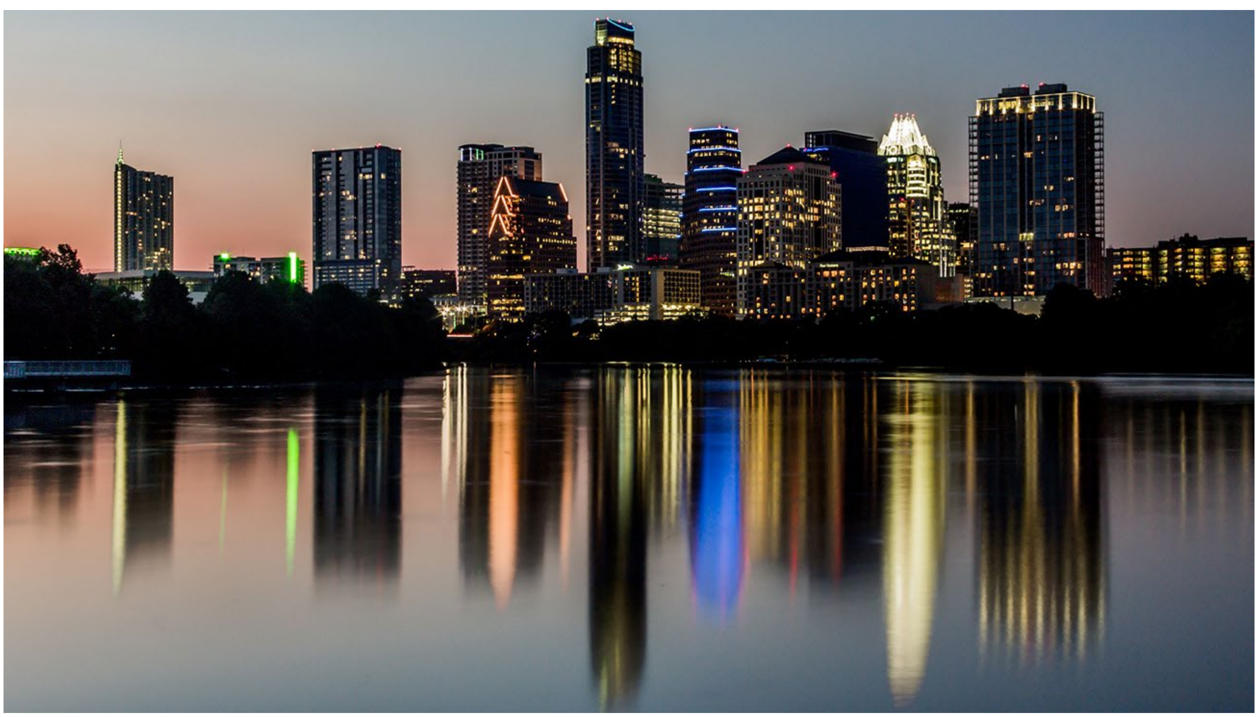
Subrecipient Risk Assessment Memo – Family Eldercare

August 17, 2026



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

Date: August 17, 2026

Subject: Family Eldercare 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 Family Eldercare (FEC); 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 FEC 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 FEC:

High Risk Rating:

Financial Records and Reporting
Accurate financial records and reporting are important in demonstrating a subrecipients' 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 increased risk with FEC due to the use of Microsoft Excel to refine all financial statements outside of their accounting software.

Personnel Experience and/or Turnover
FEC has not experienced a large amount of turnover, but they do have employees in key financial/grant positions with less than two years of experience. Maintaining experienced staff typically results in a more reliable subrecipient performance. There is increased risk associated with this subrecipient due to a high percentage of employees who are relatively new and/or inexperienced in their roles and responsibilities under our agreement.

Very High Risk Rating:

Grant Award Amount
FEC has requested over $4.47 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.

State/Federal Agency Monitoring During the Past Three Years
FEC was subjected to state monitoring by The Department of Housing and Community Affairs (THCDA) and federal grant monitoring by Social Security Administration (SSA). The THCDA monitoring visit identified findings related to non-compliant asset reporting, failure to enforce contractual requirements, and inadequate recordkeeping. The SSA monitoring visit also resulted in findings that included overdue reporting, missing documentation for bills, unrecorded large or unusual purchases, expenses not properly documented, and insufficient controls for safeguarding beneficiary funds. There is increased risk associated with this subrecipient since this entity's prior monitoring reports contain some moderate findings.

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 for FEC:

- In relation to financial records and reporting, we recommend FEC increase reliance on system-generated financial reports and limit manual inputs. In addition, FEC should ensure they have a solid system of internal controls in place, including an independent review process and appropriate segregation duties.

- Regarding personnel experience, we recommend FEC ensure their system of internal controls includes sufficient independent supervisory review of the work completed by the new employees and provide training as needed.

- Findings related to overdue accounting reports, missing bills, missing receipts for large and unusual purchases, untimely deposits, a lack of proper expense records, and inadequate controls for safeguarding funds are significant as the grant recipient has not complied with grant terms, federal, and state regulations. We recommend Family Eldercare strengthen internal controls to ensure they comply with all grant terms and federal requirements.

FINANCIAL OBSERVATIONS

The following observations are based on the December 31, 2024, audited financial statements provided by FEC:

Financial Statements

- Annual revenues totaled $15,915,040. Revenues were comprised of grants and contracts (81.5%), fees for services (9.6%), contributions (6%), fundraising events (2%) and other revenue (0.9%) Expenditures totaled $16,558,639, which resulted in an excess of expenditures over revenues of $643,599.

- Assets totaled $5,488,247 and liabilities $1,878,589, resulting in net assets of $3,609,658. There were donor restrictions on $79,068 of these net assets.

Financial Ratios

Ratios of Concern:

- The savings indicator ratio is -3.9% [(revenues - expenses)/total expenses], which is below the average for nonprofits of this size[1] of 4.3%. This ratio measures the net revenues that are retained by the organization as a percentage of expenses.

- The days cash on hand ratio is 26 days (cash + cash equivalents)/[(total expenses - depreciation expense)/365 days], which is less than the average of 99 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.

[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 $1,000,000 to $10,000,000. FEC's assets totaled $5,488,247 on December 31, 2024.

- The contributions and grants ratio is 88.3% [(contributions + grant revenue)/total revenue], which is greater than the average of 47.0% 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 $6.76 [total contributions (other than government grants)/fundraising expenses], which is below the average of $11.45 for nonprofits of similar 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 1.8:1 (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 21%, meaning expenses could be paid with net assets for 78 days (13.8% x 365 days). The Government Finance Officers Association recommends having a minimum of two months, so FEC falls above this threshold.

- The program efficiency ratio is 80.7% (program expense/total expenses), while the average for nonprofits of similar size is 85.2%. 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 fundraising expense ratio is 1% (fundraising expenses/total expenses), which is under the average of 2.2% 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 donation to the nonprofit.

RISK ASSESSMENT TEAM

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