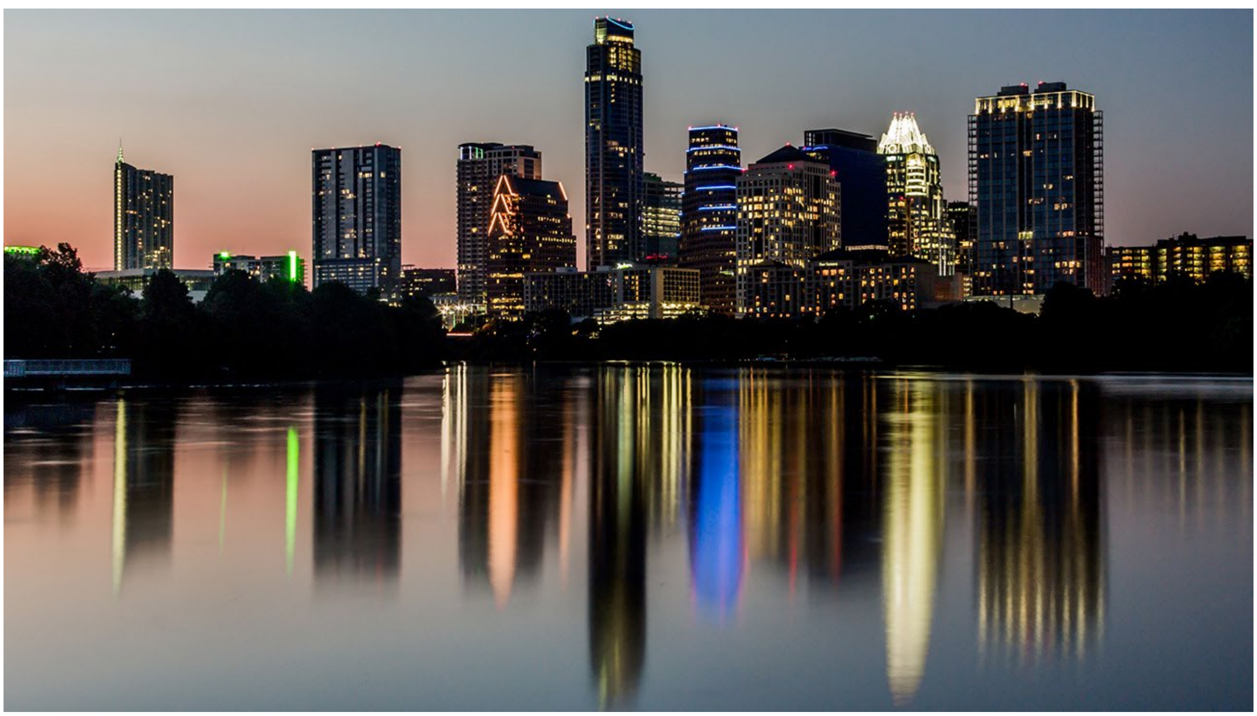
Subrecipient Risk Assessment Memo – Universal Tech Movement

June 14, 2026



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To: Pilar Sanchez, County Executive
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From: Patti Smith, CPA
Travis County Auditor

Date: June 14, 2026

Subject: Universal Tech Movement 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) provided $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 Universal Tech Movement (UTM); 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 UTM to be high; 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 UTM:

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 UTM, noting the following.

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
UTM has not undergone a Single Audit because 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.

Financial Statement Audit
UTM's most recently audited financial statements are for fiscal year 2023. The absence of more current, independently audited financial information increases the level of risk associated with this subrecipient.

State/Federal Agency Monitoring During the Past Three Years
UTM was not subjected to state or federal grant monitoring during the past three years. The purpose of monitoring is to determine if the grant recipient has complied with applicable grant rules and regulations. There is increased risk associated with this subrecipient since the County is unable to obtain information about this entity's past compliance with grant rules and regulations.

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. We recommend the following to UTM:

- UTM should 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.

- UTM should obtain updated independently audited financial statements and establish a policy requiring annual financial audits.

- UTM's lack of experience with federal grants and regulations could result in a loss of County funds and/or difficulty with the grantor. We recommend UTM ensure they implement a strong system of internal controls for their accounting and grant processes.

FINANCIAL OBSERVATIONS

The following observations are based on December 31, 2023, audited financial statements provided by UTM:

Financial Statements

- Annual revenues totaled $682,330. Revenues were comprised of contract services (66.0%), grants (20.8%), contributed goods and services (8.4%), and contributions and other sponsorships (4.8%). Expenditures totaled $850,614, which resulted in an excess of expenditures over revenues of $168,284.

- Assets totaled $529,049 and liabilities $33,233, resulting in net assets of $495,816. There were donor restrictions on $172,000 of these net assets.

Financial Ratios

Ratios of Concern:

- The savings indicator ratio is -19.8% [(revenues - expenses)/total expenses], which is below the average for nonprofits of this size[1] of 6.0%. This ratio measures the net revenues that are retained by the organization as a percentage of expenses.

- The days cash on hand ratio is 81 days (cash + cash equivalents)/[(total expenses - depreciation expense)/365 days], which is less than the average of 146 days for nonprofits of this size. This

[1] Cashwell, K., Copley, PhD, CPA, P., & Dugan, DBA, M. (May 2019 Issue) *Using Ratio Analysis to Manage Not-for-Profit Organizations.* The CPA Journal. https://www.cpajournal.com/2019/06/05/using-ratio-analysis-to-manage-not-for-profit-organizations/. Nonprofits of a similar size refer to those with assets totaling $500,000 to $1,000,000. UTM assets totaled $529,049 on December 31, 2023.

calculation measures the number of days of expenses that can be covered from existing cash and cash equivalents.

- The fundraising efficiency ratio is $3.27 [total contributions (other than government grants)/fundraising expenses], which is below the average of $16.47 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.

- The fundraising expense ratio is 3.3% (fundraising expenses/total expenses), which is above the average of 2.2% for nonprofits of similar sizes. Generally, donors prefer revenues to be spent on program expenses rather than administrative costs such as fundraising, so a lower fundraising expense ratio is considered better to those considering donation to the nonprofit.

Ratios Within Acceptable Limits:

- The current ratio is 14.9:1 (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.

- Net assets without donor restrictions as a percentage of total expenses is 38.1%, meaning expenses could be paid with net assets for 139 days (38.1% x 365 days). The Government Finance Officers Association recommends having a minimum of two months, so UTM falls above this threshold.

- The program efficiency ratio is 83% (program expense/total expenses), while the average for nonprofits of similar size is 86.1%. 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.

- The contributions and grants ratio is 34% [(contributions + grant revenue)/total revenue], which is less than the average of 56% for nonprofits of this size. This ratio measures the organization's reliance on voluntary support, so high values indicate less diverse revenue sources and greater susceptibility to downturns in the economy.

RISK ASSESSMENT TEAM

Ely Allen, Financial Analyst III
Bailey Alvarez, 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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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	**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	**Very High**
8. State/federal agency monitoring during the past 3 years	**Very High**
9. Personnel experience and/or turnover	**Medium**
10. Internal Controls Questionnaire	**Medium**
11. Documented procedures 2 CFR 200	**High**
12. Financial Ratios	**Medium**
Overall Risk Rating	**High**