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Travis County Auditor's Office
Subrecipient Risk Assessment Results – Family Eldercare
March 8, 2022

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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: Christy Moffett, MSSW
Director, Economic Development & Strategic Investments
Travis County Planning & Budget Office

From: Patti Smith, CPA
Travis County Auditor

Date: March 8, 2022

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 Division (REC) of the Travis County Auditor's Office has completed a risk assessment of grant subrecipient Family Eldercare; 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 11 criteria. The ratings for these criteria are then utilized to assign an overall risk rating to the subrecipient of low, medium, or high. We determined the overall risk rating for Family Eldercare to be medium; details about risk criteria rated very high are provided

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in the Areas of Concern paragraph below. See Attachment A for a summary of the individual risk ratings for the 11 risk criteria.

AREAS OF CONCERN

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

Very High-Risk Rating:

State/Federal Agency Monitoring During the Past 3 Years
Although Family Eldercare typically receives programmatic grant monitoring visits on a regular basis, they have not received financial monitoring for federal or state grants. 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. Because the County is a pass-through entity, if the subrecipient is noncompliant, the County is also noncompliant.

Single Audit
Family Eldercare has not undergone a Single Audit because they have not yet met the spending threshold of $750,000 or more of 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 subrecipient since the County cannot obtain an external auditor's opinion on this entity's past compliance with federal grant rules and regulations. As previously mentioned, the County is a pass-through entity, so if the subrecipient is noncompliant, the County is also noncompliant.

Grant Award Amount
Family Eldercare has requested almost $5 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.

RECOMMENDATIONS FOR IMPROVEMENT

We recommend Family Eldercare review their system of internal controls, making improvements where needed to ensure they are able to comply with all grant terms and federal requirements.

FINANCIAL OBSERVATIONS

The following observations are based on the December 31, 2020, audited financial statements provided by Family Eldercare:

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Financial Statements

- Annual revenues totaled $9,778,981. Revenues were comprised of grant revenue (57.4%), fees for services (16.8%), contributions and public support (10.8%), other revenue (7.6%), and loan forgiveness revenue (7.4%). Expenditures totaled $8,724,689, which resulted in an excess of revenues over expenditures of $1,054,292.

- Assets totaled $9,691,870, and liabilities $5,942,088, resulting in net assets of $3,749,782. There were donor restrictions of $17,819 on these net assets.

Financial Ratios

Ratios of Concern:

- The contributions and grants ratio is 68.2% [(contributions + grant revenue)/total revenue], which is substantially more than the average of 47.0% for nonprofits of this size[1]. 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 program efficiency ratio is 94.6% (program expense/total expenses), which is considerably more than the average of 85.2% for nonprofits of similar size. Ideally, the ratio is at least 75%, but less than 90%. Although it is important to invest in infrastructure to ensure there is a strong administrative support system for program activities, sufficient funds must be available to pay program expenses.

Ratios Within Acceptable Limits*:*

- The days cash on hand ratio is 111 days (cash + cash equivalents)/[(total expenses - depreciation expense)/365 days], which is more 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.

- The fundraising expense ratio is 0.2% (fundraising expenses/total expenses), which is less than the average of 2.2% for nonprofits of similar size. Generally, donors prefer revenues 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.

- The fundraising efficiency ratio is $54.52 [total contributions (other than government grants)/fundraising expenses], which is substantially more than the average of $11.45 for nonprofits of this size. This ratio measures the dollar amount of contributions raised for each dollar spent on fundraising, so higher is better.

- Net assets without donor restrictions as a percentage of total expenses is 42.8%, meaning expenses could be paid with net assets for 156 days (42.8% x 365 days). The Government

[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 to $10 million. Family Eldercare's assets totaled $9,691,870 on December 31, 2020.

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Finance Officers Association recommends having a minimum of two months, so Family Eldercare is well above this threshold.

- The current ratio is 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.

- The savings indicator ratio is 12.1% [(revenues - expenses)/total expenses], which is substantially more than 4.3% for nonprofits of similar size. This ratio measures the net revenues that are retained by the organization as a percentage of expenses.

RISK ASSESSMENT TEAM

Joanne Englund, CPA, Financial Analyst VI
Amanda Muehlberg, CPA, Financial Analyst IV

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

DocuSigned by:
Patti Smith
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Patti Smith, CPA
Travis County Auditor

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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	**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 High**
6. Financial statement audit	**Very Low**
7. Financial records and reporting	**Low**
8. State/federal agency monitoring during the past 3 years	**Very High**
9. Personnel experience and/or turnover	**Medium**
10. Internal Control Questionnaire	**Low**
11. Documented procedures 2 CFR 200	**Medium**
Overall Risk Rating	**Medium**