



**Audit of the Community
Development Grants
Administration (CDGA)
Award Process**

BILL CHRISTIANSON
City Comptroller

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July 2025

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Bill Christianson, CPFO
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July 25, 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 Community Development Grants Administration (CDGA) Award Process. Specifically included in the scope were entities that received CDGA funds from January 1, 2024 through November 30, 2024.

The audit focused on evaluating the sub-recipients' process for applying for funds from the CDGA Office. The audit objectives were as follows:

- Review and evaluate the application and award selection process for entities applying for grant funds from CDGA in accordance with relevant policies
- Determine if timeliness of the initial disbursement of funds is in accordance with relevant policies

Overall, the audit concluded the controls in place over the Community Development Grants Administration Award Process were adequately designed and operating effectively. This report identified one low-risk recommendation to improve the effectiveness of the current control environment.

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 Community Development Grants Administration.

Sincerely,

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

Adriana Molina, CPA
Audit Manager

AMM:RIGB



Why We Did This Audit

Internal Audit conducted an audit of Office of Community Wellness and Safety in 2024. This audit of the Community Development Grants Administration (CDGA) is a continuation of that work, with a focus on evaluating CDGA's award process.

Objectives

- Review and evaluate the application and award selection process for entities applying for grant funds from CDGA in accordance with relevant policies
- Determine if the timeliness of the initial disbursement of funds is in accordance with relevant policies

Background

The Community Development Block Grant (CDBG) program was created by Congress in 1974 to support the development of viable urban communities by funding affordable housing, improving living environments, and expanding economic opportunities—primarily for low- and moderate-income individuals. While local governments set their own priorities, all activities must align with one or more Housing & Urban Development (HUD) national objectives: benefiting low/moderate income persons, preventing or eliminating slum/blight, or addressing urgent community needs. The City's CDGA Office manages these funds, collaborating with nonprofits and public/private partners to support targeted neighborhoods.

Audit Report Highlights

Audit of the CDGA Award Process

Overview

This audit concluded that the controls in place over the Community Development Grants Administration Award Process were adequately designed and operated effectively. This report identified one low-risk recommendation to improve the effectiveness of the current control environment.

Opportunities for Improvement

Cost Reports: 16 out of 22 randomly selected contracts did not submit their cost reports on time/per contractual language.¹

(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 this audit includes entities that received CDGA funds from January 1, 2024 through November 30, 2024.

Objectives

The objectives of the audit were as follows:

- Review and evaluate the application and award selection process for entities applying for grant funds from CDGA in accordance with relevant policies
- Determine if the timeliness of the initial disbursement of funds is in accordance with relevant policies

Methodology

Audit methodology included developing an understanding of the processes and controls over CDGA's initiatives and projects. The audit program was developed based on criteria outlined in CDGA's policies and procedures, the U.S. Department of Housing and Urban Development (HUD) guidelines, the Purchasing Division's policies and procedures, and the terms of contracts with subrecipients.

Procedures

The audit procedures developed to evaluate the processes and controls to meet the audit objectives included process walkthroughs, inspection of relevant control documentation, and the testing of controls as follows:

- Internal Audit completed a process walkthrough with CDGA director on the application and grading process.
- Internal Audit reviewed CDGA's Policies and Procedures and verified documentation of CDGA functions and monitoring controls.
- Internal Audit reviewed contracts with sub-recipients and HUD guidelines.
- Internal Audit reviewed cost reports submitted by sub-recipients.

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 Community Development Block Grant program was established by Congress in 1974 with the passage of the Housing and Community Development Act. This program provides funds to municipalities and other units of government around the country to develop viable urban communities. This is accomplished by providing affordable, decent housing, a suitable living environment and by expanding economic opportunities principally for low- and moderate-income persons. Local units of government develop their own programs and funding priorities; however, all activities must be consistent with one or more of the following HUD national objectives:

- Principally benefits low/moderate income persons
- Prevents or eliminates slum or blight
- Addresses an urgent need or problem in the community (e.g., natural disaster)

CDGA is responsible for applying for, recommending the allocation of, and overseeing the effective use of Local, State and Federal funds for programs serving targeted City of Milwaukee neighborhoods. CDGA's general fund operating budget for 2024 was \$1,035,722.² CDGA collaborates with local non-profit groups, government agencies, and public/private organizations to ensure funding is utilized to assist low- and moderate-income persons, prevents or eliminates slum or blight, and to addresses an urgent need or problem in the community.

III. Audit Conclusions and Recommendations

The controls surrounding the review, evaluation, and award selection process for entities applying for CDGA grant funds are adequately designed and operating effectively. Additionally, initial disbursement of funds is performed in accordance with relevant City policies and procedures.

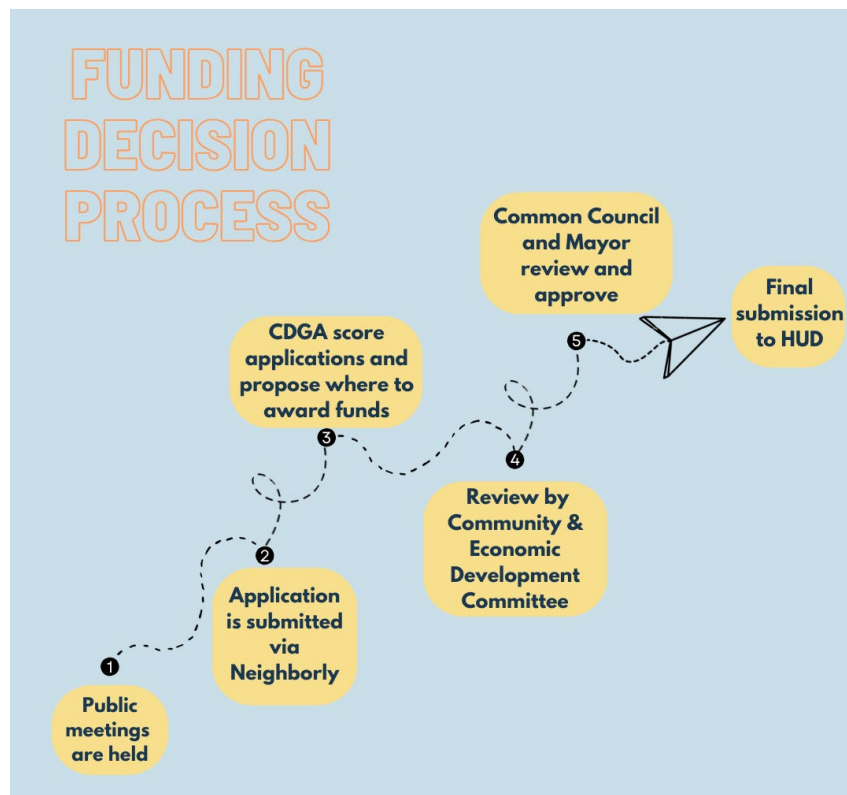
Application & Award Selection

The City's Community Development Grants Administration (CDGA) Office is required to provide Milwaukee residents with reasonable advance notice and opportunity to comment on proposed activities fund with CDGA monies. The U.S. Department of Housing and Urban Development (HUD) mandates a

² City of Milwaukee. 2024 Adopted Budget. <https://city.milwaukee.gov/ImageLibrary/Groups/boaBudgetOffice/2024-Adopted-Budget.pdf>.

minimum of two public meetings be held for this purpose.³ CDGA acknowledges this requirement in its 5-year Consolidated Plan.

Organizations seeking funding submit applications through the Neighborly software platform. These applications must include all required information for CDGA to evaluate eligibility and alignment with program goals. This audit reviewed a randomly selected sample of 25 applications and their associated scoring. Audit procedures included reviewing each application to assess how the organization planned to use the funds and the anticipated community impact. Responses were then evaluated against HUD guidelines to determine whether the proposed use of funds justified the allocations made by CDGA. Below is a high-level overview of the funding decision process:

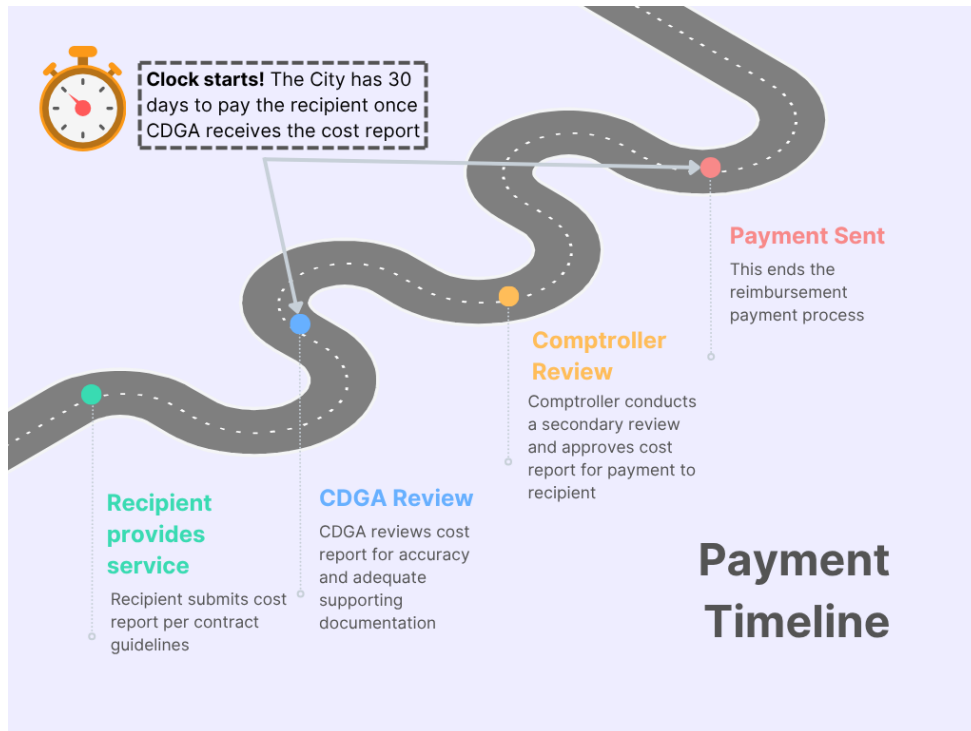


Cost Reports

Each recipient enters into a contractual agreement with the City of Milwaukee that delineates the responsibilities and obligations of both parties. In the context of the CDGA, recipients were community-based organizations that collaborated with CDGA to implement initiatives aimed at advancing the goals of

³ 24 C.F.R. § 570.431 (2025), Citizen Participation, Electronic Code of Federal Regulations, <https://www.ecfr.gov/current/title-24/subtitle-B/chapter-V/subchapter-C/part-570/subpart-F/section-570.431>

both CDGA and HUD. The contractual agreements state that recipients must submit cost reports ten days following each month. City policy, invoices will be paid within 30 days.⁴ After 45 days, the City may pay a late fee of 1% rate per month.⁵ The picture below provides a high-level glance at how the payment process



works to reimburse the recipient.

Finding: Organizations are not submitting cost reports within 10 days. Out of 22 randomly selected contracts, 16 did not submit their cost reports on time/per contractual language. The remaining 6 were exempt from testing. However, all 16 vendors were paid within 30 days by the City.

Please note: Since this control was tested with a non-statistical sample, the above results should not be extrapolated to the entire population.

Risk: A delay in receiving the cost report could lead to a delay in recipient reimbursement. *Risk Rating:* Low

Recommendation: CDGA should create a tracking system to monitor frequency of recipient cost reports to ensure timely submission for repayment.

⁴ City of Milwaukee. "Payments to Vendors." *Purchasing Division*. <https://city.milwaukee.gov/Purchasing/PP/Payments>.

⁵ City of Milwaukee. "Payments to Vendors." *Purchasing Division*. <https://city.milwaukee.gov/Purchasing/PP/Payments>.



Bill Christianson, CPFO
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Special Deputy Comptroller

Richard Bare, CPA
Special Deputy Comptroller

July 29, 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 the CDGA Award Process. 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



Department of Administration
Community Development Grants Administration

Cavalier Johnson
Mayor

Preston Cole
Director of Administration

Mario Higgins
Community Development Grants Director

July 9, 2025

Adriana Monlina, CPA
Audit Manager
City of Milwaukee Comptroller's Office
City Hall, Room 404

RE: 2025 Audit of Community Development Grants Administration Award Process

Dear Adriana Molina,

Thank you for the opportunity for the review and assessment of the Community Development Grants Administration Award (CDGA) Process for the period covering FY 2024. The City of Milwaukee's Community Development Grants Administration staff appreciates the time and effort the Office of Comptroller – Audit Division program staff invested in this review process. The CDGA is addressing the finding in the report as recommended in the Friday, June 13, 2025 Exit Conference.

Please see our summary responses to your recommendation below:

Recommendation: CDGA should create a tracking system to monitor frequency of recipient cost reports to ensure timely submission for repayment.

CDGA currently has a Cost Report tracking log, that was not requested during the audit review. However, the log was not being utilized to monitor frequency of recipient cost reports.

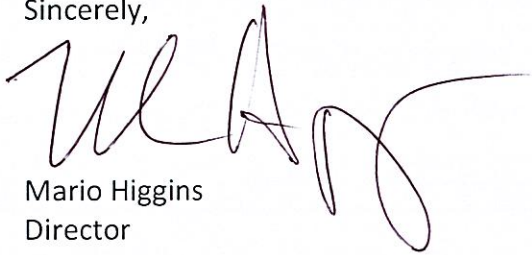
CDGA currently has a due date for cost reports due the 10th of each month for the previous month's expenses; we will revise our policy for a due date of the 15th of each month to allow additional time for agency submission.

Additionally, CDGA has revised its cost report tracking log to reflect monthly cost report tracking as recommended. This information will be used for better outreach and compliance with CDGA's Cost Report submittal policy.

Implementation date: September 2025

The CDGA would like to thank Audit Division staff for their technical assistance and oversight during this process. The staff added valuable feedback to CDGA staff to aid in correcting program deficiencies and ensuring ongoing compliance of its program activities. Please contact me directly for any follow up action or questions.

Sincerely,

A handwritten signature in dark ink, appearing to read 'MH', with a long, sweeping horizontal line extending to the right.

Mario Higgins
Director

CC: File