



PHILADELPHIA HOUSING AUTHORITY
THE OFFICE OF AUDIT AND COMPLIANCE

ACCOMPLISHMENTS REPORT
APRIL 1, 2016 – MARCH 31, 2018



OUR MISSION

The Office of Audit and Compliance (OAC) is the Philadelphia Housing Authority's (PHA) independent oversight department established to perform investigative, audit, and compliance-related activities relating to PHA's operations, programs, and services. OAC serves PHA by helping to identify and reduce risks and by taking steps to ensure that policies, procedures, laws, and regulations are followed, established standards are met, and resources are used efficiently and effectively.

OAC operates under the general direction of PHA's President and CEO with a direct reporting relationship to the Board of Commissioners. OAC is comprised of an Internal Audit & Compliance Unit and an Investigations Unit.

OAC provides the following services:

- Conducts compliance reviews of operating controls and transactions to determine compliance with local, state, and federal laws, regulations, and procedures.
- Conducts performance/operational audits to determine efficiency, economy, and effectiveness of all program areas and operations.
- Conducts criminal and administrative investigations involving allegations of impropriety, fraud, criminal activities, conflicts of interest, waste, and mismanagement.
- Serves as a liaison and coordinator of PHA's interests with the U.S. Department of Housing and Urban Development (HUD), external auditors, local, state, and federal regulatory and investigative bodies.
- Responds to requests from the Board of Commissioners, the President and CEO, and the Senior Management team for independent analysis of management or internal control systems.

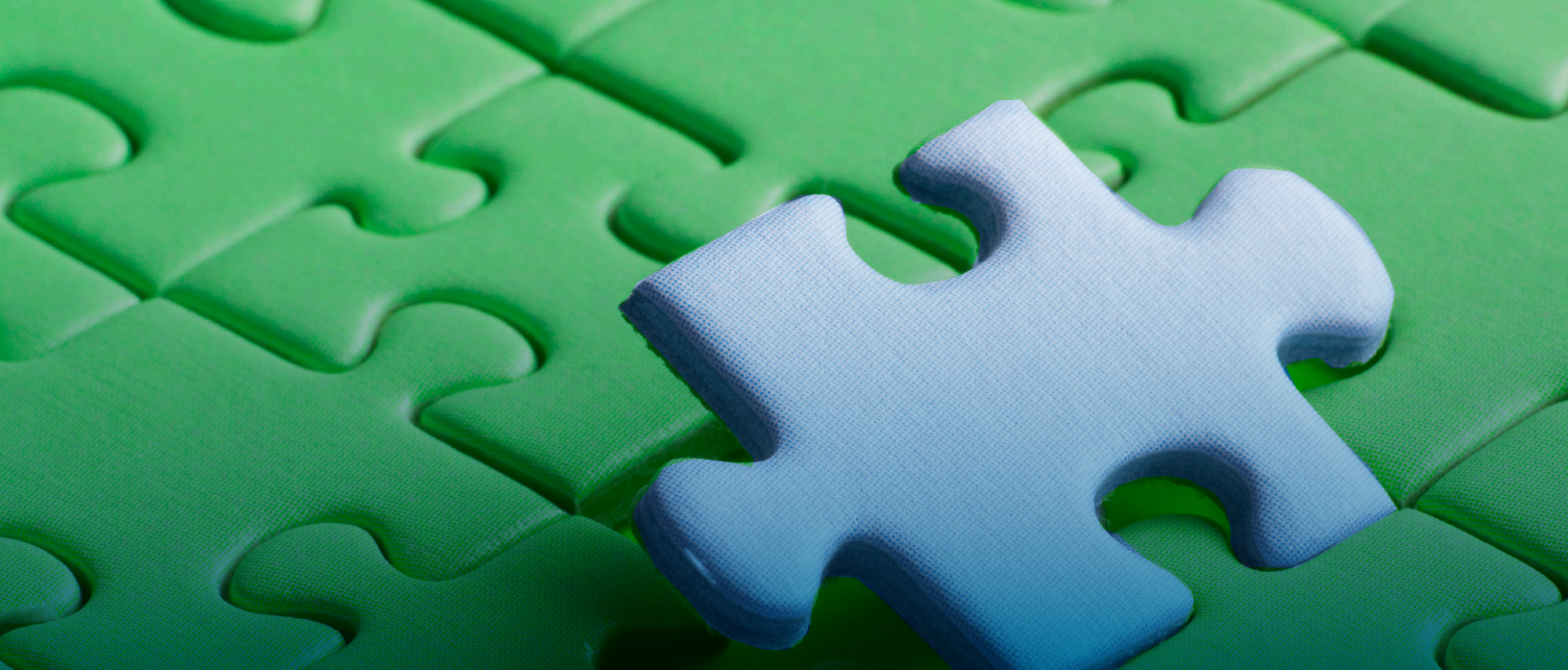


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MESSAGE FROM THE PRESIDENT & CEO



The Philadelphia Housing Authority's Office of Audit and Compliance has made great progress since it was first established in 2011 to serve as the agency's oversight unit and to

investigate misconduct by contractors, employees and residents. I am extremely proud of OAC's accomplishments to date. They represent real, tangible savings and build the public's confidence in PHA's overall mission to provide safe, affordable housing opportunities to the city's most vulnerable populations.

As I have stressed throughout my tenure as PHA's President and CEO, we cannot achieve our successes alone. OAC partners with external law enforcement agencies and oversight entities to operate as effectively as possible and ensure that people who defraud the agency are held accountable for their actions. Everyone who works at PHA, does business with the agency, or receives housing assistance, has a critical role to play in this effort and must act with integrity and honesty at all times. We hold a significant position of public trust and always strive to maintain that trust.

PHA is fortunate to have such a talented and dedicated team of auditors, investigators, and compliance specialists working within OAC to eliminate fraud, waste, abuse and corruption across the agency. OAC's thorough and professional audits, reviews, and investigations are crucial as PHA endeavors to provide excellent service to residents and the public with limited resources. I thank all OAC employees for their hard work this year and expect similarly great performance in the future.

Thank you for taking the time to learn more about OAC's accomplishments. Please continue to support PHA in our efforts to be transparent, efficient, and accountable. I strongly believe, as this report demonstrates, that we continue to move in the right direction.

Congratulations to Janea Jordon and the OAC team for the important achievements they are making carrying out OAC's mission.

Sincerely,

A handwritten signature in black ink that reads "Kelvin A. Jeremiah". The signature is fluid and cursive, with a large loop at the end.

Kelvin A. Jeremiah
President & CEO
Philadelphia Housing Authority

MESSAGE FROM THE EXECUTIVE VICE PRESIDENT



During this reporting period the Office of Audit and Compliance (OAC) was impacted by PHA's staffing reduction. However, the reduction in staffing provides an opportunity for OAC to take a fresh look at prioritizing

the important work that PHA and its Board of Commissioners entrusts us with. Consequently, we worked together as a team to streamline our internal processes, to become authentic in considering what projects and tasks we can successfully complete, and to develop creative ways to continue our mission of safeguarding the integrity of PHA. Our department worked diligently to strategically realign ourselves in order to continue supporting PHA management in meeting its governance, risk management, compliance and internal control responsibilities.

Notwithstanding the shortlived changes, OAC remained committed to holding residents, employees and vendors accountable to our governing rules and regulations. In partnership with the District Attorney's office, we continued fully prosecuting persons who defraud the agency of federal funds by underreporting income or failing to accurately identify individuals residing in their units. Our Investigations unit uncovered a little over \$2 million dollars in fraud over the two-year period.

Our Internal Audit unit continued with the

implementation of our annual risk assessment process for the agency; OAC's auditors successfully completed 12 internal audits, providing recommendations across departments in support of improved performance and operations. The Compliance unit expanded to include Section 3 Compliance monitoring, working in conjunction with our Wage Compliance unit in efforts to streamline our limited resources whenever possible. Additionally, the OAC facilitated multiple external reviews, ensuring that PHA was responding, accurately, timely and transparently.

OAC's resilience allowed the department to continue to support the important work that our President & CEO has outlined for PHA. I remain honored to lead OAC's efforts and am thankful for the never ending support of the OAC team, PHA's departments, the Board of Commissioners, and the citizens of our great City.

Sincerely,

A handwritten signature in blue ink, which appears to read 'Janea Jordon'. The signature is fluid and stylized, with a large loop at the end.

Janea Jordon
Executive Vice President, OAC
Philadelphia Housing Authority

THE YEARS IN NUMBERS

FINANCIAL ACCOMPLISHMENTS 2017 & 2018

Wage Compliance Citations Issued	\$31,821.78
Compliance Streamlining	\$33,677.20
Internal Audit Cost Savings	\$38,557.00
Internal Audit Potential Recoveries	\$2,900.00
Total Amount of Fraud Uncovered through Investigations	\$2,133,854.23
Repayment Agreements (Ordered)	\$845,290.46
Repayment Agreements (Collected)	\$467,178.26
Restitution (Ordered)	\$506,622.30
Termination/Resignation Savings	\$2,483,500.30
Pension Contribution Savings	\$1,274,310.56

COMPLAINT INTAKE

Throughout FY 2017, the OAC Investigations division received a total of 607 complaints. Of those complaints, 207 were opened as active investigations, 172¹ cases were substantiated.

In FY 2018, the OAC Investigations division received a total of 482 complaints. Of those complaints, 189 were opened as active investigations, 129 cases were substantiated.

REPAYMENT AGREEMENTS

In certain situations, where an OAC investigation does not necessarily result in an intentional or egregious act of fraud, but PHA has still been financially harmed, OAC will seek to enter into a Repayment Agreement with the resident/tenant to make PHA whole.

As of March 31, 2018, the OAC has entered into Repayment Agreements to recapture a total of \$845,290.46 of uncovered financial loss. In addition, of the financial losses uncovered, OAC has collected \$467,178.26 as part of the Repayment initiative for the fiscal years 2017 and 2018.

These numbers are substantial considering the decrease to the number of investigative staff as a result of the reduction to the number of full-time OAC employees that occurred in October 2016. Despite the reduced staff, OAC remains committed to ensuring that PHA is made whole when it suffers a loss due to fraud, waste, or abuse. In that spirit, the OAC continually seeks new avenues to recoup monies lost due to fraud, waste, and abuse at PHA.

TERMINATION SAVINGS

As of March 31, 2018, OAC investigations of reported employee misconduct involving fraud, waste, and/or abuse resulted in the termination, resignation or demotion of 21 PHA employees, saving PHA \$2,483,550.30 based on two-year salary projections. In addition, it is estimated that these terminations or resignations have resulted in a savings of pension contributions by PHA in excess of \$1,274,310.56².

1. OAC Investigators have up to 180 days to complete an investigation.

2. OAC utilized conservative estimates in the determination of the financial impact of terminations, resignations, and demotions of PHA employees. Some agencies, particularly in the federal sector, project similar saving over the remainder of the dismissed employees' careers.

IDENTIFYING AND PREVENTING CORRUPTION

The Investigations Department is tasked with investigating allegations of fraud, corruption, official misconduct, conflicts of interest, abuse of authority and other criminal offenses with respect to employees, residents and persons or entities doing business with the Philadelphia Housing Authority. Over the last two fiscal years, OAC has focused on investigating complaints received that target individuals who defrauded the Authority for personal gain.

For fiscal year 2017 and 2018, the Investigations Department received 1089 complaints which ultimately led to the investigation of 396 cases that uncovered fraud in the amount of \$2,133,854.23.

UNREPORTED INCOME/UNAUTHORIZED TENANTS

Over the course of the past two fiscal years, OAC has investigated hundreds of instances in which it was alleged that those who receive public housing subsidy have misrepresented their family compositions or their financial circumstances to defraud PHA, and subsequently deny housing subsidy to those who need it most. What follows



are highlights of just two of the cases that, combined with the other tenant fraud investigations, resulted in the uncovering of over \$2,000,000³ in fraud.

During the course of one investigation, it was determined that a PHA tenant married and failed to disclose her new marital status to PHA. The tenant was connected to her husband's residence and not the PHA unit. Meanwhile the tenant's adult son and his girlfriend were residing in the PHA unit and earning considerable income. Due to this tenant's failure to reside in the PHA unit and by permitting her son and his girlfriend to live in the PHA unit, it was calculated that PHA was defrauded out of \$32,691 since 2007. In addition to losing her housing benefit, a referral was also made to the Philadelphia District Attorney's Office for the filing of criminal charges, which were ultimately approved.

In another complaint, OAC received information that an HCV tenant allowed unauthorized individuals with income to reside in their HCV unit. An investigation ensued which uncovered that despite reporting only \$9,656 per year in income, the tenant allowed others to reside in the HCV unit and failed to disclose \$229,722.92 in income over a three year period. It was determined that PHA overpaid \$28,515 in housing subsidy to which the tenant was not entitled. In addition to losing their Housing Choice Voucher, a referral was made to the Philadelphia District Attorney's Office and charges were approved, and the tenant was subsequently arrested for the theft of federal subsidies.

EMPLOYEE MISCONDUCT

In addition to conducting investigations into tenant fraud, the OAC also conducts investigations when it is alleged that PHA employees have committed instances of fraud, waste, or abuse. Also, the OAC serves as the Internal Affairs Unit conducting investigations that involve complaints against the PHA Police Department ("PHA PD").

3. This figure represents federal dollars overpaid in housing subsidy due to unreported income

RESIDENCY VIOLATIONS

As a condition of employment with PHA, all employees must be residents of the City of Philadelphia within six months of employment, unless the employee receives a waiver of the requirement. Over the past two fiscal years, the OAC has completed nine residency investigations in which it was alleged that PHA employees violated PHA's residency requirement and failed to maintain living quarters within the City of Philadelphia. In cases in which it was established that the PHA employee violated the residency requirement and that no waiver had been obtained, referrals were made to the Human Resources Department for the employees to be terminated pursuant to PHA's residency policy.



INTERNAL AFFAIRS

The OAC serves as the Internal Affairs Unit for complaints that involve the PHA PD. In this capacity, OAC conducts impartial investigations into citizen Complaints Against Police ("CAP"), requests for investigations from the Chief of PHA PD where there are potential serious allegations that involve infractions to PHA PD directives, as well as reviews cases that involve the use of force to determine if the officer's actions were in accordance with PHA PD's Use of Force directive.

In cases where the OAC determined that an officer violated a PHA PD directive, the appropriate referral was made to the Chief of PHA PD and to the Vice President of Human Resources so that the suitable action could be taken.

In one instance, an off-duty PHA PD officer was involved in the accidental discharge of a firearm. In this case, the OAC was asked to review whether or not the officer's off-duty conduct violated any of the PHA PD directives. As a result of the investigation, it was determined that the officer was in fact the owner of the firearm that was discharged; that he failed to

properly secure the firearm, thereby allowing a minor to access it; that a bullet from the officer's personal firearm was discharged and struck another individual causing injury; and, that the officer did not have the proper credentials on their person at the time the incident occurred. As a result of the officer's off-duty actions, it was concluded that the officer violated several PHA PD directives involving the safe handling and storage of a firearm as well as the necessity to have the necessary police credentials on their person at all times. As a result of this substantiated investigation, the officer was terminated from their employment with PHA.

TAMPERING WITH PHA PROPERTY

The OAC received a complaint and conducted an investigation that determined that a member of the maintenance staff, with considerable tenure at PHA, was tampering with PHA property by placing a GPS blocker in a PHA vehicle to disturb the GPS signal, and thereby conceal his location from management during the course of the PHA work day.

Upon completion of the substantiated investigation, the OAC made a referral to the Executive Vice President of Operations and the Vice President of HR. Upon consideration of the findings of fact and the subsequent conclusions, the employee was terminated from their position.

EXTERNAL PARTNERSHIPS

OAC and Philadelphia District Attorney's Office Partner to Fight Fraud

OAC continued its work with the Philadelphia District Attorney's Office and partnered together to hold those who defraud PHA accountable.

Over the course of FY 2017 and 2018, the OAC made 24 referrals to the Philadelphia District Attorney's Office. In each instance, charges were approved and ultimately arrests were made and the individuals were taken into custody. In these cases, those arrested all failed to accurately report their earnings or those living with them who had income. Combined, the 24 individuals defrauded PHA of over \$477,361, and denied valuable housing subsidy from those who need it most.

The OAC values the partnership between PHA and the Philadelphia District Attorney's Office. Over the past two fiscal years, the departments have worked together to present a unified approach in holding those responsible for abusing the public trust, thereby freeing up resources to house Philadelphia's most marginalized and disadvantaged citizens.

Department of Public Health and OAC Partner to Reduce Risk of Lead Poisoning

OAC and the Philadelphia Department of Public Health (PDPH) strengthened their relationship over the 2017 and 2018 fiscal years by updating the existing process for managing elevated blood lead levels across PHA's housing programs. An updated Memorandum of Understanding (MOU) between PHA and PDPH was drafted to document the key responsibilities of each party entering into the MOU, with the ultimate goal of sharing a commitment to reduce risk of lead based paint poisoning in children within the Housing Choice Voucher and the Public Housing Programs.

OTHER PARTNERSHIPS

The Office of Audit and Compliance has initiated and maintained partnerships with several federal, state, and local agencies in efforts to protect the integrity of PHA and to further hold individuals who defraud the Agency accountable. These partnerships include:

- Philadelphia District Attorney's Office
- U.S. Department of Housing and Urban Development (HUD) - Office of the Inspector General
- Social Security Administration - Office of Inspector General
- Federal Bureau of Investigation
- United States Postal Inspectors
- Internal Revenue Service
- United States Attorney's Office
- Pennsylvania State's Ethics Commission
- Philadelphia Police Department
- U.S. Department of Homeland Security
- Pennsylvania Office of the Inspector General
- Philadelphia Office of the Inspector General
- Pennsylvania Department of Public Welfare
- Pennsylvania Department of Labor
- Pennsylvania State Police
- Philadelphia Department of Public Health
- HUD Office of Lead Hazard Control and Healthy Homes
- HUD Philadelphia Regional Office



PROTECTING PHA'S ASSETS

PHA ASSETS

The Internal Audit (IA) Department assists the Philadelphia Housing Authority's management and the Board of Commissioners through the Audit Committee by determining the effectiveness of PHA's internal control systems. IA's annual agency-wide risk assessment process produces an audit plan that prioritizes audits based on identified risks. By conducting risk-based audits and reviews, IA provides reasonable assurance regarding PHA's:

- Compliance with laws, regulations, policies, and procedures;
- Achievement of business objectives;
- Reliability of financial and management reporting; and
- Safeguarding of assets.

FY 2017 & 2018 INTERNAL AUDITS

During fiscal years 2017 and 2018 Internal Audit (IA) completed 12 of 14 planned audits as outlined in the 2017 and 2018 annual audit plans. Due to significant staffing reductions in the Internal Audit Unit during the fiscal year 2017, the initial number of planned audits was reduced to compensate for the loss of staff. In addition to the planned audits, IA also completed one special project review as requested by PHA's management.

IA issued applicable audit reports and review memorandums with associated management Corrective Action Plans.

In total over the 2 year period, IA made more than 80 recommendations aimed at improving efficiency, economy and operational effectiveness. Additionally during fiscal year 2017, IA successfully closed 23 of 23 audits that were initiated in fiscal 2015. The audit closure process entails IA performing extensive follow-up activities and working with various PHA departments, affiliates and Resident Councils to ensure that the agreed upon action plan is implemented.



In addition to identifying quantifiable measurable benefits, in terms of monetary recoveries and savings, OAC's audits identified other opportunities for improvement within PHA's operations. IA recommended the development and implementation of policies and procedures to several PHA's departments and programs with the goal of achieving consistency and standardization in day-to-day operational processes. In addition, IA collaborated with PHA's staff to improve and implement effective internal control systems throughout the agency. IA completed two Information Systems (IS) Audits and worked with IS management to fully close one of the two by ensuring that the agreed upon action plan was implemented. The audits and reviews conducted resulted in \$41,457 in cost savings through direct implementation of recommendations, realized savings from the adoption of other recommended improvement opportunities and potential recovery of federal funds.

EVALUATING AND IMPROVING

The Compliance Department within OAC works closely with internal departments throughout PHA to ensure efficiency and effectiveness within the Agency's operations, programs, and services. Over the past two fiscal years, these partnerships have led to the development and implementation of initiatives that have cut costs and increased productivity throughout the Authority, resulting in dollars saved, resources spared, and man-hours conserved. Supplementary to the Internal Audit Department, the Compliance Department assists with eliminating waste and achieving compliance with applicable rules, regulations, policies and procedures.

The Compliance Department's projects for the reporting period included:

SEMI-ANNUAL ADMISSIONS REVIEW

The Compliance Department developed and conducted a review to identify potential areas for improvement within PHA's Central Admissions Department for the Public Housing program. The purpose of this routine review is to ensure that the Central Admissions Department is complying with the policies and procedures set forth by the PHA in the Admissions and Continued Occupancy Policy (ACOP), Moving to Work (MTW) Plan, and other applicable internal policies and procedures.

The Compliance Department Division partnered with the Central Admissions Department to successfully create and implement a Corrective Action Plan to resolve the identified issues and improve process performance in the following areas:

- Applicant file folder maintenance
- Eligibility and suitability verification
- Maintenance of applicants deemed "ready" for housing assistance
- Projected rent calculations
- Timely processing of applicants from wait list pull to lease up

IMPROVING PUBLIC HOUSING PROPERTY MANAGEMENT FORMS

Property Management Forms are used to collect, record, and verify data to establish a family's eligibility, suitability, and level of assistance for the PHA Public Housing (PH) or PAPMC programs. The Compliance Department conducted a thorough review of all Property Management forms inclusive of PH & PAPMC programs with an objective of streamlining the voluminous amount of documents to increase productivity and efficiency. It is with this commitment in mind that the OAC established a project team (Compliance and Housing Operations Department staff) to review Property Management Forms. The team thoroughly examined each form in detail to develop a more effective process by reducing the amount of forms used, eliminating ambiguity on forms, and training employees on the proper use of each form. The Compliance Department reviewed a total of 136 PH forms which led to the updating and implementation of 66 PH forms. In addition, the Compliance Department was able to streamline the remaining forms, thereby resulting in the elimination of 19 PH forms (totaling 59 pages). The following are the major benefits established by streamlining the process of using the new and updated forms:

- Time savings allow PHA and PAPMC staff greater ability to complete other tasks
- Significant reduction in opportunity for error resulting in files that are noncompliant
- Reduction of quality control and audit findings
- Material savings (cost of paper & handling)
- Improved ease of use for clients





COMPLIANCE REVIEW OF CAPITAL PROJECTS

PHA expends a significant amount of federal funding on maintaining its dated housing stock. PHA's Construction Department is responsible for the modernization of long term vacant units in order to bring them back to rent ready status. Given the amount of work and the cost to restore these much needed units, the Compliance Department developed and conducted a review to ensure that funds were being expended appropriately on these projects, and that units are being rehabbed in line with projected cost estimates and timelines.

The Compliance Department Division partnered with the Capital Project Department to initiate a compliance review of various stages (initial, mid and close out) for the following projects: Queens Row Development, Queen Lane Low Rise, and Scattered Sites Rehabilitation phases 1 through 3.

EMERGENCY PROCUREMENT VALIDATION

The Compliance Department continued its process of ensuring that items procured via the emergency procurement process are properly delivered and installed. As emergency situations circumvent some steps of the full procurement process, the objective was to ensure all emergency items procured have supporting documentation for delivery and installation.

In partnership with PHA's PH Operations and Supply Chain department, 13 cases were reviewed – all of which were concluded to be compliant.

MANAGEMENT OF ELEVATED BLOOD LEAD LEVEL (EBLL) REFERRALS

In FY 2018, HUD re-emphasized its commitment to Lead Safe Housing and Lead Disclosure in

subsidized housing. In an effort to ensure that PHA remains compliant with HUD's recently released and updated guidelines, the Compliance Department worked in conjunction with PHA's Office of General Counsel, PH Operations and HCV Management to update PHA's Standard Operating Procedures for the Lead Safe Housing Rule and Lead Disclosure Rule.

Additionally, the Compliance Department worked in partnership with the Philadelphia Department of Health and the Regional HUD Office to review and update PHA's process for tracking and monitoring EBLL referrals for children associated to properties on PHA's programs. PHA's Information Systems Management Department also assisted the Compliance Department in its goal to establish an electronic internal tracking and monitoring system for all incoming EBLL referrals. This system has been developed and implemented, is accessible to all involved PHA departments, and supports timely and transparent resolution of EBLL cases.

HOUSING CHOICE VOUCHER PROGRAM (HCVP) QUALITY CONTROL HOUSING QUALITY STANDARD (HQS) UNIT INSPECTIONS

The Compliance Department conducts monthly inspections to monitor the performance of the HCVP Inspectors and make recommendations based on HQS deficiencies. During the fiscal year of 2017 & 2018, in excess of 1229 Quality Control HQS Unit Inspections were conducted, and 221 identified units with violations were reported and corrected.

PUBLIC HOUSING SERVICE ORDER AUDITS

The Compliance Department also conducts monthly service order audits. The service order audits are conducted by performing unit inspections as well as system reviews for completed Housekeeping Inspections (HK), Uniform Physical Condition Standards (UPCS) Inspections and work orders. The service order audits review the quality of the work orders/UPCS/HK Inspections performed by Maintenance staff and Property Managers, which includes an assessment of the recorded time and materials charged to each service order. During the fiscal year of 2017 & 2018, a total of 294 service order audits were conducted and 29 identified findings reported and corrected.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT REVIEWS

The U.S. Department of Housing and Urban Development conducts ongoing monitoring reviews of the Philadelphia Housing Authority. The Compliance Department, in conjunction with all of PHA's departments, ensured PHA's efficient and transparent cooperation with, and response to, the following HUD reviews and audits over the 2017 & 2018 Fiscal Years:

- Annual Independent Financial and A133 Compliance Audit – 2016 & 2017
- Annual HUD Management Decision 2016 & 2017
- HUD Public & Indian Housing Compliance Monitoring Review
- HUD OIG Review – Lead
- HUD OIG Review – Family Self Sufficiency
- PA Redevelopment Assistance Capital Program Grant Close Out – Mantua
- PA Redevelopment Assistance Capital Program Grant Close Out – Paschall

- Physical Assessment Subsystem (PASS) - Corrective Action Plan
- HUD Prevailing Wage Compliance Review

STANDARD OPERATING PROCEDURES

The Compliance Department worked with the various PHA Departments and Programs to develop Standard Operating Procedures (SOPs) and additional oversight controls in an effort to improve compliance with applicable rules and regulations. Additionally, the Compliance Department assisted in the implementation of metrics and tools to further assist Departments in tracking performance. In the Fiscal Year 2017 & 2018, the Compliance Department drafted and/or updated SOPs in the following functional areas:

- Property Management – Public Housing
- Lead Hazard Controls - Safe Housing Rule and Lead Disclosure Rule
- Pest Management Control
- Uniform Physical Condition Standard Inspections (UPCS)

WAGE COMPLIANCE

The Wage Compliance Unit (WCU) monitors the wages of employees working on PHA construction and maintenance projects to ensure that, when applicable, the correct prevailing wage is paid for the work performed. Fiscal years 2017 and 2018 resulted in the issuance of \$31,821.78 in citations to various vendors.

WCU issues citations based on consistent review of certified payrolls and on site interview results; this process is heavily reliant on volumes of paper. During the 2017 fiscal year, the WCU proposed that PHA implement a new electronic compliance and record keeping system, which would potentially fully modernize prevailing wage compliance practices at PHA.

The electronic system for prevailing wage compliance and record keeping was implemented by WCU in partnership with PHA's Procurement

Department. The system includes a HUD-approved e-signature component, which allows PHA's contractors to submit certified payroll reports electronically, significantly reducing the Wage Compliance Unit's administrative burden. Implementation of this system improves the efficiency of WCU's compliance efforts and allows for increase in staff time allocation for conducting site-of-work interviews and investigations. Lastly, the transition to an electronic system greatly reduced the use of paper, cost of postage and need for physical storage space for files; resulting in a positive environmental impact as well as cost-savings.

Construction and development contracts executed on or after April 1, 2018, will be using the new electronic system, as older projects are completed using the previous process.

SECTION 3 COMPLIANCE

During the past reporting period, OAC's Compliance functions were expanded by the addition of Section 3 compliance initiatives.

Section 3 monitors and enforces compliance with HUD Section 3 Regulations by ensuring PHA, and service contract vendors retained by PHA hire, train, contract or provide other economic opportunities to low and very-low income individuals ("Section 3 residents"), specifically housing authority residents, and businesses. The minimum compliance goals for Section 3 Regulations are as follows:

1. 30% of new hires resulting from the service contracts or PHA operating funds must be Section 3 residents; and,
2. A minimum percentage of contract dollars must be awarded to Section 3 owned and/or operated businesses – 10% for construction, renovation, remodel, and repair contracts and 3% for all other service contracts.

The OAC is responsible for ensuring that vendors comply with PHA's Section 3 policies in order to provide economic opportunities to Section 3 residents. During the Fiscal Years 2017 and 2018, the OAC confirmed that PHA exceeded the Section 3 minimum goals. A summary of PHA's achievements are as follows:

I. Section 3 Annual Report Summary for Hiring

	HUD Minimum Performance Goal	PHA Performance
FY 2017	30%	47.05%
FY 2018	30%	45.86%

II. Section 3 Annual Report Summary for Section 3 Business Non-Construction Contracts

	HUD Minimum Performance Goal	PHA Performance
FY 2017	3%	6.02%
FY 2018	3%	4.83%

III. Section 3 Annual Report Summary for Section 3 Business Construction Contracts

	HUD Minimum Performance Goal	PHA Performance
FY 2017	10%	47.09%
FY 2018	10%	32.55%

MOVING FORWARD

The Office of Audit and Compliance's Vision and Values will continue to be as follows:

- Conduct quality audits of PHA's operations in a timely and efficient manner and in accordance with professional standards established by the Institute of Internal Auditors and Generally Accepted Government Auditing Standards
- Conduct investigations in a timely, thorough, and impartial manner
- Ensure transparency and accountability in PHA operations, services, and programs
- Work closely with other law enforcement, state, and federal agencies to detect and investigate corruption, fraud, waste, abuse, mismanagement, and conflicts of interest
- Ensure the optimal efficiency and effectiveness in PHA's operations, programs, and services by emphasizing ongoing compliance with all applicable rules and regulations

To confidentially report PHA-related fraud, corruption, employee misconduct, conflicts of interest, waste, or mismanagement to the Office of Audit and Compliance:

Call PHA's Fraud Hotline: 215.684.8300

Email: OAC@pha.phila.gov

Send mail to: Office of Audit and Compliance

Attn: Complaint Intake Unit

Philadelphia Housing Authority

3100 Penrose Ferry Road

Philadelphia, PA 19145

