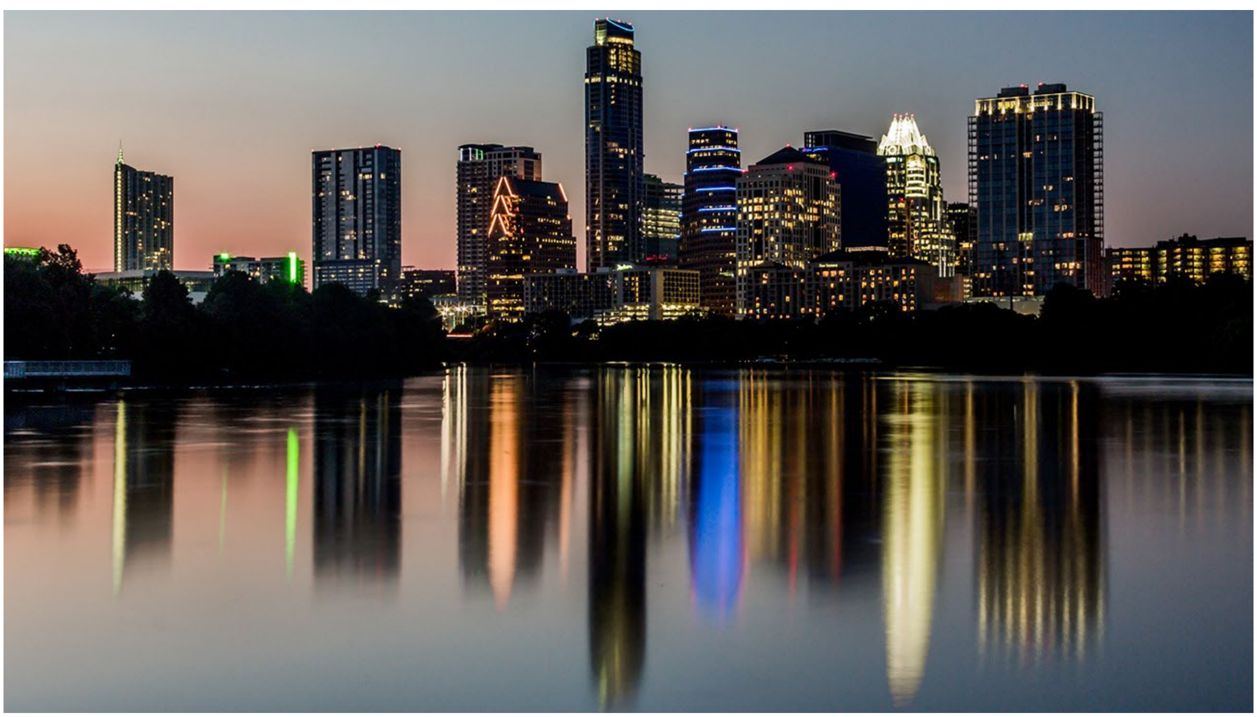
# Subrecipient Risk Assessment Memo – Texas RioGrande Legal Aid

July 21, 2026



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From: Patti Smith, CPA
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Date: July 21, 2026

Subject: Texas RioGrande Legal Aid 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 Texas RioGrande Legal Aid (TRLA); 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 TRLA to be low; 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 TRLA:

**High Risk Rating:**

Grant Award Amount
TRLA has requested over $1.5 million in LFRF funds, which is a significant amount to the County. The risk of loss of County funds corresponds with the size of the subrecipient grant awards. Note that the use of any federal grant funds on a project, regardless of the percentage of contribution, triggers the CFR requirements, including those applicable to real property.

Financial Records and Reporting
Accurate financial records and reporting are important in demonstrating a subrecipient's financial position and performance. Preparing financial records from a fully integrated ERP or basic accounting software mitigates potential for input errors or manipulation. There is an increased risk with TRLA due to the use of manual inputs to refine some financial statements outside of their accounting software.

## 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 TRLA increase reliance on system-generated financial reports and limit manual inputs. In addition, TRLA should ensure they have a solid system of internal controls in place, including an independent review process and appropriate segregation duties.

## FINANCIAL OBSERVATIONS

The following observations are based on September 30, 2025, audited financial statements provided by TRLA:

**Financial Statements**

- Annual revenues totaled $48,922,744. Revenues were comprised of Texas Access to Justice Foundation (45.8%), Legal Services Corporation (39.2%), Grants (13.0%), Interest and other income (0.7%), Contributions (0.5%), Rental income (0.4%), Attorney's fees (0.3%), and Litigation costs recovered (0.1%). Expenditures totaled $50,010,125, which resulted in an excess of expenditure over revenue of $1,087,381.

- Assets totaled $29,938,243 and liabilities $22,750,576, resulting in net assets of $7,187,667. There were donor restrictions on $1,171,086 of these net assets.

**Financial Ratios**

Ratios of Concern:

- Net assets without donor restrictions as a percentage of total expenses is 12%, meaning expenses could be paid with net assets for 44 days (12.0% x 365 days). The Government Finance Officers Association recommends having a minimum of two months, so TRLA falls below this threshold.

- The savings indicator ratio is -2.2% [(revenues - expenses)/total expenses], which is below the average of 4.5% for nonprofits of this size. This ratio measures the net revenues that are retained by the organization as a percentage of expenses.

- The fundraising efficiency ratio is $1.26 [total contributions (other than government grants)/fundraising expenses], which is below the average of $11.93 for nonprofits of this size. This ratio measures the dollar amount of contributions raised for each dollar spent on fundraising, so a higher amount is better.

Ratios Within Acceptable Limits:

- The current ratio is 1.1:1 (current assets/current liabilities), with 1:1 being the minimum suggested. This ratio measures the nonprofit's ability to pay short-term obligations (due within one year) with current assets.

- The program efficiency ratio is 88.7% (program expense/total expenses), while the average for nonprofits of similar size is 86.2%. Ideally, the ratio is at least 75%, but less than 90%. It is important to invest in infrastructure to help ensure a strong administrative support system for program activities.

## RISK ASSESSMENT TEAM

Ely Allen, Financial Analyst III
Frank Williams, Financial Analyst II
Bailey Alverez, Financial Analyst I

## 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 | **High** |
| 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 Low** |
| 6. Financial statement audit | **Very Low** |
| 7. Financial records and reporting | **High** |
| 8. State/federal agency monitoring during the past 3 years | **Low** |
| 9. Personnel experience and/or turnover | **Very Low** |
| 10. Internal Controls Questionnaire | **Low** |
| 11. Documented procedures 2 CFR 200 | **Medium** |
| 12. Financial Ratios | **Medium** |
| **Overall Risk Rating** | **Low** |