Docusign Envelope ID: 886F88B6-1D31-8629-8274-B85BC75A0A35

Subrecipient Risk Assessment Memo – City of Creedmoor

September 23, 2026



Docusign Envelope ID: 886F88B6-1D31-8629-8274-B85BC75A0A35

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: September 23, 2026

Subject: City of Creedmoor Risk Assessment Results

Under the provisions of Title I of the Housing and Community Development Act of 1974 (42 USC 5301), the U.S. Department of Housing and Urban Development (HUD) provides funding through the Community Development Block Grant (CDBG) to support the development of viable urban communities. This program aims to provide decent housing, a suitable living environment, and expanded economic opportunities-primarily for low- and moderate- income individuals.

When the County remits CDBG 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 potential grant subrecipient City of Creedmoor (Creedmoor); 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 potential subrecipient of very low, low, medium, high, or very high. We determined the overall risk rating for Creedmoor to be very high; details about risk criteria

Docusign Envelope ID: 886F88B6-1D31-8629-8274-B85BC75A0A35

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 all 12 risk criteria.

AREAS OF CONCERN

In this section, we report on risk criteria rated high or very high. We noted the following for Creedmoor:

High Risk Rating:

Financial Impropriety Involving the Subrecipient Reported in the Media
Reports in the media indicate that Creedmoor had a high-ranking official resign in 2023 after an investigation found multiple violations for financial impropriety. The purpose of researching past incidents of financial impropriety is to determine if the subrecipient's internal controls have previously allowed such violations to occur and how recently they did so. There is increased risk associated with this potential subrecipient because financial impropriety has been reported to have occurred within the last two to three years.

Internal Controls Questionnaire
To evaluate Creedmoor's internal controls, REC utilized the potential subrecipient's responses to an Internal Controls Questionnaire (ICQ). The ICQ is used to identify any internal control weakness, segregation of duties issues, or fraud red flags. REC's analysis of the ICQ indicated several internal controls and segregations of duties issues, as well as a fraud red flag. The purpose of the ICQ is to gain a wider perspective of an entity's controls and financial management. Due to their limited staff size and overlapping duties there is increased risk.

Very High Risk Rating:

Grant Award Amount
Creedmoor has requested a projected $2.73 million in CDBG funds, which is a significant amount to the County. The risk of loss of County funds corresponds with the size of the potential 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.

Single Audit
Creedmoor 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 potential subrecipient since the County cannot obtain an external auditor's opinion on this entity's past compliance with federal grant rules and regulations.

State/Federal Agency Monitoring During the Past Three Years
Creedmoor 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 potential subrecipient since the

Docusign Envelope ID: 886F88B6-1D31-8629-8274-B85BC75A0A35

County is unable to obtain information about this entity's past compliance with grant rules and regulations.

Personnel Experience and/or Turnover

Creedmoor has experienced a large amount of turnover in key financial/grant staff positions. Consistency in experienced staff typically results in a more reliable performance. There is increased risk associated with this potential subrecipient due to a high percentage of employees who are relatively new and/or inexperienced in their roles and responsibilities under our agreement.

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 Creedmoor. 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.

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 that Creedmoor review their current procedures and make the improvements necessary to ensure compliance with all grant terms and federal requirements as stated in 2 CFR 200. We also recommend Creedmoor's system of internal controls includes increased independent supervisory review, formalized approval processes, and clear separation of financial duties.

FINANCIAL OBSERVATIONS

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

Financial Statements

- Annual revenues totaled $2,299,106. Revenues were comprised of ad valorem taxes (38.1%), program revenues (27.5%), sales tax (14.0%), interest income (14.7%), and franchise taxes

Docusign Envelope ID: 886F88B6-1D31-8629-8274-B85BC75A0A35

(5.7%). Expenditures totaled $1,464,710, which resulted in an excess of revenues over expenditures of $834,396.

- Assets totaled $5,590,365 and liabilities $2,049,689, resulting in net assets of $3,540,676. There were restrictions on $1,686,848 of these net assets.

Financial Ratios

Ratios of Concern:
The days cash on hand ratio is 468 days (cash + cash equivalents)/[(total expenses - depreciation expense)/365 days], which is less than the average of 645 days for city governments of similar size[1]. This calculation measures the number of days of expenses that can be covered from existing cash and cash equivalents.

Ratios Within Acceptable Limits:

- The current ratio is 7.3:1 (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.

- Unrestricted net position as a percentage of total expenses is 127%, meaning expenses could be paid with net assets for 462 days (127% x 365 days). The Government Finance Officers Association recommends having a minimum of two months, so Creedmoor falls below this threshold.

- The savings indicator ratio is 57.0% [(revenues - expenses)/total expenses], which is above the average for city governments of similar size of 43.6%. This ratio measures the net revenues that are retained by the organization as a percentage of expenses.

RISK ASSESSMENT TEAM

Ely Allen, Financial Analyst III
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 CDBG grant funds and the Commissioners Court. Please contact us if you have any concerns or questions regarding this report.

[1] A comparison base for financial ratios was built utilizing the financial statements of eight city governments of similar population sizes and/or distance to a large city.

Docusign Envelope ID: 886F88B6-1D31-8629-8274-B85BC75A0A35

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 III, Commissioner, Precinct 4
Jessica Rio, County Executive, Planning & Budget Office
Pilar Sanchez, County Executive, Health & Human Services
Prema Gregerson, Attorney VII, County Attorney's Office
Dashiell Daniels, Grants Administrator, General Administration
Sadia Tirmizi, Grants Manager, General Administration
Kelly Allen, First Assistant, Auditor's Office
Tracy Leblanc, Financial Audit Manager, Auditor's Office
Risk Assessment File

Docusign Envelope ID: 886F88B6-1D31-8629-8274-B85BC75A0A35

ATTACHMENT A – RISK ASSESSMENT RATINGS

Risk Assessment Criteria	**Rating**
1. Financial impropriety involving the potential subrecipient reported in the media	**High**
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.	**Medium**
5. Single Audit	**Very High**
6. Financial statement audit	**Medium**
7. Financial records and reporting	**Low**
8. State/federal agency monitoring during the past three years	**Very High**
9. Personnel experience and/or turnover	**Very High**
10. Internal Controls Questionnaire	**High**
11. Documented procedures 2 CFR 200	**Very High**
12. Financial Ratios	**Very Low**
Overall Risk Rating	**Very High**