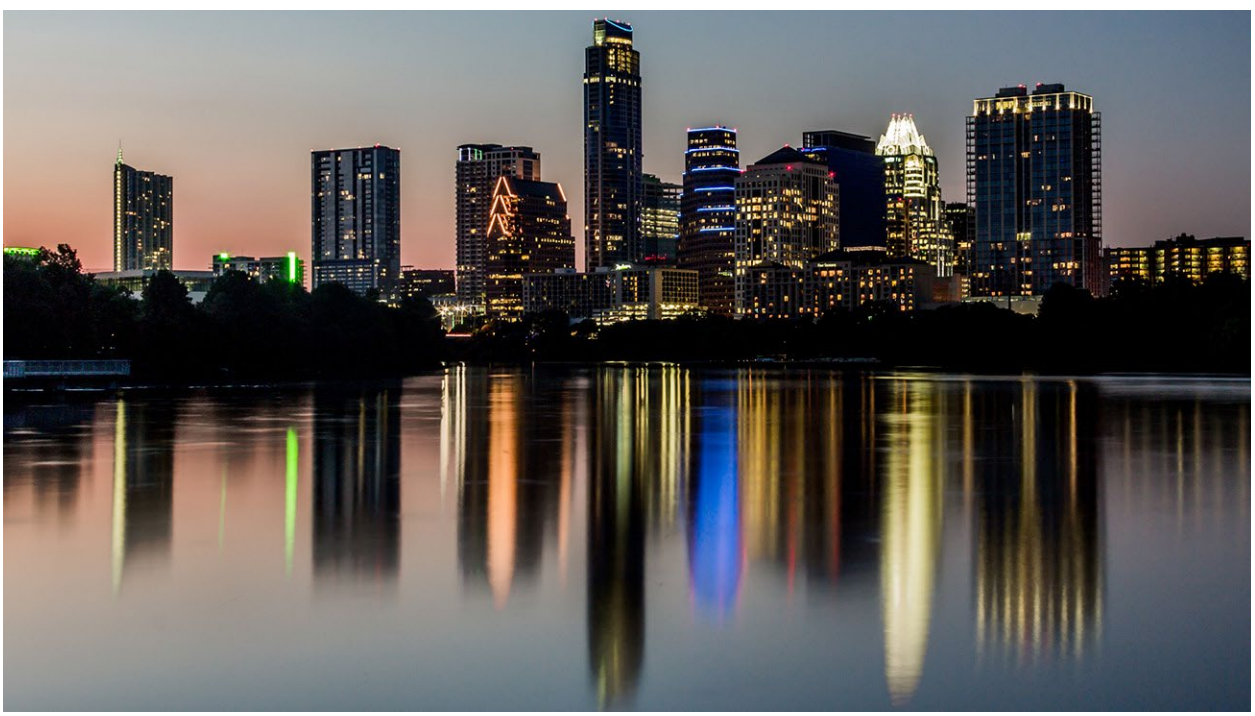
Emergency Service District 1 Subrecipient Monitoring Report

August 26, 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: Donnie Norman
Fire Chief, Travis County Emergency Services District No. 1

Charles Brotherton
County Executive, Emergency Services

From: Patti Smith, CPA
Travis County Auditor

Date: August 26, 2026

Subject: Travis County Emergency Services District No. 1 Subrecipient Monitoring Report

In compliance with the Code of Federal Regulations Title 2 Part 200 Subpart D §200.332 requirements for pass-through entities and the Interlocal Cooperation Subaward Agreement between Travis County and Travis County Emergency Services District No. 1 (ESD1), the Travis County Auditor's Office has completed grant monitoring of federal grant subrecipient ESD1. We conducted our monitoring in accordance with the Code of Federal Regulations and applicable statutes governing the County Auditor's Office and those relating to state financial and accounting protocols. As a result of our monitoring, we are providing this report detailing our findings and recommendations.

BACKGROUND

Travis County is in receipt of funds from the United States Department of the Treasury under the American Rescue Plan Act ("ARPA"), signed into law on March 11, 2021. Section 9901 of ARPA establishes the Coronavirus State and Local Fiscal Recovery Fund ("SLFRF"). The SLFRF is intended to provide support to local governments, such as the County, in responding to the continuing impact of COVID-19 on Travis County communities, residents, and businesses.

On April 20, 2023, the Travis County Commissioners Court ("Commissioners Court") approved the allocation of SLFRF funds in the amount of $5,335,504 for purposes of funding or reimbursing Travis County Emergency Services Districts for qualifying equipment purchases, including (1) Motorola Public Safety radio communication equipment capable of supporting the required encryption functionality as outlined in the grant ("MPS radios"), and (2) Mobile Data Computers ("MDC"s) (collectively referred to as "Qualifying Equipment").

Travis County and the Emergency Service Districts have a mutual interest in and responsibility for equipping ESDs with updated communication equipment and software which will aid in improving the ESD's response time to emergencies in Travis County and better protect the public health and safety of its residents. This equipment will also protect the privacy of communications made to and from ESDs during emergency responses. To meet these responsibilities safely and efficiently, Travis County and the Emergency Service Districts acknowledge the need for collaboration and assistance related to communications. As a result, Travis County established an Interlocal Cooperation Subaward Agreement with ESD1 to equip their district with MPS radios and MDCs.

EXAMINATION METHODOLOGY

Our monitoring methodology was based on reviews of office records, physical inventories, and on verbal and written representations from ESD1. This review encompassed an evaluation of all supporting documentation submitted with reimbursement requests, a physical inventory of equipment purchased using SLFRF funds, and verification of compliance with the requirements outlined in the subrecipient agreement and 2 CFR Part 200. Regarding the written and verbal representations made by ESD1, unless otherwise noted in this report, office management maintains that the assertions we relied upon in the examination were correct to the best of their knowledge.

SCOPE OF EXAMINATION

The scope of the monitoring visit included an assessment of ESD1's overall grant compliance for the period of March 1, 2024, through February 28, 2025. The assessment included a review of the adequacy and effectiveness of the overall system of controls in place as required by the Code of Federal Regulations (2 CFR 200) and the Interlocal Cooperation Subaward Agreement (4600000852).

SUMMARY OF FINDINGS & RECOMMENDATIONS

During our review of ESD1, we noted areas of concern with bank reconciliations, financial statements, asset tracking, and policies and procedures.

ATTACHMENT

Attachment A: This attachment contains the details of our findings for this monitoring visit, including the significance of the areas of concern, recommendations to the Fire Chief and office management, and responses by office management.

EXAMINATION TEAM

Angel Candelario, Senior Auditor
Ely Allen, Lead Auditor
Bailey Alvarez, Staff Auditor
Frank Williams, Staff Auditor

CLOSING

This report is intended solely for the information and use of your office and the Commissioners Court. We appreciate the cooperation and assistance received from the management and staff of ESD1 during this examination. Please contact us if you have any questions or concerns regarding this report.

DocuSigned by:
David Jungerman
5B5801D13DFE48D...

David Jungerman, CIA
Chief Assistant County Auditor II – REC 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 III, Commissioner, Precinct 4
Kelly Allen, First Assistant, Auditor's Office
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 - FINDINGS AND RECOMMENDATIONS

1. Bank Reconciliation Inconsistencies

We examined the bank reconciliations and the general ledger for the Operating Account held by ESD1, covering March of 2024 through February of 2025. Compliance testing of the accounts revealed the following discrepancies:

- March 2024: The general ledger does not include uncleared checks #1504 ($7), #1846 ($96.34), and #2169 ($18.50), causing the beginning cash balance to be overstated.

- April 2024: The reconciliation includes a duplicate March 19 EFT, overstating the beginning balance and payments by $2,037.06. Check #3296 appears as uncleared on the reconciliation but is missing from the general ledger, overstating the ledger by $850.50, plus the $121.84 from March.

- May 2024: Checks #3298 and #3337 appear as uncleared on the reconciliation but are not recorded in the general ledger, overstating the ledger by $2,308.81, in addition to $972.34 from prior months.

- June 2024: Check #3337 is voided on the reconciliation but not recorded as voided in the general ledger, overstating the ledger by $1,027.40.

- July 2024: The general ledger included a TexPool credit ($350,000) and an EFT payment ($397) that were not on the reconciliation, overstating the ledger by $349,603. Check #3372 appears as uncleared on the reconciliation but is missing from the general ledger, overstating the ledger by $3,398.88, plus $1,027.40 from prior months. Check #3382 is shown as voided on the reconciliation but the voided transaction is not recorded in the general ledger.

- August 2024: The reconciliation includes a duplicate April 19 EFT, overstating the beginning balance and payments by $60.50. Checks #3296 and #3372 are voided on the reconciliation but not recorded as voided in the general ledger, leaving a remaining overstatement of $176.90.

- October 2024: The October reconciliation was not provided due to a system conversion and lack of archival access.

- November 2024: Check #3298 no longer appears as uncleared but does not appear to have been voided in November. The ledger remains overstated by $121.84, and the voided check is not recorded in the general ledger.

- December 2024: The reconciliation includes a duplicate November 7 wire credit that understates the beginning balance by $250,000. The GL and bank statement included a $305,000 EFT Loan Proceeds payment and a $305,000 ESD7 deposit that were not included in the reconciliation. An EFT dated December 30 appears only in the general ledger, understating the ledger by $6,407.57. Checks #3536 and #3519 appear as uncleared on the reconciliation but not in the general ledger, overstating the ledger by $1,890, plus $121.84 from prior months. Net effect: the ledger is understated by $4,395.73.

- January 2025: The reconciliation includes a duplicate December 23 EFT, overstating the beginning balance by $25. The reconciliation now includes the two $305,000 December transactions, overstating checks/payments by $305,025 and deposits/credits by $305,000.

- February 2025: Check #3536 no longer appears as uncleared, nor does it appear to have been cleared or voided on the reconciliation, overstating the general ledger by $5,835.73.

- Checks #1504 (issued 2020), #1846 (issued 2020), #2169 (issued 2021), and #3432 (issued August 2024) remained outstanding through February 2025.

Significance:
2 CFR 200.302 requires entities to maintain accurate, current, and complete financial records, and 2 CFR 200.303 requires effective internal controls. Bank reconciliations are important for ensuring the accuracy of an organization's financial records and for confirming that the organization's bank transactions are properly reflected in their financial system. Incomplete or delayed reconciliations may lead to misstatements, unrecognized errors, and reduced financial transparency.

Recommendations:
We recommend that ESD1 implement internal review and approval procedures to ensure all bank account balances are accurately reconciled to the organization's financial records. ESD1 should also establish procedures for monthly review of outstanding checks and ensure timely follow-up actions, including voiding, reissuing, or processing checks through the escheatment process as required.

Plan of Action Response:
ESD1 acknowledges the recommendation and is working to establish formal policies and procedures for the review and approval of bank reconciliations to help ensure bank account balances are accurately reconciled to the District's financial records. ESD1 is also developing procedures for the monthly review of outstanding checks and timely follow-up actions, including voiding, reissuing, or processing checks through the escheatment process, as applicable.

2. Financial Statement Inconsistencies

We reviewed the financial statements for the month ending February 28, 2025, and compared them to the general ledger. Revenue amounts on the Profit & Loss (P&L) statement agreed with the general ledger but expenses were understated by $61,202.40 due to discrepancies across 30 subaccounts. The variances identified are summarized below:

- Administration Expenses – understated by $4,105.01
  - Bond Service/Bank Charges: GL balance is $846.21; P&L is $791.26 (understated $54.95)
  - Computer/Website Maintenance: GL balance is $61,591.00; P&L is $61,194 (understated $397)
  - Fire/EMS Software: GL balance is $15,955.43; P&L is $10,330.58 (understated $5,624.85)

- Legal: GL balance is $3,613.75; P&L is $1,843.75 (understated $1,770)
- Office Space/EOC: GL balance is $50,295.21; P&L is $49,733.35 (understated $561.86)
- Office Supplies & Repairs: GL balance is $3,698.87; P&L is $3,622.18 (understated $76.69)
- Professional Services & Dues: GL balance is $64,049.04; P&L is $69,673.89 (overstated $5,624.85)
- Public Relations: GL balance is $619.79; P&L is $437.89 (understated $181.90)
- Telephone/Internet: GL balance is $26,715.33; P&L is $25,652.72 (understated $1,062.61)

- Building Expenses – understated by $42,771.69
    - Building Maintenance: GL balance is $47,159.71; P&L is $5,159.71 (understated $42,000)
    - Operating Supplies: GL balance is $12,917.50; P&L is $12,881.53 (understated $35.97)
    - Utilities: GL balance is $28,671.83; P&L is $27,936.11 (understated $735.72)

- Equipment Expenses – understated by $13,298.00
    - Bunker Gear: understated $4,115
    - Fuel: understated $184.52
    - Supplies – Fire/Rescue: understated $1,885
    - Supplies – ALS/EMS: overstated $1,336.35
    - Uniforms: understated $3,124.98
    - Vehicle & Equipment Maintenance (various units):
    - BAT 102: understated $111.06
    - BT 101: overstated $3,322.13
    - BT 104: understated $50
    - ENG 104: understated $975
    - SQUAD 103: understated $375.72
    - TIFMAS 101: understated $252.18
    - TRAINING 101: understated $315.92

- Insurance Expenses – overstated by $27,344.50
    - GL balance is $80,612.08; P&L is $107,956.58

- Training Expenses – understated by $239.71
    - Travel/Per Diem: GL balance is $72,641.02; P&L is $72,401.31

- Payroll Expenses – understated by $28,132.49
    - Employment Testing: understated $116.00
    - Medical/Dental/Vision: understated $336.14
    - Worker's Compensation Insurance: understated $27,344.50
    - Payroll Expenses (6560): understated $335.85

<u>Significance:</u>
2 CFR 200.302 requires entities to maintain accurate, current, and complete financial records, and 2 CFR 200.303 requires effective internal controls. Financial statements are a key representation of an entity's financial position. Inconsistencies between the general ledger and financial statements compromise the accuracy, reliability, and transparency of financial reporting.

Recommendations:
We recommend ESD1 establish and implement monthly reconciliation procedures that include a detailed review of all financial statement line items, comparing them to the corresponding GL account balances. In addition, we recommend that ESD1 personnel responsible for preparing and reviewing the reconciliations sign off on all statements.

Plan of Action Response:
ESD1 is working to establish and implement formal month-end closing procedures that include detailed reconciliations of financial statement line items to the corresponding general ledger account balances. Any discrepancies identified during the reconciliation process will be researched, resolved, and documented as part of the month-end close. Procedures will also include documented review and approval by the appropriate personnel.

3. Asset Tracking Inconsistencies

ESD1's inventory contained 76 assets purchased with grant funds. We performed a physical asset verification of all 76 (32 portable radios, 26 mobile radios, and 18 mobile data computers [MDCs]), to assess ESD1's process for asset tracking. This assessment revealed the following :

- For one MDC, photos of the device were provided that showed serial number 9C01F54 and asset tag FD01e7692. The asset inventory lists the serial number for tag FD01e7692 as 8H3HDD3.
- Three MDCs were verified only through photos of their containers. The serial numbers for these items (BC01F54, 01F54, and DC01F54) do not appear in the asset inventory, and photos of the actual devices were not provided despite four months of requests.
- Two MDCs (serial numbers 2C01F54 and 4C01F54) were reported as being "at the Austin radio shop", but no photos or documentation were provided. These serial numbers are also not listed on the asset inventory.
- One MDC (serial number FB01F54) listed on the invoice submitted with the reimbursement packet did not appear on ESD1's asset inventory list. ESD1 stated the invoice contained a typo but did not provide physical verification of the device.
- Two MDCs (serial numbers F250F54 and JD01F54) appear on both the invoice provided for reimbursement and ESD1's asset inventory but could not be physically verified.

In March 2025, ESD1 established their Physical Asset Management policy with procedures for tracking and maintaining all physical assets. At the time of this review, it does not appear that these procedures have been effectively implemented.

Significance:
A strong system of controls for asset management is critical to ensuring assets are safeguarded

against loss or theft. In addition, tracking assets through the end of their useful life is critical to ensure their disposal complies with federal regulations.

Recommendations:
ESD1 should locate and verify the eight unverified MDCs and correct all related discrepancies in the asset inventory. For assets temporarily not in their assigned location, the inventory should be updated to reflect their temporary placement. We also recommend that ESD1 continue implementing its asset management policies, including performing periodic inventory audits and establishing documented procedures for the disposal of district-owned assets in accordance with federal, state, and local requirements. Any items that cannot be located should be declared lost in a manner compliant with 2 CFR 200.

Plan of Action Response:
ESD1 acknowledges the recommendation and is working to strengthen its asset management processes through the development and implementation of formal policies and procedures for tracking, inventorying, and disposing of District-owned assets. These procedures will include periodic inventory verification, documentation of temporary asset assignments or relocations, and established disposal processes that comply with applicable federal, state, and local requirements. Any assets that cannot be located will be evaluated and addressed in accordance with applicable regulations and District policy.

4. Lack of Effective Policies and Procedures

We reviewed ESD1's documented policies and procedures, evaluating their compliance with the requirements of 2 CFR 200. This assessment revealed that ESD1's policies and procedures were deficient in the areas detailed below:

- Procurement – did not fully address contracting with small and minority businesses, domestic preference, recovered materials, contract cost and price, federal awarding agency/pass-through entity review, bonding requirements, oversight of contractors, and contract provisions.

- Records Retention – lacked detailed procedures related to requests for transfer, methods of collection, transmission, and storage, as well as access to records.

- Cost Principles – did not cover cost principles or direct and indirect costs.

- Real Property – did not include reporting on real property.

Significance:
Per 2 CFR 200, non-federal entities who are recipients or subrecipients of federal funding must maintain written policies and procedures that ensure compliance with federal requirements, including but not limited to procurement (200.318–327), property standards (200.310-316), financial management (200.302), internal controls (200.303), record retention (200.334-338), direct and indirect costs (200.412-415, and allowability of costs (200.403–405).

The requirements for documented procedures in 2 CFR 200 may not apply to the work being performed by ESD1 in their regular course of business or in their communications equipment enhancements. However, the federal government expects compliant policies and procedures to be in place regardless, making ESD1 noncompliant with these federal requirements.

Recommendations:
We recommend ESD1 conduct a review of their current policies and procedures and update them to ensure full compliance with grant terms and 2 CFR 200 requirements. In addition, we recommend ESD1 implement procedures related to independent bank reconciliations, financial statement reviews, and asset management.

Plan of Action Response:
ESD1 acknowledges the recommendation and is working to review, develop, and implement written policies and procedures to support compliance with applicable federal grant requirements, including 2 CFR Part 200. Existing policies will be evaluated and updated as necessary to strengthen internal controls and ensure compliance with applicable federal requirements.