

Section 3 Compliance Review Questions

A list of some of the recommended data to be submitted to conduct an onsite Section 3 compliance review is provided below. While this list is somewhat comprehensive, FHEO staff should add or omit data as necessary depending on the type of recipient being reviewed, the scope of the review, and/or the status of any pending complaint investigations.

- (a) Copies of signed Consolidated Plan or Public Housing Annual Plan certifications/assurances.
- (b) Annual Plans or other performance reports (i.e., Consolidated Plans, Action Plans, CAPERs, PHA Annual Plans, Budget documents, etc.), to determine the beginning and end dates of the recipient's program or fiscal year and the dollar amount of covered projects/activities that were completed during the program or fiscal years under review.
- (c) Procurement records, to identify the dollar amount of each covered contract awarded during the time span under review.
- (d) Copies of bid solicitations, to ensure that that Section 3 applicability is referenced.
- (e) Contract documents, to ensure that they include the Section 3 clause. If numerous covered contracts were awarded during the time span under review, FHEO staff may choose to randomly review a portion of the contracts for inclusion of the Section 3 clause.
- (f) Minutes, sign-in sheets, agendas, or other relevant evidence from pre-construction meetings, to determine if Section 3 requirements were discussed with prospective bidders.
- (g) Plans for meeting or exceeding stated goals by recipients and contractors (i.e., contractors' proposals or business utilization plan).
- (h) Hiring records of recipients and contractors, to determine the extent to which new employment opportunities were created.
- (i) Descriptions of procedures used by the recipient, subrecipients, developers and contractors to verify the eligibility of Section 3 residents and businesses, to determine if these procedures are consistent with the regulation and to ensure that they do not create any undue burden to prospective beneficiaries.
- (j) Lists of Section 3 residents and businesses maintained by the recipient, to determine the extent to which the recipient is attempting to provide economic opportunities to prospective beneficiaries.
- (k) Subcontracting records from developers and contractors, to determine the extent to which new contracting or subcontracting opportunities were created.
- (l) Evidence of outreach efforts, to determine how Section 3 residents or businesses were targeted or recruited for employment, training, or contracting opportunities.
- (m) Lists of Section 3 business concerns that received contracts/subcontracts during the period under review. This information should include: name of contractor; address; telephone number; email address; contract amount; date awarded; and services provided.

- (n) Lists of Section 3 residents hired by the recipient and/or its contractors during the period under review. This information should include: name of resident; address; telephone number; date hired; position; and current status (employed, terminated, etc.).
- (o) Evidence that the recipient, subrecipients, developers, and contractors provided preference to Section 3 residents and businesses in accordance with the orders of priority preference set forth at 24 CFR § 135.34 and 24 CFR § 135.36.
- (p) Evidence that developers, contractors or subcontractors notified local labor unions about their Section 3 obligations.
- (q) Evidence that developers, contractors, or subcontractors posted signs regarding job vacancies and/or subcontracting opportunities at the job site.
- (r) Recipient procedures for monitoring subrecipients, developers, contractors and subcontractors for compliance.
- (s) Correspondence or other records from Section 3 residents and business regarding training, employment or contracting opportunities (including Section 3 grievances), to determine how those inquiries were addressed or resolved.
- (t) Other specific information related to Section 3 complaints that are currently pending HUD investigation.
- (u) Other specific information related to steps taken by the recipient to address previous findings from Section 3 compliance reviews or other **HUD** monitoring reviews.
- (v) Other relevant data that may demonstrate Section 3 compliance by the recipient.

Issues to be Assessed During Section 3 Compliance Reviews:

While every Section 3 compliance review contains issues that are unique to the local community, current or pending construction activities; or the types of covered funds being spent, a list of recommended questions to be asked during the compliance review is provided below. Additionally, a sample Section 3 compliance review checklist is available from the Economic Opportunity Division to aid with conducting Section 3 compliance reviews, and covers the following topics:

General:

- (a) Who is responsible for day-to-day Section 3 implementation?
- (b) Does the recipient have written Section 3 policies, procedures or plans? If so, request a copy and review to determine whether they contain adequate protocols to ensure that the regulatory requirements can be met.
- (c) What procedures does the recipient have in place to monitor subrecipients and other housing partners for Section 3 compliance?
- (d) What various types of programs are administered by the recipient?
- (e) What are the beginning and end dates of the recipient's program or fiscal year?
- (f) What type and dollar amount of covered funding did the recipient spend during the time span under review?

- (g) Did the recipient submit its most recent Section 3 annual summary reports (form HUD 60002)? If so, the FHEO staff person should review them to ensure that it reflects all covered funds that were spent during the time span under review.
- (h) Does the recipient have any current or pending HUD complaints or violations?
- (i) Does the recipient maintain a registry of Section 3 residents and/or businesses?
- (j) **If** a registry is maintained, how is it used by developers, contractors, subrecipients, and other housing partners?
- (k) What record-keeping procedures does the recipient use for ensuring that the requirements of Section 3 are met?

Employment:

- (a) Did the recipient's expenditure of covered funds result in any new employment opportunities?
- (b) Did covered contractors/subcontractors have the need for any new hires as a result of their contract award?
- (c) Were Section 3 residents targeted for new employment opportunities?
- (d) What methods were used to target, recruit, and employ Section 3 residents?
- (e) Were any new Section 3 residents hired? If so, how many and for what positions?
- (f) Were employment opportunities provided in accordance with the order of priority preference set forth in the regulation?
- (g) Were advertisements of job vacancies placed in local publications that are frequently used by low-income job seekers?
- (h) Were signs indicating job vacancies posted at the worksite(s)?
- (i) Were attempts made to invite potential Section 3 residents to recruiting meetings?
- (j) Were other attempts made to find interested Section 3 residents through local service organizations or resources?
- (k) Did the recipient maintain an ongoing list of Section 3 applicants from previous projects?
 - (1) Were these lists shared with contractors and subcontractors in an effort to fill new job vacancies?
- (m) How were the hiring practices of developers and contractors monitored for Section 3 compliance?

Training:

- (a) Did the expenditure of covered funds result in the creation of any training opportunities?
- (b) If so, how many and what types?
- (c) Were any apprenticeship or on-the-job trainee positions created by developers or contractors as a result of the expenditure of covered funds?
- (d) Were Section 3 residents notified and/or recruited for these training opportunities? If so, how?
- (e) How many Section 3 residents were placed in trainee positions?
- (f) Were any training programs provided for Section businesses?

- (g) Were Section 3 businesses notified/recruited for these training opportunities? If so, how?
- (h) What types of Section 3 training opportunities were provided to Section 3 businesses?
- (i) Were training opportunities provided to Section 3 residents or businesses in accordance with the order of priority preference set forth in the regulation?

Contracting:

- (a) Were any contracts generated from the expenditure of Section 3 covered funds?
- (b) Did bid solicitations and/or RFPs indicate the applicability of Section 3 to the covered project or activity? **If** so, request evidence.
- (c) Were Section 3 businesses provided the opportunity to bid on covered projects?
- (d) What was the total dollar amount of all construction and non-construction contracts awarded?
- (e) Were any construction or non-construction contracts awarded to Section 3 businesses?
- (f) How did the recipient search for Section 3 businesses that could perform work on covered projects?
- (g) What is the dollar amount of each construction and non-construction contract awarded to Section 3 businesses?
- (h) Were contracts awarded to Section 3 businesses in accordance with the order of priority preference set forth in the regulation?
- (i) How are covered developers and/or contractors informed about their Section 3 obligations?
- (j) Is the Section 3 clause contained in all applicable contracts? If so, request evidence.
- (k) Did covered developers/contractors notify labor unions about their Section 3 responsibilities (if applicable)? If so, request evidence.
- (l) Did covered developers/contractors post notices at job sites regarding job vacancies or subcontracting opportunities? If so, request evidence.
- (m) Did developers/contractors award any subcontracts that met the threshold requirements?
- (n) If subcontractors were used, was the Section 3 clause included in their contracts?
- (o) How did the recipient monitor contractors or subcontractors for compliance with the Section 3 regulatory requirements?
- (p) Were penalties assessed to developers or contractors who failed to comply with the regulatory requirements? If so, what types of penalties were assessed?