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Subrecipient Risk Assessment Memo – Travis County Emergency Services District No. 2

September 20, 2026



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To: Charles Brotherton, County Executive
Emergency Services

From: Patti Smith, CPA
Travis County Auditor

Date: September 20, 2026

Subject: Travis County Emergency Services District No. 2 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 Travis County Emergency Services District No. 2 (TravCo ESD2); 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 TravCo ESD2 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.

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AREAS OF CONCERN

In this section, we report on risk criteria rated high or very high. We noted the following for TravCo ESD2:

High Risk Rating:

Grant Award Amount
TravCo ESD2 has requested over $900,000 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.

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 TravCo ESD2. 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:

State/Federal Agency Monitoring During the Past Three Years
TravCo ESD2 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.

Personnel Experience and/or Turnover
TravCo ESD2 has experienced a large amount of turnover in key financial/grant staff positions since our previous evaluation in October 2024. Consistency in experienced staff typically results in 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.

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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 TravCo ESD2 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. We also recommend TravCo ESD2'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 September 30, 2025, audited financial statements provided by TravCo ESD2:

Financial Statements

- Annual revenues totaled $50,277,642. Revenues were comprised of property taxes (45.0%), sales tax (41.6%), program service charges and operating grants and contributions (9.0%), and interest income (4.4%). Expenditures totaled $46,089,957, which resulted in an excess of revenues over expenditures of 4,187,685.

- Assets totaled $119,923,449 and liabilities $60,263,743, resulting in net assets of $59,659,706. There were restrictions on $15,525,453 of these net assets.

Financial Ratios

Ratios of Concern:

- The savings indicator ratio is 9.1% [(revenues - expenses)/total expenses], which is below the average for entities[1] of this size of 42.5%. This ratio measures the net revenues that are retained by the organization as a percentage of expenses.

- The days cash on hand ratio is 44 days (cash + cash equivalents)/[(total expenses - depreciation expense)/365 days], which is less than the average of 396 days for entities of this size. 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 6:1 (current assets/current liabilities), with 1:1 being the minimum suggested. This ratio measures the entities' ability to pay short-term obligations (due within one year) with current assets.

[1] A comparison base for financial ratios was built utilizing the financial statements of all seventeen Travis County Emergency Services Districts as well as 8 other Emergency Services Districts from similar population sizes or similar divisions of districts.

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- Unassigned fund balance as a percentage of total expenses is 84%, meaning expenses could be paid with the unassigned fund balance for 305 days (84% x 365 days). The Government Finance Officers' Association recommends having a minimum of two months, so TravCo ESD2 falls above this threshold.

- The debt ratio is 43.9% [total notes payable/total assets], which is above the average for similar entities of 35.9%. This calculation measures the degree to which an entity's operations are funded by debt, so higher values can indicate a greater risk of potential solvency issues.

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 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

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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	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 three years	Very High
9. Personnel experience and/or turnover	Very High
10. Internal Controls Questionnaire	Low
11. Documented procedures 2 CFR 200	High
12. Financial Ratios	Medium
Overall Risk Rating	Medium