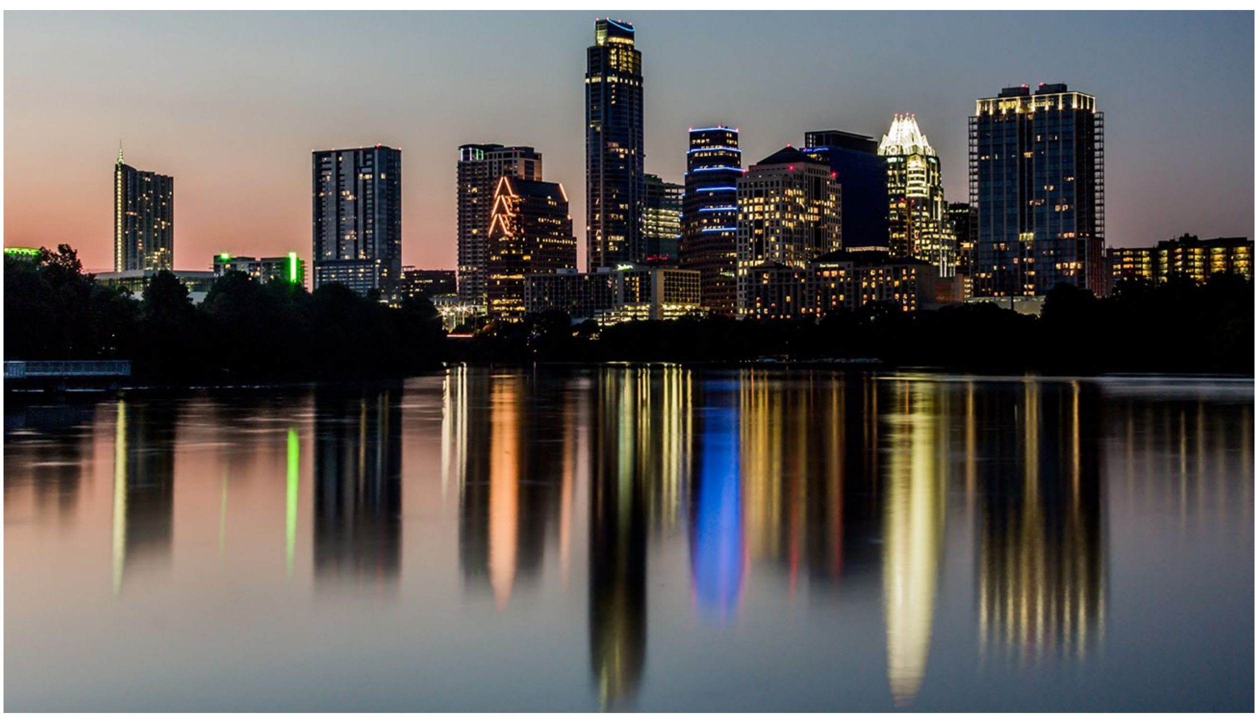
Subrecipient Risk Assessment Memo – Travis County Emergency Services District No. 8

July 21, 2026



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To: Charles Brotherton, County Executive
Emergency Services

From: Patti Smith, CPA
Travis County Auditor

Date: July 21, 2026

Subject: Travis County Emergency Services District No. 8 Risk Assessment Results

The American Rescue Plan Act (ARPA) of 2021 is a $1.9 trillion federal economic stimulus bill. Within the ARPA, the Coronavirus State and Local Fiscal Recovery Fund (LFRF) provides $130 billion for local governments, split evenly between municipalities and counties. Travis County has been allocated $247,450,630 in LFRF funds.

When the County remits LFRF funds to another organization to carry out the federal award, that organization may be considered a subrecipient by the federal government, depending on the details of the County's relationship with that organization. Travis County is required to comply with applicable Code of Federal Regulations (CFR) for its subrecipients. Specifically, the County must comply with 2 CFR §200.332 (b), which requires the County to perform a risk assessment and evaluate internal controls for federal grant subrecipients. The County is required to use these risk assessment results to develop a monitoring plan for the subrecipients.

The Risk Evaluation & Consulting (REC) Division of the Travis County Auditor's Office has completed a risk assessment of grant subrecipient Travis County Emergency Services District No. 8 (TravCo ESD8); the following report details our findings for this risk assessment.

RISK RATINGS

For subrecipient risk assessments, REC utilizes a five-level risk rating scale from very low to very high to quantify risks based on 12 criteria. The ratings for these criteria are then utilized to assign an overall risk rating to the subrecipient of very low, low, medium, high, or very high. We determined the overall risk rating for TravCo ESD8 to be medium; details about risk criteria rated high and very high are provided in the Areas of Concern paragraph below. See Attachment A for a summary of the individual risk ratings for the 12 risk criteria.

AREAS OF CONCERN

In this section, we report on risk criteria rated high or very high. We noted the following for TravCo ESD8:

High Risk Rating:

Documented Procedures
The County and its subrecipients are required to adhere to the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200), which includes the requirement for documented procedures. We performed a high-level review of the procedures for procurement, record retention, cost principles, and real property submitted by TravCo ESD8. Although some of the procedures appeared reasonable, the bulk of the procedures were insufficient for the following reasons:

- The procedure(s) did not address the CFR requirements.
- The procedure(s) covered only a portion of the CFR requirements.
- The procedure(s) consisted of policies rather than procedures.

Policies are the entity's business rules, or in this case, their CFR requirements. Procedures are the steps to be taken to ensure adherence to policy. Note that we only evaluated the submitted procedures and not their actual implementation by the entity.

Very High Risk Rating:

Single Audit
TravCo ESD8 has not undergone a Single Audit since they have not previously managed federal grant funds. The purpose of a Single Audit is to determine if the federal grant recipient has complied with the applicable grant rules and regulations. There is increased risk associated with this subrecipient since the County cannot obtain an external auditor's opinion on this entity's past compliance with federal grant rules and regulations.

Personnel Experience and/or Turnover
TravCo ESD8 has key financial and grant-management positions staffed by personnel with less than two years of experience. In addition, one financial/grant position remains vacant. These factors increase the risk for this subrecipient, as key responsibilities are being handled by staff who are still relatively new to their roles.

RECOMMENDATIONS FOR IMPROVEMENT

The concerns reported above are significant because the County is a pass-through entity. If the subrecipient is found to be noncompliant, the federal government will also consider the County to be noncompliant. In this connection, we recommend that TravCo ESD8 review their current procedures and make improvements as necessary to ensure compliance with all grant terms and federal requirements as stated in 2 CFR 200. We also recommend TravCo ESD8 system of internal controls includes independent supervisory review of the work completed by the new employees, providing training as needed.

FINANCIAL OBSERVATIONS

The following observations are based on September 30, 2024, audited financial statements provided by TravCo ESD8:

Financial Statements

- Annual revenues totaled $10,309,382. Revenues were comprised of property taxes (37.3%), sales taxes (30.7%), program revenue (27.2%), interest (2.9%), miscellaneous income (1.6%), and other revenue (0.3%). Expenditures totaled $8,976,144, which resulted in an excess of expenditures over revenues of $1,333,238.

- Assets totaled $15,164,363 and liabilities $3,979,567, resulting in net assets of $11,184,796. There were donor restrictions on $3,428,848 of these net assets.

Financial Ratios

Ratios of Concern:

- The days cash on hand ratio is seven days (cash + cash equivalents)/[(total expenses - depreciation expense)/365 days], which is less than the average of 396 days for entities of this size[1]. This calculation measures the number of days of expenses that can be covered from existing cash and cash equivalents.

- The savings indicator ratio is 14.9% [(revenues - expenses)/total expenses], which is below the average of 42.5% for entities of this size. This ratio measures the net revenues that are retained by the organization as a percentage of expenses.

Ratios Within Acceptable Limits:

- The current ratio is 9.1:1 (current assets/current liabilities), with 1:1 being the minimum suggested. This ratio measures the entities' ability to pay short-term obligations (due within one year) with current assets.

- The debt ratio is 22.9% [total notes payable/total assets], which is below the average for similar entities of 35.9%. The debt ratio measures the degree to which a subrecipient's operations are funded by debt. Generally, higher values indicate a greater proportion of debt funding and a greater risk of potential solvency issues.

[1] A comparison base for financial ratios was built utilizing the financial statements of all 17 Travis County Emergency Services Districts as well as 8 other Emergency Services Districts from counties that either showed similar population sizes or similar divisions of districts in accordance with their population size.

RISK ASSESSMENT TEAM

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CLOSING

This report is intended solely for the information and use of County departments and offices involved with processing LFRF grant funds and the Commissioners Court. Please contact us if you have any concerns or questions regarding this report.

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Amy Smith, Financial Auditor, Auditor's Office
Risk Assessment File

ATTACHMENT A – RISK ASSESSMENT RATINGS

Risk Assessment Criteria	**Rating**
1. Financial impropriety involving the subrecipient reported in the media	**Very Low**
2. Amount of grant award for this project/program	**Medium**
3. Experience managing any type of grant funds	**Very Low**
4. Grant experience: dollar amount of grant revenue for most recent fiscal year.	**Very Low**
5. Single Audit	**Very High**
6. Financial statement audit	**Very Low**
7. Financial records and reporting	**Low**
8. State/federal agency monitoring during the past 3 years	**Very Low**
9. Personnel experience and/or turnover	**Very High**
10. Internal Controls Questionnaire	**Medium**
11. Documented procedures 2 CFR 200	**High**
12. Financial Ratios	**Medium**
Overall Risk Rating	**Medium**