



Audit of Residents Preference Program (RPP) for Development Agreements

Internal Audit | September 2025

AGENDA

- Scope & Objective
- Procedures
- Conclusion
- Finding and Recommendation



SCOPE & OBJECTIVES



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.



PROCEDURES



1

Interviews and
walkthroughs

2

Review of documents

3

Testing of the following
controls

CONCLUSION



CONCLUSION

The audit concluded compliance with the MCO CH355 Residents Preference Program (RPP). However, The audit identified one medium-risk and four low-risk findings to improve the effectiveness of the current control environment. Additionally, the previous findings noted in the 2022 audit were remediated.



On-the-job Compliance Tracking

Use of LCR system has streamlined operations to track, monitor workforce and subcontractor compliance on RPP projects. However, Change Management and Policies and Procedures can be improved.

Findings



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 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.

Findings



FINDING 2

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

Findings



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 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.

Findings



FINDING 4

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

Findings



FINDING 5

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



THANK YOU

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