



**Audit of the Residents
Preference Program for
Development Agreements**

BILL CHRISTIANSON
City Comptroller

ADRIANA MOLINA
Audit Manager

September 2025

Table of Contents

Transmittal Letter	1
Assessment Report Executive Summary and Observations	2
Audit Scope, Objectives, and Methodology	3
Organization and Fiscal Impact	4
Audit Conclusions and Recommendations	4
Comptroller's Acknowledgement of Receipt.....	9
Management Response	10



Bill Christianson, CPFO
Comptroller

Charles Roedel, CPA, CIA
Deputy Comptroller

Toni Biscobing
Special Deputy Comptroller

Richard Bare, CPA
Special Deputy Comptroller

September 23, 2025

Honorable, Mayor Cavalier Johnson
The Members of the Common Council
City of Milwaukee

Dear Mayor and Council Members:

The attached report summarizes the results of the Audit of the Residents Preference Program for Development Agreements. The scope of the audit was development agreements by the City of Milwaukee with a residency requirement for projects completed from January 1, 2022, through December 31, 2024.

The primary focus of the audit was to evaluate whether the internal controls in place over the Residents Preference Program (RPP) for development agreements were designed adequately and operating effectively. The audit objective was to determine if development agreement projects are compliant with the resident participation requirements of Milwaukee City Ordinance (MCO) §355, including, but not limited to:

- Evaluate apprenticeship and on-the-job training tracking, first-source employment program compliance, and related responsibilities (e.g., database maintenance, outreach).
- Review policies on apprenticeship requirements, Labor Compliance Reporting (LCR) reporting for RPP reports, and data quality control processes.
- Assess LCR entry timeliness and any necessary follow-ups.

Overall, the audit concluded compliance with the MCO §355 Residents Preference Program (RPP). This report identified one medium-risk and four low-risk recommendations to improve the effectiveness of the current control environment. Additionally, the previous findings noted in the 2022 audit were remediated.

The audit findings are discussed in the Audit Conclusion and Recommendation sections of this report and are followed by the management's response.

Appreciation is expressed for the cooperation extended to the auditors by the personnel of the Office of Equity and Inclusion.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Adriana Molina'.

Adriana Molina, CPA
Audit Manager

AMM



Why We Did This Audit

MCO §355 requires RPP for Development Agreements to be audited every three years.

Objectives

The objective of the audit was to determine developers' compliance with the requirements regarding the use of unemployed or underemployed city residents stipulated in the development agreements approved by the Common Council.

Background

MCO §355 defines requirements for developers receiving more than \$1,000,000 in direct financial assistance. The ordinance helps to provide opportunities to unemployed and underemployed City residents. Further, the ordinance defines requirements for use of apprentices and utilization of the first-source employment program. The Office of Equity and Inclusion (OEI) oversees compliance with MCO §355.

Since the last audit issued in 2023, Office Equity and Inclusion (OEI) has made transitions in personnel and compliance software from LCP Tracker to LCR system. Additionally, the OEI has remediated the previously noted audit findings around developer compliance with RPP, Special Impact Area (SIA) tracking, apprentice and on-the-job trainee requirements and utilization of the first-source employment program. Overall, the program has improved in monitoring, reporting, and accountability.

Audit Report Highlights

Audit of the Residents Preference Program (RPP) for Development Agreements

Overview

The audit concluded compliance with the MCO CH§355 Residents Preference Program (RPP). This report identified one medium-risk and four low-risk recommendations to improve the effectiveness of the current control environment.

Opportunities for Improvement

Change Management: Audit recalculations revealed that apprenticeship participation data in the LCR tracking spreadsheet did not align with reported quarterly compliance results due to loss of data from LCPtracker to LCR system.

Policies & Procedures: There was not a comprehensive policy and procedure for end-to-end operations in place for MCO §355 compliance during the scope period¹.

(Recommendations can be found in the Audit Conclusions and Recommendations section of this report.)

¹ The complete element(s) of the finding with the full text of the related recommendations can be found in the "Audit Conclusions and Recommendations" section of this report.

I. Audit Scope, Objectives, and Methodology

Scope

The scope of the audit was development agreements by the City of Milwaukee with a residency requirement for projects completed from January 1, 2022, through December 31, 2024.

Objectives

The audit objective was to determine developers' compliance with the requirements regarding the use of unemployed or underemployed City residents stipulated in the development agreements approved by the Common Council.

Methodology

Audit methodology included developing an understanding of the processes and controls over the Residents Preference Program for development agreements. The audit program was developed using criteria outlined by MCO Chapter §355, as well as reviewing previously noted findings in the 2022 Audit.

Unless otherwise stated in the report, all sampling in this audit was conducted using a judgmental methodology to maximize efficiency based on auditor knowledge of the population being tested. As such, sample results cannot be extrapolated to the entire population and are limited to a discussion of only those items reviewed.

Procedures

The audit procedures developed to evaluate the processes and controls to meet the audit objectives included:

- Process Understanding:
 - Conducted process walkthroughs with Contract Compliance Officer (CCO).
- Control Evaluation and Documentation:
 - Reviewed Office of Equity Inclusion (OEI) policies and procedures on apprenticeship requirements, Labor Compliance Reporting (LCR) reporting for RPP reports, and data quality control processes.
 - Evaluated apprenticeship and on-the-job training tracking, first-source employment program compliance, and related responsibilities (e.g., database maintenance, outreach).

- Independently recalculated Apprenticeship RPP data for a sample of completed projects within the scope of the audit to assess timeliness and accuracy.

Compliance Statement

The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

II. Organization and Fiscal Impact

The goal of the Residents Preference Program (RPP) is to provide employment opportunities to unemployed and underemployed City of Milwaukee residents. Contractors bidding on public works projects and development projects financed with public tax dollars must hire a percentage of RPP-certified City of Milwaukee residents to work on those projects. The typical development project requires 40% of labor hours on a project to be worked by RPP-certified workers.

The Office of Equity and Inclusion (OEI) oversees compliance with MCO §355. Since 2023, OEI has undergone personnel transitions, hired a new Contract Compliance Officer, and began utilizing Labor Compliance Reporting (LCR) platform to track and monitor RPP data. Monitoring processes have improved through the development of standardized procedures for routine oversight. Additionally, a new position has been established to support developers throughout the project with noncompliance remediation and enforcement efforts.

III. Audit Conclusions and Recommendations

Overall, the audit concluded that the Office of Equity and Inclusion (OEI) is in compliance with MCO §355, the Residents Preference Program (RPP). The City implemented a new tracking and monitoring platform, the LCR system; however, apprenticeship participation data was incomplete due to missing records from projects initiated before 2023, after the City lost access to its prior system, LCPtracker. Despite these limitations, Audit independently recalculated pre-2023 data and confirmed that both the 40% RPP participation requirement and the 25% Special Impact Area (SIA) requirement were accurately reported.

The audit also found that OEI lacked an updated, comprehensive policy and procedure for MCO §355 operations. At the same time, OEI has remediated prior audit findings related to developer compliance, SIA tracking, apprentice and on-the-job trainee requirements, and the use of the first-source employment program. Overall, the program has demonstrated improvement in monitoring, reporting, and accountability.

Change Management

The Office of Equity and Inclusion (OEI) transitioned from LCPtracker to LCR system in 2023 to better track and monitor MCO §355 compliance. Through the review of the LCR system we noted that it is a centralized platform used to track and monitor workforce and subcontractor compliance on RPP development projects. It captures weekly payroll data from subcontractors, including employee demographics, job classifications, hours worked, wages, and RPP/apprenticeship status. The system validates data against wage thresholds, flags discrepancies, and ensures RPP credit is only given to certified employees. LCR system also houses subcontractor profiles, contract budgets, and employee records, supporting accurate reporting and analysis for monthly, quarterly, and final compliance reviews. Internal Audit confirmed the reliability and completeness of the LCR system data by independently pulling data from the system for projects completed from January 1, 2022, through December 31, 2024, and verifying the accuracy. Through review of four of the seven development agreements that received more than \$1,000,000 in financial assistance, Audit testing concluded that the projects reviewed met the 40% RPP hours (or the agreement requirement) with Special Impact Areas (SIA) surpluses added as well as the SIA 25% required RPP hours. Audit was able to confirm that most RPP-certified workers are referred via First-Source agencies.

The City's LCPtracker subscription lapsed, and no data migration plan was executed before access ended. As a result, historical data for pre-2023 projects was not preserved or integrated into the new LCR system, leaving a gap in OEI's ability to reconcile or verify apprenticeship compliance across all active and recently closed projects. MCO §355-9 requires that recipients of direct financial assistance and their contractors employ apprentices and on-the-job trainees in accordance with ordinance participation thresholds and Department of Workforce Development ratios. OEI cannot fully verify apprenticeship participation rates for any project that began before 2023.

Finding 1: Audit recalculations found discrepancies between apprenticeship participation data in the LCR tracking spreadsheet and the reported quarterly compliance results for three of the four projects

reviewed. OEI staff explained that the spreadsheet excluded apprenticeship data for projects initiated before 2023, as those records were maintained in LCPtracker. However, because the City no longer has an active LCPtracker license, the data for those projects is now inaccessible or incomplete.

Risk: Projects that may have met apprenticeship thresholds in LCPtracker appear noncompliant in LCR system creating false positive results in internal compliance summaries.

Risk Rating: Medium

Recommendation 1: OEI should review any pre-2023 projects and flag internal summaries for review to prevent misclassification as noncompliant. Ensure all future system transitions include a formal data migration and retention plan, particularly for compliance-related records governed by ordinance.

MCO §355-11-2-c and §355-11-2-e require that OEI, or its designee, maintain a database of job opportunities for city residents and a tracking system that records which applicants were interviewed, not interviewed, and hired for positions subject to the First-Source Employment Program. The program historically relied on informal coordination with First-Source staffing agencies (e.g., W RTP Big Step) and has not implemented a centralized database or system for applicant-level tracking. OEI's use of Bid Notices and LCR system is not designed or configured to fulfill the tracking requirements outlined in §355-11.

Finding 2: OEI does not maintain a database to track job opportunities nor record which applicants were interviewed or hired.

Risk: OEI cannot track which candidates were interviewed or hired under the First-Source requirement.

Risk Rating: Low

Recommendation 2: OEI should assess if it is cost-effective to develop and implement a centralized tracking system or database that records all job applicant outcomes (interviewed, not interviewed, hired). It may be cost-effective to review the MCO §355 and amend ordinance.

Policies and Procedures

The Government Accountability Office emphasized the importance of documented policies and procedures as a critical component of an effective control environment. Additionally, policies, procedures and related control activities should be periodically reviewed for changes addressing related risks.

Finding 3: During the scope period, MCO §355 compliance lacked a comprehensive, end-to-end policy and procedure. The Contract Compliance Officer (CCO) indicated that procedures had existed prior to the transition in divisional leadership and the implementation of the new LCR system; however, they were not updated to reflect the changes introduced by the new LCR system.

Risk: Inconsistent implementation of compliance activities and reporting expectations.

Risk Rating: Low

Recommendation 3: OEI should develop and implement a comprehensive MCO Chapter §355 compliance manual that documents all critical operations, including project onboarding, Labor Compliance Reporting (LCR) reporting, certification, monitoring, reporting, enforcement, and closure. The manual should be reviewed annually and updated as ordinance requirements or program roles change.

Developer Final Compliance Report

The development agreement requires that developers submit a final compliance report within 30 days of project completion, as well as quarterly compliance reports during the life of the project. OEI does not have a tracking mechanism or process in place to track or remind developers of upcoming report deadlines.

Finding 4: Two developers submitted their final reports after the 30-day deadline.

Risk: Late final report submission can lead to delays in OEI's ability to verify compliance and reduce transparency and accountability.

Risk Rating: Low

Recommendation 4: OEI should implement a compliance calendar and automated deadline reminders (e.g., via LCR system or shared email tools) to track key reporting milestones for each project.

Development Agreements Review

MCO §355 requires all components of participation enforcement, including §355-13-5-d in the development agreements. Without the inclusion of §355-13-5-d in the development agreements, there is no contractual mechanism to allow the reinstatement of withheld or reduced financial assistance once a developer remedies their noncompliance with community participation requirements. The prior Office of Equity and Inclusion (OEI) leadership allowed changes to development agreements. This practice is no longer occurring.

Finding 5: The development agreements for two developers did not include §355-13-5-d. of the community participation enforcement provisions.

Risk: Potential legal and financial disputes due to lack of compliance.

Risk Rating: Low

Recommendation 5: The OEI should review agreements for similar omissions and make any necessary updates with the most recent legally reviewed agreement. In addition, implement a checklist to review new agreements to ensure they include all MCO §355 requirements to prevent future exclusions.



Bill Christianson, CPFO
Comptroller

Charles Roedel, CPA, CIA
Deputy Comptroller

Toni Biscobing
Special Deputy Comptroller

Richard Bare, CPA
Special Deputy Comptroller

September 23, 2025

Honorable Mayor Cavalier Johnson
The Members of the Common Council
City of Milwaukee

Dear Mayor and Council Members:

With this letter, the Office of the City Comptroller acknowledges receipt of the preceding report, which communicates the results of the Audit of Residents Preference Program for Development Agreements. I have read the report and support its conclusions. Implementation of the stated recommendations will help improve City processes.

As the City Comptroller, I was not involved in any portion of the work conducted in connection with the audit. At all times, the Audit Division worked autonomously in order to maintain the integrity, objectivity, and independence of the audit, both in fact and in appearance.

Sincerely,

A handwritten signature in blue ink that reads 'Bill Christianson'.

Bill Christianson, CPFO
Comptroller

OEI Responses to the 2022-2024 RPP Audit for Development Agreements

Finding 1: *Audit independent recalculation revealed that apprenticeship participation data in the LCR tracking spreadsheet did not align with reported quarterly compliance results for three of the four projects reviewed. OEI staff confirmed that the LCR-based spreadsheet excluded apprenticeship data for projects initiated prior to 2023 because those projects had their time records stored in LCPtracker. The City has since lost its LCPtracker license, resulting in inaccessible or incomplete data for affected projects.*

Response: Please note that LCR, the City's internal, propriety workforce compliance system went live in 2023. As such, projects that commenced prior to would have had their workforce tracking lifecycle begin in LCPTTracker, a third-party workforce tracking system no longer utilized by our office. Some workforce data may not have been imported from LCPTTracker into LCR. This data gap could account for misalignments between reported workforce hours in developers' quarterly reports and the records maintained in LCR.

A deeper dive into this discrepancy disclosed the following variances in all Wisconsin apprentice/on-the-job trainee hours worked and Wisconsin RPP apprentice/OJT hours worked. This further supports the notion that the variances are likely due to incomplete migration of data from LCPTTracker to LCR.

Apprentice Hours Variances

Project	WI ALL Apprentice	WI RPP Apprentice
Cathedral Square	7.5	3.75
Garden Homes	-1509.9	-794.4
Washington Park United Homes	313	122

Finding 2: *OEI does not maintain a database to track job opportunities nor record which applicants were interviewed or hired.*

Response: Please note that Ordinance Chapter 355 governs the monitoring and compliance of private development projects. The Office of Equity and Inclusion (OEI) does not maintain job applicant data for private developers nor their contractors. Such a tracking system was discussed with leadership at the time of this audit finding and it was concluded that the office does not, at this time, have infrastructure available for third-party, private-sector job applicant tracking.

MCO 355-11 2. e. language:

e. The office of equity and inclusion or its designee shall institute a tracking system and record which applicants were interviewed, which applicants were not interviewed and which applicants were hired for positions subject to this subsection.

Finding 3: *There was not a comprehensive policy and procedure for end-to-end operations conducted for MCO 355 compliance during the scope period. The Contract Compliance Officer (CCO) noted that the procedures were in place before the change administration and the new LCR implementation. However, they were not updated for changes that LCR created.*

Response: This finding had been remediated during this audit period. Policies and procedures from this office's previous administration were provided to the audit team in addition to Standard Operating Procedures for this office's current administration, which were developed November 2024 and updated April 2025. Please note that Standard Operating Procedures are reviewed and updated periodically, as changes or updates in process arise.

Finding 4: *Two developers submitted their final reports after the 30-day deadline.*

Response: This is correct. The Garden Homes final report was received on March 17, 2024, while the Washington Park United Homes final report was received on March 28, 2024.

We have since instituted calendar reminders for sending emails to the development teams two weeks prior to the due date for the previous quarter's report.

Finding 5: *The development agreements for two developers did not include §355-13-5-d. of the community participation enforcement provisions.*

Response: Please note that development agreements identified per this finding were executed prior to this office's current administration. This OEI office has long since established a great rapport with the Department of City Development and the corresponding City Attorney assigned to development project contracts to ensure Human Resources Agreements are thoroughly reviewed prior to execution to ensure no modifications or edits are made to add ancillary language, nor remove legal language required by Ordinance.

Mary Reed

Contract Compliance Officer