



# CDBG GRANT APPLICATION AND AWARD PROCESS

## *Audit Report #26-01*

A Report to the City of Killeen Audit Committee

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# Executive Summary



## AUDIT REPORT HIGHLIGHTS

### Why Was This Audit Conducted?

The City Auditor conducted this audit in accordance with the City Auditor's biannual audit plan, and as an ongoing goal to review the city's various revenue streams.

The City Auditor appreciates the cooperation from the Community Development Department's management and staff in the completion of this audit.

Mayor and Council,

We are pleased to present this audit of the City's CDBG Grant Application and Award Process.

### Audit Objectives

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The objectives of the audit were to (1) review the grant application and award process for Program Year 2025; (2) review and analyze the 2020 – 2024 Consolidated Strategic Plan, Annual Action Plans, and CAPERs; and (3) determine if opportunities for improvement exist that can be applied going forward.

### Audit Results

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Community Development's planning and implementation of the application and award process for its Program Year 2025 CDBG/HOME grant programs showed significant improvements in the process. This was due in large part to steps initiated by the Executive Director to improve the process, including the implementation of grant management software to streamline application process and the reclassification of key staff to bring greater focus to the Department's grant management activities. We also noted several opportunities for further improvement. These included broadening outreach efforts to the non-profit community to enhance the diversity of subrecipient agencies and redesigning the Department's website to create a more user-friendly interface for subrecipients and program participants. The City Auditor recommended coordinating with the City's Marketing and Communications Department on these enhancements.

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# Introduction

The City Auditor conducted this performance audit of the City's CDBG Grant Application and Award Process pursuant to Article III, Chapter 40 of the City Charter, as amended May 11, 2013, and in accordance with the City Auditor's biannual audit plan, approved by the audit committee, September 5, 2024. We included this audit in the annual audit plan as part of our ongoing goal to review the city's various revenue streams.

The objectives of the audit were to (1) review the grant application and award process for Program Year 2025; (2) review and analyze the 2020 – 2024 Consolidated Strategic Plan, Annual Action Plans, and CAPERs; and (3) determine if opportunities for improvement exist that can be applied going forward.

## Background

Both the Community Development Block Grant (CDBG) and HOME Investment Partnership (HOME) programs are administered by the Department of Housing and Urban Development (HUD), created in 1965, as part of the Lyndon B Johnson Administration's "Great Society" initiative to address systemic issues of poverty, urban decay, and substandard housing by fostering community development.

### *Community Development Block Grant Program*

The CDBG program provides annual grants to state and local governments to benefit low-to-moderate-income participants in the areas of housing, infrastructure, public facilities, and economic opportunities. The program was a centerpiece of President Nixon's New Federalism reforms, authorized by the Housing and Community Development Act of 1974 and signed into law by President Ford on August 22, 1974. The reforms were designed to decentralize decision-making responsibilities to the states through the use of block grants.



### *CDBG Program National Objectives*

Grant expenditures must meet at least one of the program's three national objectives: (1) Benefit low- and moderate-income individuals and families; (2) Prevent or eliminate slums and blight; and (3) Address urgent needs,

where other resources are unavailable or insufficient, e.g., natural disasters, immediate threats to public health or safety.



Source: HUD CDBG/HOME Program Guidelines

#### *CDBG Grant Award Allocations By Category*

The grants are further restricted in the amount of funds allocated for certain categories. Expenditures on Public Services, which are typically subrecipient grants to non-profits for childcare, senior services, food banks, etc. are capped at 15 percent of the total grant award. Grants funds allocated for grant administration cannot exceed 20 percent of the total award. The remaining 65 percent can be allocated to Public Facilities and Improvements, Housing-Related Activities, and Economic Activities, in accordance with priorities identified through community outreach.

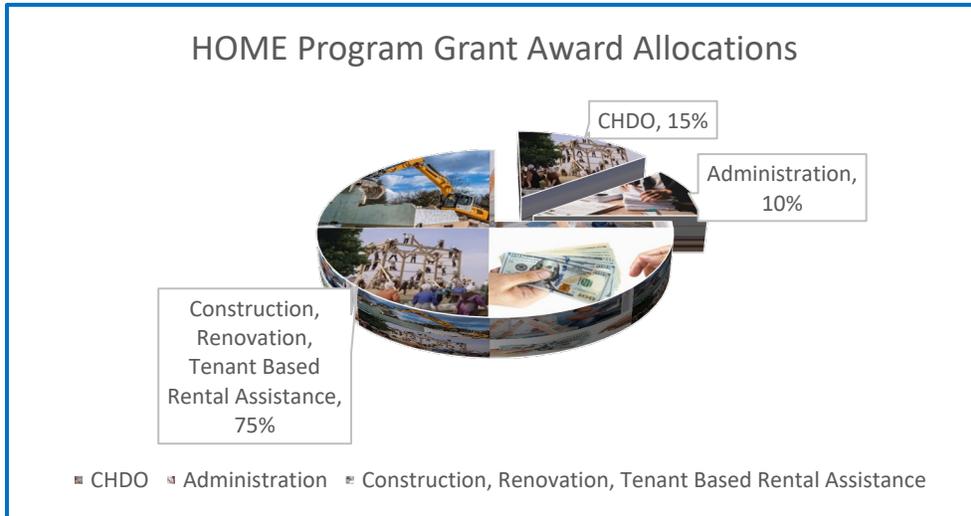
#### *HOME Investments Partnership Program*

The HOME Program was established more than a decade after the CDBG program as a key provision of the National Affordable Housing Act of 1990, signed into law by President George HW Bush on November 28, 1990. Like the CDBG program, the HOME program uses block grants, in this case to fund eligible projects that support affordable housing. These include, construction of new homes, rehabilitation of owner-occupied housing, homebuyer assistance, acquisition of rental housing, and tenant-based rental assistance.



*Primary Objective*

The HOME program’s primary objective is to increase the supply of decent, safe, affordable housing, primarily for low-income individuals and families.



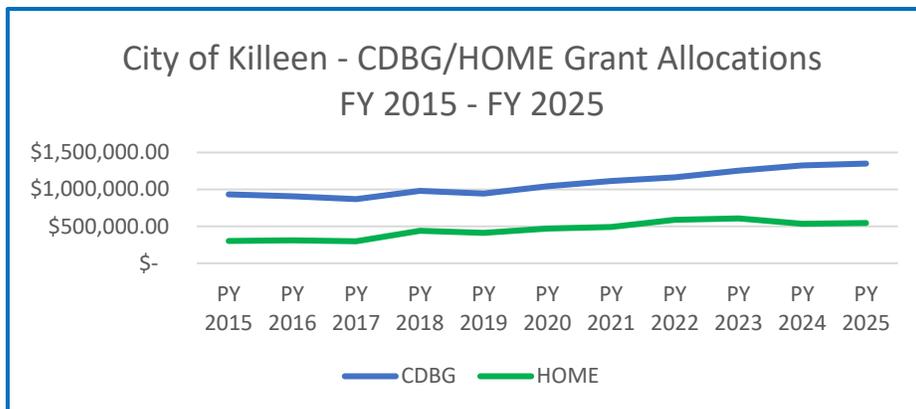
Source: HUD CDBG/HOME Program Guidelines

*HOME Grant Award Allocations By Category*

Spending for grant administration is capped at 10 percent. At least 15 percent of the grant award must be set aside for Community Housing Development Organizations (CHDO), which are non-profit organizations dedicated to affordable housing development within their communities. The remaining 75 percent can be allocated to affordable housing-related projects in accordance with the priorities identified through community outreach.

*CDBG/HOME Funding History*

On average, Killeen receives about \$1.5 million from HUD annually, about \$1 million for the CDBG program and about \$500,000 for the HOME program.



Source: City Archives

### *CDBG/HOME Grants – Reporting Requirements*

As a grant recipient, the City of Killeen has certain reporting requirements, specifically, the Consolidated Strategic Plan, the Annual Action Plan, and the Consolidated Annual Plan Evaluation Report.

- **Consolidated Strategic Plan:** The Consolidated Strategic Plan is a 3-to-5-year planning document completed by the grantee through input provided by citizens, city officials, and staff to develop multiyear goals based on an assessment of housing and community development needs.
- **Annual Action Plan (AAP):** The Annual Action Plan is more tactical, laying out the summary of actions and funding sources needed to achieve the goals laid out for each program year covered by the Consolidated Strategic Plan.<sup>1</sup>
- **Consolidated Annual Performance Evaluation Report (CAPER):** The CAPER provides a detailed progress report on goals accomplished, as compared to goals outlined in the Consolidated Strategic Plan and Annual Action Plan. The CAPER includes a self-evaluation of the grantee’s performance, as well as solicited comments from the community.

### *Community Development Advisory Committee (CDAC)*

The CDAC consists of 10 citizen members, appointed by City Council, who assist management and staff in the planning and implementation of Community Development grant programs. The duties of the CDAC include: (1) Holding neighborhood planning meetings to solicit citizen input and assess community needs; (2) assisting in the annual evaluation and recommendation to fund proposals from community organizations; (3) assisting in developing goals for housing assistance; and (4) assisting in monitoring and evaluation of program activities and performance.

### **Prior Audit Findings**

This is the first internal audit of the CDBG/HOME programs conducted by the City Auditor. However, the City’s grant program controls and expenditures are reviewed annually by the City’s external auditors, in accordance with the Single Audit Act. There were no findings noted the Annual Comprehensive Financial Report and Single Audit for FY 2024.

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<sup>1</sup> A Program Year runs one year ahead of the City’s Fiscal Year. Fiscal Year 2025, for example, began October 1, 2024, and ends September 30, 2025, whereas the CDBG/HOME Program Year 2025 begins October 1, 2025, and ends September 30, 2026.

### **Statement of Compliance with Audit Standards**

We conducted this performance audit 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. Those standards also require that we, as internal auditors, meet the criteria for independence. We believe that we met those independence standards and that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

# Findings and Recommendations

**The City's Auditor's review of the CDBG/HOME programs application and award process for Program Year 2025 noted significant improvements in the process. However, greater diversity in subrecipients will enhance the City's efforts to address priorities identified by program participants.**

The City Auditor's observations of the Community Development Department's (CDD) implementation of the application and award process for its Program Year 2025 CDBG/HOME grant programs noted significant improvements in the process. This was due in large part to steps initiated by the CDD Executive Director to improve the process, including the implementation of grant management software to streamline application process and the reclassification of key staff to bring greater focus to the Department's grant management activities. We also noted several opportunities for further improvement. These included broadening outreach efforts to the non-profit community to enhance the diversity of subrecipient agencies and redesigning the Department's website to create a more user-friendly interface for subrecipients and program participants.

## What We Observed

As part of our audit, we observed the Community Development Department's CDBG/HOME grant application and award process. This included the community meetings held on February 6<sup>th</sup> and 13<sup>th</sup>, the notice of available funding published on February 16<sup>th</sup>, the technical workshop held on February 20<sup>th</sup>, the Community Development Advisory Committee (CDAC) review of subrecipient presentations and selection of subrecipient awards on May 14<sup>th</sup> and 15<sup>th</sup>, and finally, the public hearings held at City Council on June 6<sup>th</sup> and July 15<sup>th</sup>.



Source: CDD 2025 Planning Calendar and Observation

## What We Found

We found that both the grant application and grant award processes were well organized and implemented. The community meetings were well attended. Management and staff were well prepared and executed their meetings in a timely and professional manner. The CDAC volunteer group showed due diligence and professionalism in evaluating subrecipient presentations and putting together recommendations for City Council. We also noted several improvements in the process implemented by the Executive Director of the Community Development Department (CDD) during program year 2025.

### *Online Grant Application Software*

The CDD Executive Director implemented an online grant application software for the 2025 Program Year grant process to replace the manual process. This aligns with HUD best practices regarding the adoption of grant administrative software. The Zoom grant software, not to be confused with Zoom video conferencing app, allows for completion of the grant application through an online portal. The program does not allow applicants to go forward in the process until all documentary requirements have been satisfied, thereby eliminating the time-consuming and administratively burdensome back and forth between applicants and staff experienced previously under the manual system.

### *Reclassification of Key Positions*

The Executive Director worked with the Department of Human Services in FY 2025 to reclassify two staff positions, one to create a grant manager position, and the other to create a grant monitoring position. The reclassifications were a positive step that (1) provides a greater focus on the Department's grant-related activities, and (2) acknowledges the resources required to properly administer the City's CDBG and HOME grant programs.

### *Outreach to Districts*

The Executive Director announced plans to expand the department's participant outreach efforts to include on-site meetings in the City's districts. This, again aligns with best practices in what HUD refers to as "Meeting citizens where they are." Rather than relying solely on centrally located government venues for public meetings, HUD recommends soliciting input in the neighborhoods, in the venues that residents frequent.

## **Opportunities for Further Improvement**

In addition to the improvements observed in the 2025 Program Year application and award process, we noted several opportunities for further improvement in the grant process. These include (1) expanded outreach to the subrecipient community to ensure greater diversity of subrecipients; (2) a general makeover of the CDD website to enhance communication with subrecipients and program participants; and (3) improvements to project tracking in the Consolidated Annual Performance Evaluation Reports (CAPER).

## **Diversity of Subrecipients**

Our analysis of CDBG grants awarded in the Public Service category over the last two Consolidated Strategic Plan periods revealed an opportunity for greater diversity in the subrecipient pool for Public Service grants. HUD stresses the importance of incorporating diversity into all aspects of the grant process, including outreach to potential subrecipient organizations.

We found that with few exceptions, funds awarded for Public Service grants have gone consistently to a small group of non-profits over the past decade. From 2015 to 2025, nearly 90 percent of grant dollars awarded to non-profits went to the same six agencies. This is not to diminish the contributions of these agencies, all of which provide valued services to program participants. Neither is it a criticism of the CDAC members or City staff who exercise due diligence and transparency in the application and award process. Rather, it is simply a recognition of the need to broaden

outreach efforts to the non-profit community to find subrecipients able to address priority areas that may not fall within the range of services currently provided.

For example, respondents to the 2025 Community Priorities survey identified “food bank/food pantry” as one of their top 5 priorities in response to a question on the type of facility/infrastructure needed to bring additional services/programs to the Killeen community. More than likely this reflects the impact of the food desert created in North Killeen when the HEB and Foodliner grocery stores pulled out of the area in 2019.

We noted that several other municipalities had food banks among their CDBG Public Service subrecipients, including Round Rock, Denton, Williamson County, and Pasadena. Nationwide, food banks account for about 11 percent of CDBG grant dollars awarded, according to HUD program statistics. While they are not a permanent solution to food deserts, food banks do help to mitigate the food insecurity issues that plague underserved communities. We noted at least one food bank operating in North Killeen, which expressed interest in the program, but was unaware of the application process.

### *Expanded Outreach to Subrecipients*

The City Auditor commends the Department’s plans to expand outreach to the districts and recommends similar efforts be taken to expand outreach to potential subrecipients. HUD recommends a multi-faceted approach to outreach to include social media, as well as traditional media platforms. The City’s outreach regimen for the subrecipient community, according to the Program Year 2025 Annual Action Plan included community planning meetings (in-person and virtual), a Notice of Funding Availability published in the Daily Herald newspaper and posted on the City website, and emails sent to over 600 public officials and prior community meeting participants.

The Notice of Funding Availability and Funding Schedule for Program Year 2025 was published in the Daily Herald on February 16, 2025, four days before the mandatory technical workshop held on February 20, 2025. According to a PEW research study conducted in 2023, approximately 9 percent of the population gets their news from print newspapers, and about 56 percent get it from digital media. The City also posted the notice on its website



and social media platforms, according to the Program Year Annual Action Plan. Subrecipients already familiar with the process likely anticipate the timing and mode of communication of this annual notification. However, potential subrecipients not familiar with the process could easily miss the notification and the mandatory workshop it references. As a result, they would be excluded from the process going forward.

#### *Increased Use of Social Media*

We noted that other municipalities have fully embraced the use of social media in their outreach efforts, including Facebook, Instagram, and YouTube videos. The City of Round Rock, for example, has a well-produced YouTube video that explains the CDBG and HOME programs, highlights several completed projects, and includes an interview with a subrecipient agency. The City of Fort Worth showcased their CDBG program in 2024 with a week-long commemoration



to celebrate the program's 50<sup>th</sup> anniversary. The events included a mock morning show segment on the CDBG program simulcast on Facebook, Instagram, and YouTube. Killeen's CDBG/HOME grant programs would benefit by expanding its outreach efforts to include greater use of its social media platforms to ensure a more robust and diverse pool of subrecipients.

#### *Community Development Department Website Makeover*

The City's CDD website could benefit from a general makeover. The Department of Housing and Urban Development defines the grantee's website as one of its primary outreach tools and the main source of information for program participants. While the website does contain up-to-date information on current year programs, it also contains multiple out-of-date references to prior years' program deadlines, which could be a source of confusion to visitors.

In addition, there is no centralized location for subrecipients seeking information on guidance. By contrast, other cities' websites contain clearly marked sections for subrecipients, with links to information on HUD programs and the application process.



  
**ARLINGTON**<sup>™</sup>  
 THE AMERICAN DREAM CITY  
**Subrecipient Administration Guide**  
*Requirements and Procedures*  
*CDBG, ESG & HOME Program*  
 for  
**Program Year 2025**

Source: Internet

The City of Waco dedicates an entire webpage to providing subrecipient guidance, including required documents for applicants and best practices.



Source: Internet

Finally, the website lacks information on the programs' significant impact on the community as a whole and on the tens of thousands of individuals, who have benefited from the grants over the years. The website has links to the Consolidated Annual Performance Evaluation Report, which contains statistical data on program accomplishments. However, the report, which runs over 70 pages, is very compliance-oriented and is not

designed to provide information in a user-friendly format. Instead, the City should consider working with the Communications and Marketing Department on developing graphics and videos to effectively illustrate the impact of the CDBG and HOME grant programs on the City's residents.

# CDBG/HOME Program Year 2023 Highlights



**Housing**  
Rehabilitation  
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**Communities In Schools**



268 Persons  
Killeen Reunification

**Greater Killeen Free Clinic**



653 Persons

**Hill Country Action**



319 Persons  
Community Engagement Unit

**Total Persons Served**  
11k+

**Avanti Legacy**



**Community Center**



**Community Engagement Unit**



5000 Persons

**In Process...**

Source: PY 2023 CAPER

It should be noted that the Communications and Marketing Department is in the early stages of a City-wide revamp of the City's Department websites. The project will encompass upgrades to content, as well as aesthetic design.

## **Recommendations:**

The City Auditor recommends the Executive Director, Community Development Department:

1. Coordinate with Communications and Marketing on expanding outreach through the City's social media platforms.
2. Coordinate with Communications and Marketing on a revamp of the CDD website to a more up-to-date, user-friendly interface with grant subrecipients and program participants.

# Other Matters

We reviewed the CDD's 2020 – 2024 and 2025 – 2029 Consolidated Strategic Plans (Con Plan), as well as the Annual Action Plans for program years 2020 through 2024, and the Consolidated Annual Performance Evaluation Report (CAPER) for program years 2020 – 2023. All reports were prepared in accordance with HUD requirements and submitted in a timely manner. However, we did note opportunities to enhance transparency on two projects in the CAPERs submitted during the 2020 – 2024 Con Plan period.

## *CAPER Project Tracking*

Status updates on the progress of CDBG/HOME projects are tracked via HUD's Integrated Disbursement and Information System (IDIS). Each grant-funded project has its own IDIS form, and each form contains both a statistical and a narrative portion that provides activity updates on a quarterly basis. We found that subrecipients provided sufficient detail to track the progress of grant-funded activities with the following exceptions.

## *AA Lane – Sport Court/Basketball Court*

In Program Year 2020, the CDAC recommended a \$300,000 Public Facilities grant to Parks and Recreation for improvements at AA Lane park in North Killeen, which City Council approved in September 2020. The improvements proposed, included playground equipment with canopy cover and the reconstruction of the basketball court, which had fallen into disuse after the basketball poles were removed around the 2017-2018 timeframe. According to Parks and Recreation staff, it is now used as a futsal court.



While the playground portion of the project was completed, the court reconstruction never came to fruition. The \$160,000 in unspent funds were ultimately reprogrammed for the community center capital improvement project. CDD staff proposed the reprogramming to the CDAC committee in April 2023. However, there was no mention of the reconstruction project being cancelled in any of the CAPERs. The only reference to the court reconstruction project was found in the 2021 CAPER, which stated the concept plan for the court remodel was completed and the bid package was expected in late April 2022.

We were able to determine from Parks and Recreation staff that the reason for the cancellation was most likely due to the fact that a portion of the court's foundation had failed, pushing the cost of reconstruction beyond the funds available at the time.

#### *Stewart Park – Splash Pad*

In Program Year 2022, the CDAC recommended a \$400,000 Public Facilities grant to Parks and Recreation for the installation of a splash pad Stewart Park in North Killeen, which City Council approved in July 2022. According to the 2022 CAPER, in the first quarter of FY 2023, staff were putting together the specifications for the splash pad for the bid packet. However, the narrative for the second quarter stated that the project was cancelled, and funds were to be reprogrammed for the community center capital improvement project.

As with the AA Lane court reconstruction project, there was no explanation as to why the project was cancelled. We learned from reviewing CDAC meeting minutes that Parks and Recreation had to divert staff to deal with time sensitive Americans With Disabilities Act (ADA) compliance issues and did not have time to complete the project.

Delays or cancellations due to unforeseen circumstances are a reality of any project. To provide full transparency in the reprogramming of grant funds, management should ensure that subrecipients fully document project milestones for the annual CAPER.

# Views of Responsible Officials

Copies of the draft report were provided to the Executive Director of Community Development and Assistant City Manager for review and comment. Management agreed with the findings and recommendations. The Executive Director's input was solicited during the audit process and incorporated into this report.

# Objectives, Scope, and Methodology

## Objectives

The objectives of the audit were to (1) review the grant application and award process for Program Year 2025; (2) review and analyze the 2020 – 2024 Consolidated Strategic Plan, Annual Action Plans, and CAPERs; and (3) determine if opportunities for improvement exist that can be applied going forward.

## Scope and Methodology

The audit scope focused on but was not limited to the grant application and award process for the first program year of the 2025 to 2029 Consolidated Strategic Plan, and reports submitted for 2020 to 2024 Consolidated Strategic Plan.

To address the audit objectives, the City Auditor:

- Reviewed CDBG audits by other internal auditors.
- Observed community planning meeting held on February 13, 2025.
- Observed technical workshop on the Zoom grant process held on February 20, 2025.
- Observed Public Service subrecipient presentations to CDAC members and the CDAC selection process on May 14-15, 2025.
- Conducted benchmarking research on CDBG programs in other cities.
- Obtained information on CDBG and HOME program history.
- Obtained and analyzed the 2020 – 2024 Consolidated Strategic Report, 2020 – 2024 Annual Action Plans, and 2020 – 2023 CAPERs.
- Reviewed CDBG/HOME Funding Tables for Program Years 2015 through 2025.

# Statement of Compliance with Audit Standards

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