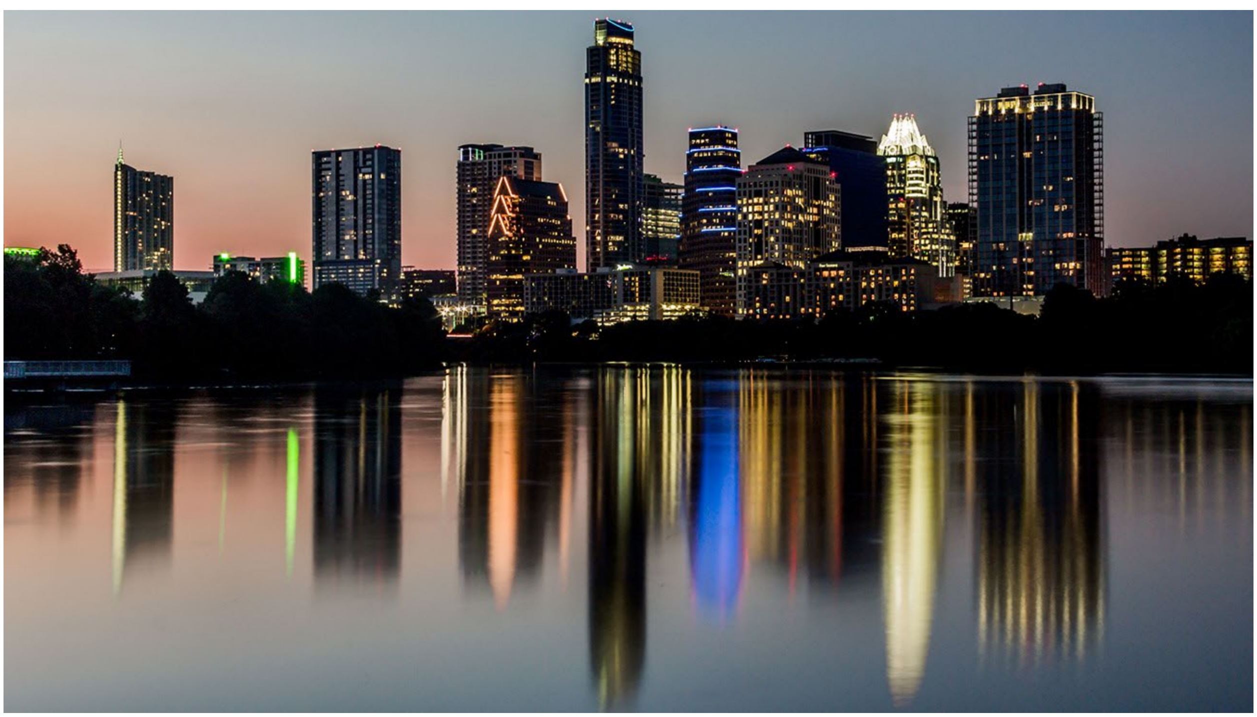
Subrecipient Risk Assessment Memo – United Way

July 21, 2026



TRAVIS COUNTY
AUDITOR'S OFFICE

PATTI SMITH, CPA
COUNTY AUDITOR

TRAVIS COUNTY
700 LAVACA
P.O. BOX 1748
AUSTIN, TX 78767
(512) 854-9125
FAX: (512) 854-9164

To: Pilar Sanchez, County Executive
Health & Human Services

From: Patti Smith, CPA
Travis County Auditor

Date: July 21, 2026

Subject: United Way for Greater Austin 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 United Way for Greater Austin (United Way); 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 United Way 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 United Way:

High Risk Rating:

State/Federal Agency Monitoring During the Past 3 Years
United Way was subjected to state grant monitoring by the Department of State Health Services (DSHS) during the past three years. DSHS monitoring reports noted compliance issues with reporting requirements, equipment management, and internal controls. 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 previous monitoring visits uncovered compliance issues with grant rules and regulations. Because the County is a pass-through entity, if the subrecipient is noncompliant, the County is also noncompliant.

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 United Way, 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:

Grant Award Amount
United Way has requested $2,349,999 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.

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 United Way:

- Findings for reporting requirements, equipment management, and internal controls are significant as the grant recipient has not complied with grant terms and state regulations. It also signifies an increased risk of future audit findings. We recommend that United Way strengthen internal controls to ensure they comply with all grant terms, and state and federal requirements.

- The federal government requires their grant recipients to document, implement, and maintain procedures for several functional areas to improve the entity's overall internal control environment. If a subrecipient is unable to provide the requested procedures, it is likely they have not determined the processes their organization will utilize to comply with federal requirements. Consequently, it will be difficult for the subrecipient to comply with the numerous LFRF grant rules and regulations. United Way 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.

FINANCIAL OBSERVATIONS

The following observations are based on the June 30, 2023, audited financial statements provided by United Way:

Financial Statements

- Annual revenues totaled $16,947,886. Revenues were comprised of private grants (34.4%), total amounts raised (33.4%), government grants (25.6%), grants and contracts (3.7%), and other revenue (2.9%). Expenditures totaled $18,068,395, which resulted in an excess of expenditures over revenues of $1,120,509.

- Assets totaled $20,073,682 and liabilities $3,834,997, resulting in net assets of $16,238,685. There were donor restrictions of $2,963,912 on these net assets.

Financial Ratios

Ratios of Concern:

- Net assets without donor restrictions as a percentage of total expenses is 15%, meaning expenses could be paid with net assets for 55 days (15% x 365 days). The Government Finance Officers Association recommends having a minimum of two months, so United Way falls just below this threshold.

- The savings indicator ratio is -6.2% [(revenues - expenses)/total expenses], which is well below the average for nonprofits of this size[1] of 4.5%. This ratio measures the net revenues that are retained by the organization as a percentage of expenses.

- The contributions and grants ratio is 93.4% [(contributions + grant revenue)/total revenue], which is substantially more than the average of 34% 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.

- The fundraising efficiency ratio is $5.18 [total contributions (other than government grants)/fundraising expenses], which is well 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.

- The fundraising expense ratio is 6.1% (fundraising expenses/total expenses), which is well above the average of 1.6% for nonprofits of similar size. 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 donations to the nonprofit.

<u>Ratios Within Acceptable Limits</u>:

- The current ratio is 5.5:1 (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 86.8% (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.

- The days cash on hand ratio is 246 days (cash + cash equivalents)/[(total expenses - depreciation expense)/365 days], which is significantly better than the average of 76 days for nonprofits of this size. This calculation measures the number of days of expenses that can be covered from existing cash and cash equivalents.

RISK ASSESSMENT TEAM

Ely Allen, Financial Analyst III
Bailey Alvarez, Financial Analyst I

[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 $10,000,000 to $50,000,000. United Way's assets totaled $20,073,682 on June 30, 2023.

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.

DocuSigned by:
David Jungerman
5B5801D13DFE48D...

David Jungerman, CIA
Chief Assistant County Auditor II
Risk Evaluation & Consulting Division

Signed by:
Patti Smith
53FF54208085479...

Patti Smith, CPA
Travis County Auditor

REPORT DISTRIBUTION

Amy Clark Meachum, Judge, 201st Judicial District
Jan Soifer, Judge, 345th Judicial District
Tamara Needles, Judge, 427th Judicial District
Laurie Eiserloh, Judge, 455th Judicial District
Selena Alvarenga, Judge, 460th Judicial District
Andy Brown, County Judge
Jeff Travillion, Commissioner, Precinct 1
Brigid Shea, Commissioner, Precinct 2
Ann Howard, Commissioner, Precinct 3
George Morales, Commissioner, Precinct 4
Jessica Rio, County Executive, Planning & Budget Office
Prema Gregerson, Attorney VII, County Attorney’s Office
Dashiell Daniels, Grants Administrator, General Administration
Sadia Tirmizi, Grants Manager, General Administration
Tracy Leblanc, Financial Audit Manager, 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	**Low**
2. Amount of grant award for this project/program	**Very 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	**Very Low**
8. State/federal agency monitoring during the past 3 years	**High**
9. Personnel experience and/or turnover	**Medium**
10. Internal Controls Questionnaire	**Very Low**
11. Documented procedures 2 CFR 200	**High**
12. Financial Ratios	**Medium**
Overall Risk Rating	**Medium**