice and code of ethics for certified inspectors. Such regulations must establish a degree of care that must be exercised by a reasonably prudent certified inspector.
- Regulations prescribing the education and experience required to obtain a license.
- Such other regulations as are necessary for the administration of this chapter.

So, it's up to the Division to set the rules concerning the home inspector's education requirements to obtain a certificate and a license as a home inspector. The Division also is in charge of the standards of practice and code of ethics to which home inspections must abide by and comply with.

### **Authority for Division**

Section NRS 645D.125 describes the authority for the Division to conduct business; how the Division sets regulations and fees; handles the use of unsworn declarations and exclusions.

But first we must review the definition of "Administrator" as defined by [NRS 645D.020](#). Administrator means the Real Estate Administrator.

The Administrator may adopt regulations which establish procedures for the Division to conduct business electronically pursuant to title 59 of NRS with persons who are regulated pursuant to this chapter and with any other persons with whom the Division conducts business. The regulations may include, without limitation, the establishment of fees to pay the costs of conducting business electronically with the Division.

In addition to the process authorized by [NRS 719.280](#), which describes the requirement of a signature to be notarized or verified, if the Division is conducting business electronically with a person and a law requires a signature or record to be notarized, acknowledged, verified or made under oath, the Division may allow the person to substitute a declaration that complies with the provisions of [NRS 53.045](#) or [53.250](#) to [53.390](#), inclusive, to satisfy the legal requirement.

Any matter whose existence or truth may be established by an affidavit or other sworn declaration may be established with the same effect by an unsworn declaration of its existence or truth signed by the declarant under penalty of perjury, and dated, in substantially the following form available at NRS 53.045.

The Division may refuse to conduct business electronically with a person who has failed to pay money which the person owes to the Division.

**Fees Charged and Collected by the Division**

According to [NRS 645D.240, Fees](#), the following fees must be charged and collected by the Division:

For each application for a certificate or license.....	\$100
For the issuance or renewal of a certificate or license.....	250
For each penalty for a late renewal of a certificate or license.....	125
For each change of name, address or association.....	20
For each duplicate certificate or license where the original is lost or destroyed and an affidavit is made thereof.....	20
For each reinstatement to active status of an inactive certificate or license	20
For each annual approval of a course of instruction offered in preparation for an original certificate or license.....	100
For each original accreditation of a course of continuing education.....	100
For each renewal of accreditation of a course of continuing education..	50

The Division shall adopt regulations which establish the fees to be charged and collected by the Division to pay the costs of:

- Any examination for a certificate or license, including any costs which are necessary for the administration of such an examination.
- Any investigation of a person’s background.

### **Record Keeping by the Division**

NRS 645D.130 describes the record keeping of the Division, how the Division maintains its records, and some general provisions regarding the public inspection and confidentiality.

The Division shall maintain a record of:

- Persons from whom it receives applications for a certificate or license;
- Investigations conducted by it that result in the initiation of formal disciplinary proceedings;
- Formal disciplinary proceedings; and
- Rulings or decisions upon complaints filed with it.

Except as otherwise provided in this section and [NRS 645D.135](#), which are records deemed confidential, records kept in the office of the Division pursuant to this chapter are open to the public for inspection pursuant to regulations adopted by the Division.

The Division shall keep confidential, except as otherwise provided in [NRS 239.0115](#) or unless otherwise ordered by a court, the criminal and financial records of an inspector, energy auditor or of an applicant for a certificate or license.

### **Records that are Confidential**

The section [NRS 645D.135, Records](#), describes how certain records relating to investigation can be deemed confidential and how certain records relating to disciplinary action can be deemed public records.

Except as otherwise provided in this section and [NRS 239.0115](#), a complaint filed with the Division, all documents and other information filed with the complaint and all documents and other information compiled as a result of an investigation conducted to determine whether to initiate disciplinary action are confidential and may be disclosed in whole or in part only as necessary in the course of administering this chapter or to a licensing board or agency or any other governmental agency, including, without limitation, a law enforcement agency, that is investigating a person who holds a certificate or license issued pursuant to this chapter.

The complaint or other document filed by the Division to initiate disciplinary action and all documents and information considered by the Division when determining whether to impose discipline are public records.

**Money Collected by Division**

The disposition of money received by Division and the financial support of Division is described in [Section NRS 645D.140](#).

All fees, penalties and other charges received by the Division pursuant to this chapter must be deposited with the State Treasurer for credit to the State General Fund. So, all the money goes to the Fund.

Money for the support of the Division in carrying out the provisions of this chapter must be provided by direct legislative appropriation and be paid out on claims as other claims against the State are paid.

**Attorney General Duties**

The Attorney General shall render to the Division opinions upon questions of law relating to the construction or interpretation of this chapter, or arising in the administration thereof, submitted to the Attorney General by the Division.

The Attorney General shall act as the attorney for the Division in all actions and proceedings brought against or by the Division pursuant to any of the provisions of this chapter.

### **Required Certificate or License**

According to [NRS 645D.160](#), Certificate or license required; penalty; prosecution of violation:

Any person who, in this state, engages in the business of, acts in the capacity of, or advertises or assumes to act as an **inspector** without first obtaining a certificate pursuant to this chapter is guilty of a misdemeanor.

Any person who, in this state, engages in the business of, acts in the capacity of, or advertises or assumes to act as an **energy auditor** without first obtaining a license pursuant to this chapter is guilty of a misdemeanor.

The Division may file a complaint in any court of competent jurisdiction for a violation of this section and assist in presenting the law or facts at any hearing upon the complaint.

At the request of the Administrator, the Attorney General shall prosecute such a violation. Unless the violation is prosecuted by the Attorney General, the district attorney shall prosecute a violation that occurs in the county of the district attorney.

Let's now take a look at the definitions of **inspector** and **energy auditor**.



### **Definition of Inspector**

In [NRS 645D.080](#), 'Inspector' is defined. "Inspector" means a person who examines any component of a structure and prepares or communicates an inspection report. The term does not include any person who merely relays an inspection report on behalf of the person who prepares it.

## Energy Auditor Defined

An "energy auditor" is defined. "Energy auditor" means a person who is licensed pursuant to this chapter, or regulated by the Public Utilities Commission of Nevada, to conduct energy audits of homes.

## Well, what's an energy audit of homes?

NRS 645D.053 defines an "energy audit" as a means a consultation to improve the energy efficiency of a home conducted pursuant to [NRS 645D.300](#).

## And what's NRS 645D.300?

Well, [NRS 645D.300](#) describes the procedure, report, and duties of energy auditor.

Except as otherwise provided in subsection 5, when conducting an energy audit, an energy auditor shall evaluate the entire home and must include, without limitation, in his or her evaluation:

(a) A **visual inspection, diagnostic overview and health and safety test** of the energy features of the entire home;

(b) **Documentation of the general condition of the home**, including, without limitation:

(1) Envelope features and ages;

(2) Types, characteristics and ages of equipment;

(3) Characteristics of appliances and lighting; and

(4) Any anticipated remediation issues, including, without limitation, moisture or combustion appliance problems;

(c) An **assessment of the performance and efficiency of the building airflow and indoor air quality and ventilation**, including, without limitation:

(1) Any visible sources of indoor air pollution;

(2) The flow rate of exhaust fans and whether the clothes dryer vent is properly vented; and

(3) An evaluation of the connection of any attached garage to the home for possible air leaks;

(d) An **assessment of the control of moisture** in the home, including, without limitation:

(1) A visual identification of any moisture present from roof leaks, wall penetrations or door or window openings; and

(2) An identification of any potential areas where mold may grow;

(e) An **estimation of U-factors and solar heat gain coefficients of the windows and doors**;

(f) An **evaluation of the efficiency of the heating and cooling** of the home, including, without limitation, the performance and efficiency of any:

- (1) Furnace;
- (2) Air-conditioning system;
- (3) Heat pump;
- (4) Air duct system;
- (5) Thermal insulation;
- (6) Boiler;
- (7) System for providing steam heat;
- (8) Hot water heater; or
- (9) Heating, ventilating and air-conditioning system;

(g) An **analysis of the base load energy use** and advice to clients on reduction strategies, including, without limitation, an examination of:

- (1) The utility use and the billing history for the immediately preceding 12 months;
- (2) The efficiency of major appliances;
- (3) Lighting efficiency and alternatives; or
- (4) The energy used by any pool or spa; and

(h) **Testing of combustion appliances** in accordance with the standards issued by the American National Standards Institute or the American Society for Testing and Materials.

After conducting an energy audit, an energy auditor shall prepare and provide to the homeowner and the United States Department of Energy a report based upon the energy audit that includes, without limitation:

- (a) Any energy programs, incentives, regulations, energy costs or fuel types which apply to the homeowner;
- (b) A specific recommendation that any combustion appliance which is post-retrofit be tested;

(c) A prioritization of health and safety hazards in the home and recommendations for improvements according to their urgency and importance, in relation to any energy efficiency measures which have been installed;

(d) Suggestions for home repairs and renovations based on a loading order that will maximize cost effectiveness and feasibility using computer software approved by the United States Department of Energy;

(e) In addition to the provisions of paragraph (c), an identification of existing hazards and potential hazards which may develop, together with specific preventative measures; and

(f) Measures to save energy and changes in the behavior of the homeowner to increase energy efficiency, including the use of consumer electronics.

An energy auditor shall not base an energy audit upon a single product line, the services of a contractor or his or her own convenience.

An energy auditor shall use survey and labeling software programs or rating tools for performing an energy audit which have been approved by the United States Department of Energy.

In lieu of an energy audit, an energy auditor may perform a limited energy audit or energy assessment of a home. If an energy auditor performs a limited energy audit or energy assessment, the energy auditor must comply with the requirements of subsections 2, 3 and 4. As used in this subsection:

- “Energy assessment” means an evaluation of one or more of the appliances or systems listed in paragraph (f) of subsection 1.
- “Limited energy audit” means an evaluation of a home which includes less than the entire home, but includes the provision of at least one of the services specified in paragraphs (a) to (e), inclusive, (g) or (h) of subsection 1.

## **Application Submission**

NRS 645D.180 describes the submission of fees and fingerprints with an application and the investigation of an applicant’s background.

1. Each application for a certificate or license must be accompanied by the fee for the certificate or license and the fee to pay the costs of an investigation of the applicant’s background.

2. Each applicant must, as part of the application and at his or her own expense:

(a) Arrange to have a complete set of fingerprints taken by a law enforcement agency or other authorized entity acceptable to the Division; and

(b) Submit to the Division:

(1) A completed fingerprint card and written permission authorizing the Division to submit the applicant’s fingerprints to the Central Repository for Nevada Records of Criminal History for submission to the Federal Bureau of Investigation for a report on the applicant’s background and to such other law enforcement agencies as the Division deems necessary; or

(2) Written verification, on a form prescribed by the Division, stating that the fingerprints of the applicant were taken and directly forwarded electronically or by another means to the Central Repository and that the applicant has given written permission to the law enforcement agency or other authorized entity taking the fingerprints to submit the fingerprints to the Central Repository for submission to the Federal Bureau of Investigation for a report on the applicant’s background and to such other law enforcement agencies as the Division deems necessary.

3. The Division may:

(a) Require more than one complete set of fingerprints;

(b) Unless the applicant’s fingerprints are directly forwarded pursuant to subparagraph (2) of paragraph (b) of subsection 2, submit those fingerprints to the Central Repository for submission to the Federal Bureau of Investigation and to such other law enforcement agencies as the Division deems necessary; and

(c) Request from each such agency any information regarding the applicant’s background that the Division deems necessary.

**Proof of Insurance**

Along with the application for a certificate or license, one must submit proof of insurance. The individual must maintain a policy of insurance.

The Administrator shall require each applicant for an original certificate or license and each applicant for renewal of a certificate or license to submit proof that the applicant or his or her employer holds a policy of insurance covering:

- Liability for errors or omissions in an amount of not less than \$100,000; and
- General liability in an amount of not less than \$100,000.

Each certified inspector, energy auditor or his or her employer shall maintain a policy of insurance that complies with the requirements of subsection 1.

### **Denial of Certification**

The Administrator shall issue a certificate to any person who:

- Is of good moral character, honesty and integrity;
- Has the education and experience prescribed in the regulations adopted pursuant to [NRS 645D.120](#);
- Has submitted proof that the person or his or her employer holds a policy of insurance that complies with the requirements of subsection 1 of [NRS 645D.190](#); and
- Has submitted all information required to complete an application for a certificate.

The Administrator may deny an application for a certificate to any person who:

- Has been convicted of, or entered a plea of guilty, guilty but mentally ill or nolo contendere to, forgery, embezzlement, obtaining money under false pretenses, larceny, extortion, conspiracy to defraud or any crime involving moral turpitude;
- Makes a false statement of a material fact on the application;
- Has had a certificate suspended or revoked pursuant to this chapter within the 10 years immediately preceding the date of application; or
- Has not submitted proof that the person or his or her employer holds a policy of insurance that complies with the requirements of subsection 1 of [NRS 645D.190](#).

## Denial of License

Qualifications for issuance and grounds for denial of license.

1. The Administrator shall issue a license to any person who:

- Is of good moral character, honesty and integrity;
- Holds a certification or accreditation from an organization approved by the Administrator;
- Has successfully completed not less than 40 hours of training and practice in the following areas:
  - (1) Building science and working with a home as a system, including, without limitation, training in making recommendations based on the proper loading order of improvements;
  - (2) The transfer of heat;
  - (3) Testing building performance;
  - (4) Air distribution and leakage;
  - (5) The calculation of gross and net areas;
  - (6) Energy terms and definitions;
  - (7) Concerns relating to combustion appliances;
  - (8) Envelope leakage, thermal bypass and thermal bridging;
  - (9) The presence or absence of insulation and, when observable, the quality of its installation;
  - (10) The recommended levels of insulation for different climate zones;
  - (11) Determinations of the efficiency of heating, ventilating and air-conditioning equipment from model numbers and default tables;
  - (12) The strengths and weaknesses, drivers and sensitivities of major types of heating, ventilating and air-conditioning systems;
  - (13) Estimations of the efficiency of household appliances based on their model numbers or age;
  - (14) Energy, power, heat-conductivity or resistance and temperature units and key conversion factors;
  - (15) Measuring building dimensions;
  - (16) Identification and documentation of inspected features of the home during an energy audit;
  - (17) Basics of specifications;
  - (18) Determination of the efficiency of windows and doors;
  - (19) Determination of the orientation of buildings and the characteristics of the shading around them;
  - (20) Defining the thermal boundary and making appropriate recommendations for changing it; and
  - (21) The basic concepts of measure interaction, expected life and bundling for optimal performance when the home is considered as a system and taking into consideration the need for savings;
- (d) Has submitted proof that the person or his or her employer holds a policy of insurance that complies with the requirements of subsection 1 of [NRS 645D.190](#); and
- (e) Has submitted all information required to complete an application for a license.

2. The Administrator may deny an application for a license to any person who:

- Has been convicted of, or entered a plea of guilty, guilty but mentally ill or nolo contendere to, forgery, embezzlement, obtaining money under false pretenses, larceny, extortion, conspiracy to defraud or any crime involving moral turpitude;
- Makes a false statement of a material fact on the application;



- Has had a license suspended or revoked pursuant to this chapter within the 10 years immediately preceding the date of application;
- Does not possess the training or certification required pursuant to subsection 1; or
- Has not submitted proof that the person or his or her employer holds a policy of insurance that complies with the requirements of subsection 1 of [NRS 645D.190](#).

## **Disciplinary Proceedings**

NRS 645D.690 describes the disciplinary proceedings, fines and penalties not affected by expiration, revocation or voluntary surrender of certificate or license.

The expiration or revocation of a certificate or license by operation of law or by order or decision of a hearing officer or court of competent jurisdiction, or the voluntary surrender of a certificate or license by a certified inspector or energy auditor does not:

- Prohibit the Division from initiating or continuing an investigation of, or action or disciplinary proceeding against, the certified inspector or energy auditor as authorized pursuant to the provisions of this chapter or the regulations adopted pursuant thereto; or
- Prevent the imposition or collection of any fine or penalty authorized pursuant to the provisions of this chapter or the regulations adopted pursuant thereto against the certified inspector or energy auditor.

## **Grounds for Disciplinary Action**

[Section NRS 645D.700](#) describes the grounds for disciplinary action; authorized disciplinary action; limitations on reissuance of certificate or license after revocation; and orders imposing discipline deemed public records.

Grounds for disciplinary action against a certified inspector or energy auditor are:

- Unprofessional conduct;
- Professional incompetence; and
- A criminal conviction for a felony or any offense involving moral turpitude.

If grounds for disciplinary action against a certified inspector or energy auditor exist, the Division may, after providing the inspector or energy auditor with notice and an opportunity for a hearing, do one or more of the following:

- Revoke or suspend the certificate or license.
- Place conditions upon the certificate or license or upon the reissuance of a certificate or license revoked pursuant to this section.
- Deny the renewal of the certificate or license.
- Impose a fine of not more than \$1,000 for each violation.

If a certificate or license is revoked by the Division, another certificate or license must not be issued to the same inspector or energy auditor for at least 1 year after the date of the revocation, or at any time thereafter except in the sole discretion of the Administrator, and then only if the inspector or energy auditor satisfies the requirements for an original certificate or license.

An order that imposes discipline and the findings of fact and conclusions of law supporting that order are public records.

## **Unprofessional Conduct of Certified Inspector**

[Section 645D.710](#) of the Nevada Revised Statutes describes the unprofessional conduct of certified inspector. A certified inspector is guilty of unprofessional conduct if the certified inspector:

- Fails to disclose to any person with whom the certified inspector is dealing any material fact or other information he or she knows, or in the exercise of reasonable care and diligence should know, concerning any improvement he or she inspects, including any interest the certified inspector has in the improvement or the real estate to which it is affixed;
- Knowingly communicates a false or fraudulent inspection report to any interested person or otherwise engages in any deceitful, fraudulent or dishonest conduct;
- Before obtaining his or her certificate, engaged in any conduct of which the Division is not aware that would be a ground for the denial of a certificate;
- Makes a false statement of material fact on his or her application for a certificate; or
- Performs any repairs for compensation upon any improvement for which he or she has prepared an inspection report.

## **Legislative Issues and Legal Case Law for Home Inspectors**

### **Introduction**

InterNACHI's Inspection Legal Case Library is a compilation of summaries of legal cases involving lawsuits targeting home inspectors. The wide variety of cases presented includes those in which inspectors prevailed in the courtroom, and also cases in which they or the named defendant did not. Some cases involve real estate agents, inspection companies, inexperienced inspectors, mold inspections, inspections performed after the closing of a home sale, and fraud on the part of the seller -- and all the cases are compelling and educational, whether you've been on the business-end of a lawsuit, or not.

Each case summary includes the name of the case, the location, the year of the decision (many of these cases went to appeal), and the identifying reference number assigned to the case, which can be used to locate the full text of the case and its decision in a law library, a specialty online database (such as Lexis-Nexis), or the local clerk and recorder's office. These details are provided to serve Nevada home inspectors, InterNACHI members, and their defense attorneys.

While the following includes several examples covering a wide array of complaints, circumstances and remedies, these case summaries were not written by lawyers, nor are they meant to substitute for legal guidance or advice. Always consult your own attorney.

- *Author: Nick Gromicko*
- *Legal Research: Dayna Louise Jones*
- *Editor: Kate Tarasenko*

**Burbach v. Radon Analytical Labs**

Supreme Court of Iowa, 2002

**SUMMARY:**

American Escrow and Closing Company, an employee relocation company, hired Radon Analytical Labs to do a home inspection in Dubuque, Iowa. Daniel Burbach then purchased the home.

Mr. Burbach subsequently sued Radon Analytical Labs for failing to disclose the defects within the home that he felt should have been discovered during a routine home inspection. The home inspector failed to recognize that the home was covered in Louisiana-Pacific (L-P) Innerseal siding, which was widely known to have been both defective and at the center of a class-action lawsuit. The Radon Analytical Labs inspector instead identified the siding as “wood siding.” When questioned about not accurately identifying the siding, Radon Analytical Labs stated that the home inspector was untrained, and they confirmed that he should have been able to identify the L-P siding, which was widely known to be hazardous.

Due of the inspector’s lack of training and negligence, a judgment was entered on behalf of Mr. Burbach.

Burbach v. Radon Analytical Labs, 652 N.W.2d 135

**William J. Campbell v. Sydney Groves**

Superior Court of Connecticut, 1994

SUMMARY:

William Campbell was the Director of Health of the city of Danbury, Connecticut. Sydney Groves owned two rental properties in the area. Mr. Groves hired an inspection company, Enviro Science Consultants, Inc., to perform a routine inspection of both of his properties. Following the inspection, Enviro Science Consultants informed Mr. Groves that they found toxic levels of lead paint in both property locations. The company offered to perform the corrective work on the property for approximately \$90,000. Mr. Campbell wanted to have the corrective work done, but he thought that the cost was outrageous.

Mr. Campbell issued an abatement order to Mr. Groves for not having the corrective work done on his property. The abatement order was prepared by the lead inspector for Enviro Science Consultants. Mr. Campbell then asked the court for an injunction against Mr. Groves for non-compliance with the city’s lead-based paint regulations. The court did not grant the injunction because it directed that the corrective work should be performed by the inspection company, which constituted a conflict of interest.

The court found in favor of Mr. Groves, pointing out that as long as there were no children under the age of 6 living at the property, lead-based paint could be managed in alternative ways that do not cost as much as the original quote of \$90,000.

1994 Conn. Super.

**Dicker v. Housemaster**

Supreme Court of New York, 2006

**SUMMARY:**

Joshua and Ellen Dicker hired the Charles Hennessy to do an inspection of a home that they were considering purchasing in Roslyn, New York. The fee for Mr. Hennessy’s inspection was \$520.00 and was specifically stated to a limited time/scope visual inspection. This means that things any defects not easily seen, such as mold or wood rot, would not be covered under the inspection.

After inspecting the home, Mr. Hennessy advised the Dickers that the home was in fair condition. A fair rating has the probability of requiring monitoring, maintenance, repair, replacement, and/or other work either immediately or in the very near future on the home. The Dickers proceeded to purchasing the home and said that they were given oral assurances by the inspector that the home was in good condition.

Upon moving in the home, the Dickers discovered there was a very large leak in one of the bathrooms. Further inspection showed water rot and mold that caused extensive damage to the bathroom. The Dickers incurred a significant amount of costs in repairing and renovating the bathroom, and then chose to sue Mr. Hennessy’s company for negligence and breach of contract.

Mr. Hennessy did not show any negligence in his written report of the home, because all of the damage that occurred was not readily visible on a simple walk through inspection. The court found in favor of Mr. Hennessy’s company after reviewing the contract between the two parties carefully.

Dicker v. Housemaster, 2006 NY Slip Op 50174U



**Drullinsky v. Tauscher Cronacher Engineers**

Supreme Court of New York, 2006

**SUMMARY:**

Pamela Drullinsky hired Tauscher Croancher Engineers to perform an inspection on a home that she was interested in purchasing. For a fee of \$750, Tauscher Croancher Engineers sent inspector Richard Haber to the home, and he did a solo walk-through inspection of the house. Afterward, Mr. Haber informed Ms. Drullinsky that it was a “good house,” and that there were no major issues associated with the home.

Four months later, Ms. Drullinsky hired Insight Environmental Consultants and Scientists to inspect her home after she became concerned about a black substance near the basement. After they investigated the home, Insight Environmental Consultants and Scientists concluded that there was water damage on the foundation and mold in the basement, which Ms. Drullinsky had removed immediately. She then decided to replace the carpet in her living room. When she pulled up the carpet, she noticed a large crack in the living room floor. She then hired John Cusumano to repair the crack. Upon his examination of the floor and the beams that connect the floor to the ceiling, Mr. Cusumano discovered that the left side of the house was collapsing. This damage was attributed to water damage on the roof, foundation, and in the shower area of the house. Upon a second, more thorough inspection, termite damage was noted in the living room, as were rot damage and mold. Ms. Drullinsky was advised from two different inspection companies that the only way to correct her termite, wood rot and mold problems would be to demolish the house.

A few months later, Ms. Drullinsky walked through the house and noticed a very “sweet” smell and a large puddle of water in the basement. She also noticed that there was paint peeling on the ceiling, which was attributed to a leak in the air-conditioning system. The purchase price was reduced \$6,300 to reflect some of the damage that Ms. Drullinsky encountered.

After careful consideration, Ms. Drullinsky had her home demolished. She then sued the original inspection company, Tauscher Croancher Engineers, and won on the allegation of negligence.

Drullinsky v. Tauscher Cronacher Engrs., 2006 NY Slip Op 52440U

**Freeman v. Duhamel Home Inspection Services**

**Louis D. Freeman and Uaildeen E. Freeman v. Paul D. Duhamel and Home Inspection Services of Delaware, Inc.**

Superior Court of Delaware, 1997

SUMMARY:

In 1989, Louis and Uaildeen Freeman became interested in purchasing a home owned by the Yetter family in Delaware. In early 1990, the Freemans made an offer on the home that was contingent upon a satisfactory home inspection, followed by five days for the prospective buyers to decide whether the condition of the home was acceptable.

On January 8, 1990, the Freemans hired Paul Duhamel to conduct an inspection of the home. He testified that, during the course of the home inspection, he entered the crawlspace beneath the kitchen floor, and noticed makeshift floor supports, which consisted of four columns made of concrete blocks piled together without mortar, with 2x4 framing lumber wedged on top of the columns. After inspecting the home, Mr. Duhamel gave the Freemans a written report, but did not make any note of the makeshift supports he observed, or of sagging in the kitchen floor. Instead, his report stated that there were no major issues with the home, except for a few minor repairs that needed to be made. The Freemans proceeded with the purchase of the home.

After moving in, the Freemans began noticing problems, such as the sagging kitchen floor. They then realized that the makeshift supports in the crawlspace were probably intended to hold it up. After having several contractors visit their home to give them quotes on the repair of the kitchen floor, and replacement of the cabinetry, the Freemans estimated that the costs would be around \$18,000. They subsequently filed suit against the home inspector and his company for a negligent inspection.

The court ruled in favor of the Freemans, finding that Mr. Duhamel was negligent for not reporting on the makeshift supports in his home inspection report.

Freeman v. Duhamel 1997 WL 524119 (Del Super.)

**Lisa Goldstein v. Carnell Associates, Inc.**

Supreme Court of New York, 2010

**SUMMARY:**

Lisa Goldstein contracted with Carnell Associates, Inc., to conduct an inspection of a home that she wanted to purchase. The contract stated that Carnell Associates would be performing a visual inspection of the home, and that any concealed defects would not be covered or accounted for. The contract also stated that the liability of Carnell Associates would be limited to the cost of the inspection. Carnell Associates performed the inspection and gave Ms. Goldstein a satisfactory report, after which she purchased the home.

Soon after, Ms. Goldstein discovered that there were several structural defects with the home. She filed suit against Carnell Associates for gross negligence. She tried to recover the full amount of damages for the home, plus the cost of the inspection.

The court held in favor of Carnell Associates because their inspection was visual only, and specifically disclaimed any hidden defects, which covered the structural problems discovered by the plaintiff. Additionally, the contract stated that the defendant’s liability was limited to the cost of the inspection.

Goldstein v. Carnell 2010 N.Y. Slip Op. 04741

**David Gray v. Sullivan Real Estate, Inc. et al.**

Superior Court of Connecticut, 2010

**SUMMARY:**

In June of 2004, David Gray contracted with Sullivan Real Estate to assist him in finding a suitable home to purchase. The contract between the company and their client stated that Mr. Gray was to be notified of all material facts involving the property. Sullivan Real Estate located a condominium in Burlington, Connecticut, which they presented to Mr. Gray, and he was very pleased with it. After inspecting the condominium, Sullivan Real Estate stated that it was in good condition, and Mr. Gray purchased it.

After closing on the property, Mr. Gray discovered that it was contaminated by mold. He then brought suit against Sullivan Real Estate, alleging that the company was aware of the mold problem and purposely did not tell him about it so that they could sell the property.

The court found in favor of Mr. Gray, holding that Sullivan Real Estate, Inc., was liable for non-disclosure of pertinent information, misrepresentation, and a negligent inspection.

2010 Conn. Super.

**Grzymala v. Mckeon****Ronald Grzymala and Kathryn A. Grzymala v. Donald A. McKeon, Sr., Mary Jo McKeon and Yale Enterprises, LLC, d/b/a Re-Max Suburban, Harriet’s Oil Service and Pease Engineering, Inc.**

Superior Court of New Jersey, 2007

**SUMMARY:**

On April 22, 2001, Ronald and Kathryn Grzymala executed a contract for the purchase of a home from Donald and Mary McKeon in Southamton, New Jersey. The contract contained a provision that allowed for a “satisfactory” home inspection to be performed before the sale became final. It specifically stated that tests on the soil and the underground storage tank, or UST, could be performed to ensure that there were no contaminants in the soil. Mr. and Ms. Grzymala hired Pease Engineering, Inc., to perform the inspection. On May 14, 2001 Pease Engineering sent an inspector to the property, who issued a “satisfactory” report. He tested the radon levels of the home, but he did not test the UST or its surrounding soil. The Grzymalas proceeded with closing on the home and moved in soon after.

In the summer of 2001, shortly after moving into the new home, Mr. Grzymala began experiencing severe swelling of his trachea. He ended up requiring a tracheotomy. Mr. Grzymala’s medical history included a diagnosis in 1995 of esophageal cancer, which was subsequently treated with chemotherapy and radiation. A couple of months after his tracheotomy, Mr. Grzymala detected an odor of oil coming from the basement. In November of 2001, the Grzymalas received a fuel shipment from Harriet’s Oil Service (which also provided the fuel for the McKeons when they occupied the home), and during the transfer of a delivery, some oil was spilled onto the ground. The Grzymalas called Median Environmental Services to clean up the mess, saying that the spill was the result of Harriet’s Oil Service overfilling the UST. The cleanup and repairs for the spill were extensive because the oil had seeped down as far as 14 feet into the ground. The entire deck had to be removed as a result.

The Grzymalas brought suit against the McKeons, the oil providers, and the home inspector, citing negligence, intentional misconduct, misrepresentation, and a personal injury claim that alleged that the oil spill and previous oil spills on the property were the cause of Mr. Grzymala’s trachea problems.

The court found in favor of the sellers and the home inspector because the inspector was not required to test the UST or its surrounding soil, and since the Grzymalas did not specifically request those tests, it was unreasonable to expect that they should be done. It was found that Pease Engineering gave a full, competent and complete report of the home and abided by all the standards that are expected of home inspectors. However, Harriet’s Oil Service was held liable for personal injury against Mr. Grzymala.

2007 N.J. Super.

## **12 Steps That Help Home Inspectors Avoid Laws**

The following are 12 easy, inexpensive steps that inspectors can take to help prevent lawsuits.

### **#1 Join InterNACHI, of course!**

InterNACHI is the world's largest inspection trade association, and its Standards of Practice can be pointed to as definitive for the inspection industry. Substantially abiding by InterNACHI's Standards of Practice provides a strong defense against a claim that you failed to perform to a level of care or acceptable practice for the inspection profession.

Furthermore, InterNACHI's membership requirements are in addition to whatever your local, state or provincial government licensing and regulation may demand. Membership is evidence that you are the type of inspector who voluntarily goes above and beyond the minimum requirements that merely allow you to legally operate in your area.

### **#2 Incorporate.**

You, as a shareholder in your incorporated inspection company, enjoy limited liability for the corporation's debts and judgments against the corporation. No inspector should operate as a partner or sole proprietor... ever.

[Click here to learn how to prevent your corporate veil from being pierced.](#)

### **#3 Take every one of InterNACHI's online courses.**

We all know that many claims against inspectors are frivolous. Education and training won't prevent such suits from being filed, but education and training will help you prevail in court. Each of InterNACHI's online courses produces a Certificate of Completion. You should be prepared to produce all your certificates as evidence of your professionalism. However, the dates of completion have to precede the date of the inspection in question, so complete them now.

Furthermore, education and training are key to performing high-quality inspections, which eliminates meritorious suits.

Knowledge is a powerful tool you can use to stay out of court or win if you should find yourself there.

[Click here to take InterNACHI's online inspection courses and download your Certificates of Completion.](#)

### **#4 If you are going to hire a helper, use a contract.**

I prefer to hire helpers as independent contractors rather than employees. A good independent contractor agreement makes it difficult for a helper to:

- bind you or your inspection company into a contract;
- incur any liability on your behalf;
- claim rights associated with your publications, trade secrets, copyrights or trademarks;
- reveal your confidential information, such as marketing ideas, business plans, pricing strategies, etc.;
- steal your real estate agent database or solicit your clients;
- compel you to pay his/her expenses, insurance premiums or taxes;
- demand severance pay; or

- later claim he/she was an employee or is owed money.

[Click here to download an inspector independent contractor agreement.](#)

#### **#5 Turn away some consumers.**

You don't have to accept work from everyone who wants to retain you. If a client starts off being difficult or unreasonable, it usually gets worse, not better. While it may be hard to walk away from an inspection fee, it's sometimes cheaper in the long run.

Furthermore, an added bonus to refusing to allow these consumers to become clients is that they become your competitors' clients. Pity those competitors.

#### **#6 Use InterNACHI's Pre-Inspection Agreement.**

It is designed to work hand-in-hand with InterNACHI's Standards of Practice and includes:

- a definition of the scope of the inspection;
- a disclaimer of warranties;
- a limitation on liability, and a liquidated-damages provision;
- a provision for payment of costs and attorney's fees;
- a “merger clause” stating that there are no promises other than those set forth in the agreement, and that all prior discussions are merged into the agreement;
- a clause stating that any modification of the agreement must be in writing;
- a forum selection clause so that any lawsuit must be filed in the county or district where the inspector has its principal place of business; and
- a personal guaranty of payment if the client is a corporation or similar entity.

[Click here to download InterNACHI's pre-inspection agreement.](#)

#### **#7 Purchase InterNACHI's "Stay Back" stop sign for \$29.95.**

In 2009, a home inspector opened a floor hatch to go down into a crawlspace to inspect it. While inspecting, his client fell into the opening, breaking his arm in three places. The client sued. The suit claimed that the inspector was negligent for not putting up a "caution" sign.

Also in 2009, a home inspector was on the roof of a home he was inspecting. A newer real estate agent decided to climb up the ladder to join the inspector. She slipped, fell seven feet, and landed on top of the client who was steadying the ladder for the agent. Both suffered injuries that required them to be hospitalized. The client sued the inspector for not posting a sign to keep others off his ladder.

It gets worse. An inspector was recently blamed for an unsafe condition that already existed. During the review at the end of a home inspection, the inspector pointed out severely rotted deck planking. The client walked out onto the deck to see what the inspector was talking about when the client's foot broke through the decking, causing minor injury. The client didn't sue, but later complained to the real estate agent that the inspector should have kept everyone off the deck, once he discovered the issue.

The InterNACHI "Stay Back" stop sign does four things:

- It shows that you care about your clients' safety.

“Nevada Home Inspectors Standards of Practice & Legal Rules” online course.  
<http://www.nachi.org/nevada-standards-of-practice-and-legal-rules-course.htm>

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- It reminds everyone that there are risks, especially to children, in attending an inspection.
- It actually keeps your clients at a safe distance.
- It demonstrates in court that you are not reckless.

In designing these signs, our attorneys advised us to use a "stop" sign rather than a "caution" sign, as "caution" implies to proceed (to go ahead and climb the ladder, for instance), but with caution. A “stop” sign is clear and unambiguous.

[Click here to order the "Stay Back" stop sign. \\$29.95.](#) And save the receipt as evidence that you are a responsible inspector!

#### **#8 Write your reports properly with InterNACHI's library of narratives.**

This library is the world’s largest collection of dedicated, industry-savvy home inspection narratives. These narratives were developed using a variety of sources, including the International Residential Code (IRC), technical data sheets, and systems specifications from various manufacturers' associations, installation manuals for a variety of building products, and various building science-related sites. Narratives are worded with safety in mind, and specific code is not quoted.

In addition to reducing the amount of time you spend filling out reports, the quality of your reports will improve, and you’ll enjoy greater protection from liability.

[Click here to order InterNACHI's DVD of inspection narratives. \\$99.00.](#)

#### **#9 Include InterNACHI's "Estimated Life Expectancy Chart" with every report.**

This chart details the predicted life expectancy of household materials, systems and components so that you don't have to. Life expectancy varies with usage, weather, installation, maintenance and quality of materials. This chart provides your client a general guideline from the world's largest inspection association -- not a guarantee or warranty -- and a reminder that there is no guarantee or warranty is stated at the bottom of the chart.

[Click here to download the free \*Estimated Life Expectancy Chart\*.](#)

#### **#10 Use InterNACHI's "Now That You've Had a Home Inspection" home maintenance book.**

The book is also written specifically to reduce your liability by reminding your clients that a home inspection does not reveal every defect that exists, that certain issues are outside the scope of a home inspection, and that a homeowner is now responsible for maintaining their home. It works well with the *Survey* (below).

[Click here to order a case of books.](#)

#### **#11 Use InterNACHI's *Client Satisfaction Survey*.**

Often, a dissatisfied client will describe their perception of your services to his/her agent, or, worse... to a judge, inaccurately. Procuring and maintaining a copy of this survey will bring them back to Earth, so to speak. It is a handy document to have to present to a complaining agent, and can often end a legal action all by itself. It is the next best thing to a deposition. The *Client Satisfaction Survey* creates a factual record of the client’s version



of events surrounding the inspection in the relevant time frame, thus inhibiting the client’s ability to change his story to fit the circumstances of a later claim.

[Click here to download the \*Client Satisfaction Survey\*.](#) And save every copy forever.

**#12 If you settle a dispute with a client, get a signed release.**

Right or wrong, in some cases, it makes sense to cut a deal with a complaining client to avoid a lawsuit. Never apologize. An apology may be used to support a future claim that you were negligent. If you have to pay to have a repair done to correct a defect your client claims you "missed," always ask for a handwritten letter of reference thanking you for quickly solving the issue. Then take a stack of those letters back to the referring agent, brag about how you paid to keep your mutual client happy, and ask that the stack be passed out at the next real estate sales meeting.

Also, after you get the reference letter, get a release signed to end the issue forever.

[Click here to download a copy of a \*general release\* for inspectors.](#)

From <http://www.nachi.org/avoiding-lawsuits.htm>.

## **Office Management, Employee Provisions, and Business Operations**

### **Business Requirements and Office Management**

#### **Certificate First**

You can not conduct a business without first receiving your certificate. Upon receiving the certificate from the Division, the certified inspector may conduct the business of a certified residential inspector, certified general inspector or certified master inspector, as applicable, in this state.

Each certified inspector shall display his certificate conspicuously in his place of business.

#### **Maintain Insurance**

The certificate of a certified inspector who fails to maintain, or whose employer fails to maintain, a policy of insurance required by NRS 645D.190 expires by operation of law on the 60th day after the certified inspector ceases to be covered by the policy.

#### **Change of Employer**

A holder of a certificate may request a change of employer, name or status by completing and submitting the appropriate form supplied by the Division and paying the required fees.

#### **Discontinued Business**

If the Division determines that a certified inspector has discontinued business at the address at which he holds a certificate and this fact has not been reported to the Division, his certificate may be cancelled by the Division.

#### **Business Location**

If a certified inspector chooses to establish an office in a private home or in conjunction with another business, his business location must comply with local zoning requirements.

#### **Office Management**

As a residential property inspector, you may have run your business out of your home for years, using a space or room dedicated to your business activities. Much of your time is spent out in the field, and you may use your home office for writing and generating reports, for conducting marketing duties, and for taking InterNACHI's online courses using your home computer. And your desk, filing cabinet, computer and printer cramped into an 8x10 room may have been perfectly adequate, until circumstances changed.

Perhaps your business is expanding, and you've had to take on a helper. You may now want to use a commercial rental for enough room for two people to work and to store tools and supplies for the job. Maybe you've expanded your inspection business to include commercial properties, and you feel it would be more appropriate to have meetings in a place other than your private residence. Or, it could be that your family is growing and their activities are squeezing your work space out.

Whatever the reasons, consider the following questions when making the decision to move your inspection

business out of your home.

With the addition of rent, utilities, equipment, furniture, insurance, revised marketing materials and travel, your operating expenses will go up. Can you afford them, based on the revenue you're generating? If you use an accountant (or even if you don't), find out what business expenses and capital assets are deductible from your income tax. You may be able to afford more for your offsite business than you thought you could.

Can you find a commercial property that is centrally located? Travel expenses may be deductible, but time is still money, so don't spend too much on commuting.

Is the commercial property owner amenable to negotiating lease items, such as build-outs, rent deductions, early release from the rental agreement, or a break on utilities? While more and more small business owners are shutting their doors or moving their enterprises into their homes, exploit this aspect of the current economic downturn and negotiate with your prospective landlord on any details you can.

Can you share a rental space with another business? What factors of compatibility are important to you in order to maintain productivity and professionalism? Also, find out what areas of the premises are defined under your lease agreement, in addition to your responsibility for shared spaces.

Dividing your time between work and family may be easier with a commercial rental for your business because you may find that you're more productive with an offsite office. But renegotiating family time may be a part of the equation if you're not as readily accessible as when you were working at home.

## Forms of Inspection Businesses

One of the first decisions that you will have to make as an inspection business owner is how the company should be structured. This decision will have long-term implications, so consult with an accountant and attorney to help you select the form of ownership that is right for you. In making a choice, you will want to take into account the following:

- your vision regarding the size and nature of your inspection business;
- the level of control you wish to have;
- the level of structure you are willing to deal with;
- the inspection business's vulnerability to lawsuits;
- tax implications of the different ownership structures;
- expected profit (or loss) of the business;
- whether or not you need to re-invest earnings into the business; and
- your need to take cash out of the business for yourself.

## SOLE PROPRIETORSHIPS

The vast majority of inspection businesses start out as sole proprietorships. These firms are owned by one person, usually the inspector who has day-to-day responsibility for running the business. Sole proprietors own all the assets of the business and the profits generated by it. They also assume complete responsibility for its liabilities and debts. In the eyes of the law and the public, the inspector is one and the same as the business.

Advantages of a Sole Proprietorship:

- It is the easiest and least expensive form of ownership to organize.
- Sole proprietors are in complete control and, within the dictates of the law, may make decisions as they see fit.
- Sole proprietors receive all income generated by the business to keep or re-invest.
- Profits from the business flow through directly to the owner's personal tax return.
- The business is easy to dissolve, if desired.

Disadvantages of a Sole Proprietorship:

- Sole proprietors have unlimited liability and are legally responsible for all debts against the business. Their business and personal assets are at risk.
- Owners may be at a disadvantage in raising funds and are often limited to using funds from personal savings or consumer loans.
- Owners may have a hard time attracting high-caliber employees or additional inspectors, or those who are motivated by the opportunity to own a part of the business.
- Some traditional employee benefits, such as owner's medical insurance premiums, are not directly deductible from business income (and only partially deductible as an adjustment to income).

Federal Tax Forms for Sole Proprietorship:

*(Note: This is only a partial list, and some may not apply.)*

- Form 1040: Individual Income Tax Return;
- Schedule C: Profit or Loss from Business (or Schedule C-EZ);
- Schedule SE: Self-Employment Tax;
- Form 1040-ES: Estimated Tax for Individuals;

- Form 4562: Depreciation and Amortization;
- Form 8829: Expenses for Business Use of your Home; and/or
- Employment Tax Forms.

## **PARTNERSHIPS**

In a partnership, two or more people share ownership of a single business. Like proprietorships, the law does not distinguish between the business and its owners. The partners should have a buy-sell agreement that sets forth how decisions will be made, how profits will be shared, how disputes will be resolved, how future inspectors will be admitted to the partnership, how partners can be bought out, and what steps will be taken to dissolve the partnership when needed. While it is hard to think about a "break-up" when the business is just getting started, many partnerships split up at times of crisis, and unless there is a defined process, there will be even greater problems. Partners must also decide up front how much time and capital each will contribute, etc. Advantages of a Partnership:

- Partnerships are relatively easy to establish; however, time should be invested in developing the partnership agreement.
- With more than one owner, the ability to raise funds may be increased.
- The profits from the business flow directly through to the partners' personal tax returns.
- Prospective inspectors may be attracted to the business if offered the incentive to become a partner.
- The business usually will benefit from partners who have complementary skills, especially when inspecting as a team.

Disadvantages of a Partnership:

- Partners are jointly and individually liable for the actions of the other partners.
- Profits must be shared with others.
- Since decisions are shared, disagreements can occur.
- Some employee benefits are not deductible from business income on tax returns.
- The partnership may have a limited life; it may end upon the withdrawal or death of a partner.

Types of Partnerships that Should be Considered:

- General Partnership

Partners divide responsibility for management and liability, as well as the shares of profit and loss, according to their internal agreement. Equal shares are assumed unless there is a written agreement that states differently.

- Limited Partnership and Partnership with Limited Liability

"Limited" means that most of the partners have limited liability (to the extent of their investment), as well as limited input regarding management decisions, which generally encourages investors for short-term projects or for investing in capital assets. This form of ownership is not often used for operating retail or service businesses. Forming a limited partnership is more complex and formal than a general partnership.

- Joint Venture

This type is similar to a general partnership, but is clearly for a limited period of time or a single project. If the partners in a joint venture repeat the activity, they will be recognized as an ongoing partnership, and will have to file as such and distribute accumulated partnership assets upon dissolution of the entity.

Federal Tax Forms for Partnerships:

*(Note: This is only a partial list, and some may not apply.)*

- Form 1065: Partnership Return of Income;
- Form 1065 K-1: Partner's Share of Income, Credit, Deductions;
- Form 4562: Depreciation;
- Form 1040: Individual Income Tax Return;
- Schedule E: Supplemental Income and Loss;
- Schedule SE: Self-Employment Tax;
- Form 1040-ES: Estimated Tax for Individuals; and/or
- Employment Tax Forms.

## CORPORATIONS

A corporation, chartered by the state in which it is headquartered, is considered by law to be a unique entity, separate and apart from those who own it. A corporation can be taxed; it can be sued; it can enter into contractual agreements. The owners of a corporation are its shareholders. The shareholders elect a board of directors to oversee the major policies and decisions. The corporation has a life of its own and does not dissolve when ownership changes.

Advantages of a Corporation:

- Shareholders have limited liability for the corporation's debts and judgments against the corporation.
- Generally, shareholders can only be held accountable for their investment in stock of the company. (Note that officers can be held personally liable for their actions, such as the failure to withhold and pay employment taxes.)
- Corporations can raise additional funds through the sale of stock.
- A corporation may deduct the cost of benefits it provides to officers and employees.
- Can elect "S" corporation status if certain requirements are met. This election enables the company to be taxed similarly to a partnership.
- It is easier for shareholders to sell their inspection business when they want to retire.

Disadvantages of a Corporation:

- The process of incorporation requires more time and money than other forms of organization.
- Corporations are monitored by federal, state and some local agencies, and may have more paperwork to fill out in order to comply with regulations.
- Incorporating may result in higher overall taxes. Dividends paid to shareholders are not deductible from business income; thus, this income can be taxed twice.

Federal Tax Forms for Regular or "C" Corporations:

*(Note: This is only a partial list, and some may not apply.)*

- Form 1120 or 1120-A: Corporation Income Tax Return;
- Form 1120-W Estimated Tax for Corporation;
- Form 8109-B Deposit Coupon;
- Form 4625 Depreciation;

- Employment Tax Forms; and/or
- other forms as needed for capital gains, sale of assets, alternative minimum tax, etc.

## SUBCHAPTER S CORPORATIONS

A tax election only, this enables the shareholder to treat the earnings and profits as distributions and have them pass through directly to their personal tax return. The catch here is that the shareholder, if working for the company and if there is a profit, must pay him/herself wages and it must meet standards of "reasonable compensation." This can vary by geographical region as well as occupation, but the basic rule is to pay yourself what you would have to pay someone to do your job, as long as there is enough profit. If you do not do this, the IRS can re-classify all of the earnings and profit as wages, and you will be liable for all of the payroll taxes on the total amount.

Federal Tax Forms for Subchapter S Corporations:

(Note: This is only a partial list, and some may not apply.)

- Form 1120S: Income Tax Return for S Corporation;
- 1120S K-1: Shareholder's Share of Income, Credit, Deductions;
- Form 4625 Depreciation;
- Employment Tax Forms;
- Form 1040: Individual Income Tax Return;
- Schedule E: Supplemental Income and Loss;
- Schedule SE: Self-Employment Tax;
- Form 1040-ES: Estimated Tax for Individuals; and/or
- other forms as needed for capital gains, sale of assets, alternative minimum tax, etc.

## LIMITED LIABILITY COMPANY (LLC)

The LLC is a relatively new type of hybrid business structure that is now permissible in most states. It is designed to provide the limited liability features of a corporation, and the tax efficiencies and operational flexibility of a partnership. Formation is more complex and formal than that of a general partnership. The owners are members, and the duration of the LLC is usually determined when the organization papers are filed. The time limit can be continued, if desired, by a vote of the members at the time of expiration. LLCs may not have more than two of the four characteristics that define corporations: limited liability to the extent of assets; continuity of life; centralization of management; and free transferability of ownership interests.

Federal Tax Forms for LLC:

- Taxed as partnership in most cases; corporation forms must be used if there are more than two of the four corporate characteristics, as described above.

In summary, deciding the form of ownership that best suits your inspection business should be given careful consideration. Use your key advisors to assist you in the process.

*Joesph Ferry is General Counsel for the International Association of Certified Home Inspectors.  
Nick Gromicko is Founder of the International Association Certified Home Inspectors*

## **Scheduling an Inspection**

Most inspections start with a phone call, usually from a home buyer who wants to buy a home, but sometimes from a home seller who wants to find out about any problems with the home before it is advertised for sale. Sometimes the call is from a real estate agent who is acting for a client who would rather not deal with finding an inspector.

Every part of the inspection process is handled assuming the worst -- that there will be problems resulting in legal action -- so it is important to adhere to a process that will help protect the inspector if he has to go to court.

Upon receiving the call, the inspector should ask key questions and use the answers to fill out a booking sheet. Inspectors seldom see the home they will inspect before arriving for the actual inspection, so it is important to develop as clear an idea as possible of its size and condition in order to estimate the length of time it will take to inspect the home, and to charge accordingly.

The booking sheet typically includes the following information:

1. booking date;
2. client's name;
3. property's address;
4. size of home: \_\_\_\_\_ square feet/meters;
5. year built;
6. general condition;
7. ancillary inspections;
8. inspection fee;
9. date of inspection;
10. utilities on/off;
11. animals on property;
12. occupants at home; and
13. directions to property.

## **Booking Schedule Explanation**

1. The inspection is typically performed anywhere from one day to three weeks after the date on which the inspection is scheduled, and it's a good idea to keep an accurate record of that date.
2. This is the name that will appear in the Inspection contract.
3. The property may be located outside the area served by the inspector, or the inspector may charge travel time to perform inspections that involve significant travel time.
4. Home size is the primary basis for determining inspection fees.
5. If a home is exceptionally old, it may require more time or special skills to inspect.



6. Homes in exceptionally poor condition often take longer to inspect and fees need to reflect this. Foreclosures are often in poor condition. Very expensive homes carry higher liability. If a solid gold doorknob is inoperable and needs replacement and you miss that, you may be asked to pay for replacement. So, you would take plenty of time with this type of home and would charge accordingly. These homes are out there!

7. In addition to the General Home Inspection, other types of inspections may be requested. Some common types of ancillary inspections for which inspectors might charge extra include private water well/bore equipment, yield and water quality, septic systems, wood-destroying insects, security systems, etc. Home inspectors with the proper qualifications can perform some of these. Inspectors who are not qualified will sometimes charge a fee for arranging for the services of a qualified contractor.

8. Inspection fees are set by each individual inspector according to the method that each thinks is best. The fee for inspecting a home is usually based on the amount of time estimated for the General Home Inspection, the quality of the home, the complexity of the home systems, and those factors mentioned in numbers 3 through 7 above.

Payment is due at the inspection before the report is supplied. Clients who are unhappy with what the report has to say about the home may refuse to pay. “No payment at the inspection, no report supplied” is the universal practice.

9. Recording the date makes for easy reference.

10. When the seller is absent for an extended period, or when a home is in foreclosure, the utilities are sometimes turned off. For inspection purposes, the utilities should all be on. When scheduling the inspection, the inspector should confirm that they are on, and if they are off, request that a qualified contractor turn them on for the inspection. Inspectors should never activate a system that has been shut down, since this transfers liability to the inspector, mainly related to flooding and fire.

With the water off, leaks may not be detectable, and plumbing traps/bends may be empty and may allow sewer gas into the home. With electricity or gas off, the inspector may not be able to determine the functionality of key systems or components. If an inspector is forced to inspect a home at which some utilities are shut off, it is important to ensure that the client understands that the inspection was limited. It should be mentioned both verbally and in the inspection report. The inspector should recommend that any affected systems be inspected once the utility has been turned on.

11. The animals of concern are those that bite people, mainly dogs. If upon inquiry an inspector is told that there will be a dog on the property, the inspector should request that the dog be removed or restricted to an area away from the home so that the inspector can move about freely without having to worry about coming into contact with the dog. Do not believe anyone who tells you that a dog will not bite. You’ll read more about this in the Safety Course.

The other concern is that the occupant will leave a dog or cat in the home that will rocket past your legs and disappear down the street the moment you open the door.

12. Most inspectors request that the occupants leave the home for the duration of the inspection. The occupant may be a renter who resents the intrusion and the inconvenience of having to find another home once the sales transaction is successfully completed, or a seller who wants to argue the inspector’s findings during the inspection. Sellers have a right to have their agent present, but the inspector should be free to perform the inspection without interference. Inspectors should be civil but firm in insisting on compliance. Under no

circumstances should an inspector tolerate harassment from anyone during the inspection. It sets a bad precedent.

### **Inspection Booking Process**

After filling out the booking sheet and agreeing on a fee, the inspector should ask whether the client is familiar with the inspection process, and try to ensure that the client understands the limitations of a general home inspection.

Some clients, especially first-time home buyers who think that inspectors are experts in every home system, may be disappointed when an inspector recommends further evaluation by a specialist. Inspectors want to avoid disappointing clients, so in addition to a verbal explanation, inspectors should refer the client to the information on the inspector's website that has InterNACHI's Standards of Practice, which clearly defines what an inspector is and is not required to inspect.

Before performing an inspection, the inspector should have an agreement signed by the client, which also states what is and is not included in the inspection.

InterNACHI SA has an inspection contract for use by its members, but inspectors should have it approved by their lawyer before actual use, since laws can vary by state.

From <http://www.nachi.org/scheduling-an-inspection.htm>.

## Employee Agreement

Revised January 19, 2008

Below is suggested language to help attorneys of InterNACHI members draft an employment agreement. An employment agreement should be used by members when hiring other inspectors. The language contains a non-compete clause. Enforceability of non-compete agreements varies from state/province to state/province and members are encouraged to seek advice from their own local counsel. If the home inspection business ("Employer") is an LLC or a corporation, make sure that the LLC or the corporation (not the owner) is listed as the "Employer" on the document. This language assumes that the employee is going to be a true employee, not just an independent contractor. This language also assumes that the Employer will be providing formal training or *on-the-job* training. In some states, non-compete clauses are not enforceable unless the Employer has provided training or some other benefit to the Employee such that it would be unfair to allow the Employee to then directly compete with the Employer. The Employer should keep accurate wage and hour records as well as document any formal training or *on-the-job* training provided. The Employer should also include in the agreement a description of any benefits (vacation time, health care, etc.) being provided to the employee.

### "AT WILL" EMPLOYMENT AGREEMENT

This is an "At Will" employment agreement ("Agreement") between \_\_\_\_\_ ("Employer") and \_\_\_\_\_ ("Employee"), collectively referred to as "the parties." In consideration of the mutual promises set forth herein, the parties agree as follows:

- 1. Title and Salary.** Employer will employ Employee as a home inspector and pay Employee a gross salary/wage of \_\_\_\_\_. There are no other job benefits unless set forth herein in writing. Employer makes no promises regarding the number of hours it will ask Employee to work in any given time period; Employee understands that the number of hours may vary with the needs of Employer.
- 2. Policy Manual and "at will" Status.** This is an "At Will" employment agreement. Nothing in Employer's policies, actions, or this document shall be construed to alter the "At Will" nature of Employee's status with Employer, and Employee understands that Employer may terminate his/her employment at any time for any reason or for no reason, provided it is not terminated in violation of state or federal law.
- 3. Non-Competition Agreement.** In consideration of the training to be provided by Employer to the Employee, Employee will not, either during employment with Employer or for a period of two years thereafter, directly or indirectly, for himself/herself or any third party, accept employment or engage in any business or activity which is directly or indirectly in competition with Employer. Employee will not solicit any current customer or potential customer of Employer identified during the course of employment with Employer, or otherwise divert or attempt to divert any existing business of Employer. Employee will not, either during employment with Employer or for a period of two years thereafter, either directly or indirectly, for Employee or any third party, solicit, induce, recruit, or cause another person in the employ of Employer to terminate his/her employment for the purpose of joining, associating or becoming employed with any business or activity which is in competition with any products and/or services sold, marketed, or provided by Employer. The geographical area to which this non-competition agreement applies is any area in which Employer currently solicits or conducts business, and/or any area in which Employer plans to solicit or conduct business for a period of two

years after Employee leaves employment with Employer. Both parties agree that the time and scope of this Non-Competition agreement are reasonable. If a court finds the time and/or scope of this Non-Competition agreement unreasonable, it should reasonably modify the agreement to protect the Employer to the maximum permitted by law.

**4. Return of Employer's Property.** At any time upon the demand of Employer, and in any event, upon termination of employment with Employer, Employee will immediately deliver to Employer all data, manuals, specifications, lists, notes, writings, customer and product lists, photocopies, microfilm, tape recordings, computer disks, patterns, art work, and all other documents or tangible materials whatsoever, including all copies or duplicates, concerning any part of Employer's activities or concerning any part of my activities as an employee. Employee acknowledges that all such items, including Employee's own notes, are the property of Employer, though they may be entrusted to Employee on a temporary basis.

**5. Confidentiality.** Employee will not, either during employment with Employer or at any time thereafter, except as required in the conduct of the business of Employer or as authorized in writing by Employer use, publish, disclose, appropriate or communicate, directly or indirectly, any of the following information which Employee, in any way, have acquired or may acquire during, or by reason of, employment with Employer:

**a.** marketing, sales, service, cost, business method, formula, product specification, planning, engineering, and/or technical information relating to Employer, as well as customer lists and/or any other information which could give any third party an opportunity to obtain advantage over competitors who did not know such information; and

**b.** trade secrets, which are used by Employer and which give it an opportunity to obtain an advantage over competitors who do not know those trade secrets.

**6. Injunction Relief.** Employee understands that in the event Employee violates any provision of this Agreement, Employer will have the full right to seek injunctive relief, in addition to any other existing rights provided in this agreement or by operation of law, without posting bond.

**7. Damages.** In the event Employee violates any provision of paragraphs 3-6 above and Employer determines that actual damages cannot reasonably be ascertained, Employer may elect, at its sole discretion, to recover liquidated damages in the amount of \$100,000.00 plus court costs, litigation expenses, and actual and reasonable attorneys' fees.

**8. Attorneys Fees, Costs, Venue.** In the event of litigation arising out of this agreement, the parties agree the exclusive venue for such litigation shall be in the County of Employer's primary place of business. The parties agree that if Employer prevails in any litigation the Employee shall pay the Employer's reasonable attorneys' fees and costs.

**9. Scope and Term of Agreement.** Employee understands this agreement applies regardless of whether there are any changes in Employee's job duties, job title, and/or the location of the place of work. This agreement shall remain in full force and effect if Employee voluntarily terminates employment and thereafter is rehired; under such circumstances, Employee need not execute a new agreement, but will be bound by the terms of this agreement.

**10. Severability.** If any provision of this Agreement shall be held invalid by a court of law for any reason, the remaining provisions shall remain in full force and effect.

**11. Modification.** This agreement may not be waived, changed, modified, abandoned, or terminated, in whole or in part, except by an instrument signed by Employer and by Employee.

**12. No Other Agreements.** There are no agreements between the parties other than those set forth herein. The parties intend this document to be a full and complete statement of their agreement, and all prior discussions are merged into this document. Employer has made no representations to Employee other than those specifically set forth herein.

**13. Interpretation Clause.** Employee agrees that Employer has given Employee the opportunity to have this document reviewed by an attorney. The parties negotiated the terms herein. This Agreement shall not be interpreted more strictly against either party merely because that party drafted it.

**14. Assignability.** Employee agrees that the terms of this agreement will continue in full force and effect if Employer or substantially all of its assets is/are acquired by another owner.

\_\_\_\_\_  
Employee

Employer,

By: \_\_\_\_\_

This information comes from <http://www.nachi.org/employmentagreement.htm>.

**Thank you for taking this course.**

Dear Student

You have now completed this course.

Before progressing to the Final Exam, please make sure that you’ve clicked on every slide and completed each quiz.

Remember that you can re-take this course and its corresponding final exam again and again, without limit.

Also, be sure to check out our course textbooks and downloadable PDFs at [InspectorOutlet.com](http://InspectorOutlet.com).

If you have any questions, please contact Course Manager/Director of Education Ben Gromicko at [ben@internachi.org](mailto:ben@internachi.org).

**Course Evaluation**

**COURSE EVALUATION FORM**

Course Title: \_\_\_\_\_ IOS #: \_\_\_\_\_

Sponsor: \_\_\_\_\_ Date: \_\_\_\_\_

Instructor: \_\_\_\_\_

<b>Instructor Evaluation</b>	<b>Excellent</b>	<b>Good</b>	<b>Average</b>	<b>Fair</b>	<b>Poor</b>
Ability to hold class attention					
Knowledge of the subject					
Ability to answer questions/interact					
Preparation and Presentation					
<b>The Course Material</b>	<b>Excellent</b>	<b>Good</b>	<b>Average</b>	<b>Fair</b>	<b>Poor</b>
Course content					
Handouts/Booklets					
Met stated course objectives					
Overall evaluation of the course					

**Recommendations on Course**

How could this course be improved?

How does this course enable the licensee to better serve the public?

Comments:

Date:

You may email this course evaluation form to [lisa@internachi.org](mailto:lisa@internachi.org).

**FINAL EXAM**

**Nevada Home Inspectors Standards of Practice & Legal Rules**

T/F: The inspector is required to describe the condition of insulation in unfinished spaces.

- False (false)
- **True (true)**

T/F: The inspector is required to identify the amperage of fuses and breakers.

- False (false)
- **True (true)**

T/F: The inspection of walkways and driveways falls outside Nevada's SOP.

- **False (true)**
- True (false)

T/F: According to Nevada's SOP, the inspection of the exterior includes fireplaces, chimneys and flues.

- **True (true)**
- False (false)

T/F: Following a hearing based on a complaint against an inspector, the Division must render its decision within 30 days.

- **True (true)**
- False (false)

T/F: An inspector may not accept any benefit for or from an inspection, including a promise or expectation of a referral of other work.

- **True (true)**
- False (false)



T/F: An inspection constitutes a warranty of the inspected items.

- **False (true)**
- True (false)

T/F: For purposes of an inspection, an inspector may activate a system or component that is shut down.

- True (false)
- **False (true)**

T/F: An inspector is required to report on the absence of insulation in unfinished spaces.

- **True (true)**
- False (false)

T/F: The inspector is required to test all GFCI devices.

- **True (true)**
- False (false)

T/F: Inspecting an auxiliary heating unit is optional.

- **False (true)**
- True (false)

T/F: The inspector must not open or remove any access panels in order to evaluate a system's enclosed components.

- **False (true)**
- True (false)

T/F: The inspector is required to report the number of air-conditioning systems in a structure.

- **True (true)**
- False (false)

T/F: The inspection of roof accessories falls outside Nevada's SOP.

- True (false)
- **False (true)**

T/F: An inspection of the attic includes an evaluation of the condition of the attic's insulation.

- False (false)
- **True (true)**

T/F: An inspector is not required to move personal items, equipment, debris, etc., in order to perform an inspection, unless requested to by the client.

- **False (true)**
- True (false)

T/F: Regarding inspections, if an apparent conflict of interest exists, an inspector does not need to be concerned about an ethical violation unless it can be proven that s/he will derive some actual or tangible benefit from the inspection.

- True (false)
- **False (true)**

T/F: Inspection of a vapor retarder in an unfinished space falls within Nevada's SOP.

- **True (true)**
- False (false)

T/F: The inspector must describe the general condition of the electrical system.

- **True (true)**
- False (false)

T/F: The inspector must verify the compatibility of over-current devices to the size of the conductors served by them.

- False (false)
- **True (true)**

T/F: The inspector is not required to identify asbestos that is used in a structure's exterior covering.

- **False (true)**
- True (false)

T/F: The accessible cooling distribution components are part of an air-conditioning system inspection.

- **True (true)**
- False (false)

T/F: An inspector is required to probe any structural components that may be deteriorated, unless doing so will cause damage to a finished surface.

- **True (true)**
- False (false)

T/F: An inspector is required to report any signs of water penetration.

- **True (true)**
- False (false)

T/F: An inspector must maintain copies of inspection reports for a period of at least ten years.

- **False (true)**
- True (false)

T/F: An inspector is prohibited from advertising his/her services without submitting such advertising to the Division for their approval.

- **False (true)**

- True (false)

T/F: The inspector is required to describe the type of water heater at a home.

- **True (true)**
- False (false)

T/F: The inspector is required to identify the number of heating units and systems in the inspected structure.

- **True (true)**
- False (false)

T/F: The inspector is required to verify the amperage of over-current devices.

- **True (true)**
- False (false)

T/F: Any exterior steps and carports that are attached to the structure must be inspected.

- False (false)
- **True (true)**

T/F: The inspection of skylights falls within Nevada's SOP as part of the roof inspection.

- **True (true)**
- False (false)

T/F: The inspector is required to describe the method s/he used to inspect the roof.

- **True (true)**
- False (false)

T/F: The floors, walls and ceilings are included in the inspection of the structural system.

- **True (true)**
- False (false)

T/F: The inspection of visible framing members must be deferred to a structural engineer.

- **False (true)**
- True (false)

T/F: An inspector is not required to inspect an attic or crawlspace if the area appears to be unsafe or if adverse conditions are suspected.

- **True (true)**
- False (false)

T/F: The inspector is required to inspect the water drainage and the land grading of the building's site.

- **True (true)**
- False (false)

T/F: An inspector is required to inspect any item that is adjacent to the primary structure.

- **True (true)**
- False (false)

T/F: All verbal complaints lodged against an inspector are investigated by the Division.

- **False (true)**
- True (false)

T/F: The Division may dismiss a complaint against an inspector without prejudice if it determines that there is insufficient evidence.

- **True (true)**
- False (false)

T/F: The Division reserves the right to hold an informal meeting as opposed to a formal hearing based on a complaint against an inspector.

- **True (true)**
- False (false)

T/F: The Division may choose to convene a formal hearing following an informal meeting based on a complaint against an inspector,

- **True (true)**
- False (false)

T/F: If the Division suspends or revokes an inspector's certificate, the inspector has the right to petition the decision.

- **False (true)**
- True (false)

T/F: An inspector's inspection reports and work records are subject to audit by the Division.

- **True (true)**
- False (false)

T/F: All retaining walls that affect a structure must be inspected.

- False (false)
- **True (true)**

T/F: The visible soffits and fascia are considered part of a roof inspection.

- **True (true)**
- False (false)

T/F: As part of the structural inspection, the inspector must identify the type of siding.

- False (false)

- **True (true)**

T/F: As part of the exterior inspection, the inspector must evaluate the condition of the exterior wall covering.

- **True (true)**
- False (false)

T/F: The inspector is required to describe the heating system's energy source.

- **True (true)**
- False (false)

T/F: The accessible controls and components of the heating system must be inspected.

- **True (true)**
- False (false)

T/F: The inspector is not required to inspect gas lines.

- **False (true)**
- True (false)

T/F: The inspector must operate all plumbing fixtures.

- **True (true)**
- False (false)

T/F: The inspector must inspect the laundry room as part of the inspection of the ventilation system.

- **True (true)**
- False (false)

T/F: The inspector must inspect any portable dishwashers.

- **False (true)**
- True (false)

T/F: The inspector is required to inspect a microwave only if it is permanently installed.

- **True (true)**
- False (false)

T/F: An inspector is required to inspect trash compactors.

- **True (true)**
- False (false)

T/F: An inspector must inspect a dishwasher without operating it.

- **False (true)**
- True (false)

T/F: An inspector is required to open and close a representative number of windows and interior doors.

- **True (true)**
- False (false)

T/F: The inspector shall inspect a representative number of cabinets.

- **True (true)**
- False (false)

T/F: An inspector may exceed the provisions as set forth in the NAC/Nevada SOP.

- **True (true)**
- False (false)



T/F: An inspector is not required to inspect a range hood.

- **False (true)**
- True (false)

T/F: An inspector must describe the efficiency of the insulation in unfinished attic spaces.

- **False (true)**
- True (false)

T/F: The inspector is required to identify and describe the type of water lines installed at a plumbing system.

- **True (true)**
- False (false)

T/F: The inspector is required to identify any safety devices attached to a water heater.

- **True (true)**
- False (false)

T/F: The inspector is required to test every accessible switch, receptacle and fixture related to the electrical system.

- **False (true)**
- True (false)

T/F: The inspector is not required to open or remove any access panels in order to evaluate any enclosed components of the heating system.

- **False (true)**
- True (false)

T/F: The inspector is not required to inspect an air-conditioning system's operating controls and components.

- **False (true)**
- True (false)

T/F: The inspector must evaluate the condition of all exterior doors and windows.

- **False (true)**
- True (false)

T/F: The inspector is required to assess the condition of the roof's visible flashing and drainage system.

- **True (true)**
- False (false)

T/F: The inspector is required to evaluate the condition of the foundation when inspecting the structural systems.

- **True (true)**
- False (false)

T/F: In inspecting the foundation, the inspector is required to evaluate its condition but is not required to identify its type.

- **False (true)**
- True (false)

T/F: The inspector is not required to inspect attached porches, patios or decks.

- **False (true)**
- True (false)

T/F: The inspector must identify the material(s) used for grade steps.

- **True (true)**
- False (false)

T/F: An inspector may use the assistance of a qualified authority to conduct an inspection and generate a report for items and/or systems that are outside the inspector's field of training and competence.

- **True (true)**
- False (false)

T/F: An inspector is not required to allow the Division to examine his/her office or place of business.

- **False (true)**
- True (false)

T/F: An inspector under investigation due to a complaint may be served with a subpoena by the Division to produce documents or to appear at a deposition to give testimony.

- **True (true)**
- False (false)