

BLANCO RIVER REGIONAL RECOVERY TEAM

**FINANCIAL STATEMENTS WITH COMPLIANCE
AND SINGLE AUDIT REPORTING**

December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Blanco River Regional Recovery Team
San Marcos, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Blanco River Regional Recovery Team (BR3T), a nonprofit organization, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of BR3T as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of BR3T and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about BR3T's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BR3T's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BR3T's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 13, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report on pages 15-16 dated September 14, 2023, on our consideration of BR3T's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of BR3T's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BR3T's internal control over financial reporting and compliance.

Randy Walker & Co.

San Antonio, Texas
September 14, 2023

FINANCIAL STATEMENTS

BLANCO RIVER REGIONAL RECOVERY TEAM
STATEMENT OF FINANCIAL POSITION
December 31, 2022

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	41,419
Grants Receivable		167,258
Prepaid Expenses		2,716
Total Current Assets		211,393
TOTAL ASSETS	\$	211,393

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	72,888
Accrued Liabilities		24,195
Total Current Liabilities		97,083
TOTAL LIABILITIES		97,083

NET ASSETS

Without Donor Restrictions		110,170
With Donor Restrictions		4,140
TOTAL NET ASSETS		114,310
TOTAL LIABILITIES AND NET ASSETS	\$	211,393

The accompanying notes are an integral part of this financial statement.

BLANCO RIVER REGIONAL RECOVERY TEAM
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>OPERATING SUPPORT AND REVENUE</u>			
Grants	\$ 1,590	\$ 1,332,851	\$ 1,334,441
Contributions	6,217	4,932	11,149
Other Income	7	-	7
Net Assets Released from Restrictions	1,351,747	(1,351,747)	-
TOTAL OPERATING SUPPORT AND REVENUE	<u>1,359,561</u>	<u>(13,964)</u>	<u>1,345,597</u>
<u>OPERATING EXPENSES</u>			
Program	1,333,452	-	1,333,452
General and Administrative	15,477	-	15,477
TOTAL OPERATING EXPENSES	<u>1,348,929</u>	<u>-</u>	<u>1,348,929</u>
 CHANGE IN NET ASSETS	 10,632	 (13,964)	 (3,332)
 NET ASSETS - BEGINNING OF YEAR	 <u>99,538</u>	 <u>18,104</u>	 <u>117,642</u>
NET ASSETS - END OF YEAR	<u>\$ 110,170</u>	<u>\$ 4,140</u>	<u>\$ 114,310</u>

The accompanying notes are an integral part of this financial statement.

BLANCO RIVER REGIONAL RECOVERY TEAM
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

	<u>Program</u>	<u>General and Administrative</u>	<u>Total</u>
<u>OPERATING EXPENSES</u>			
Salaries	\$ 27,677	\$ 3,075	\$ 30,752
Payroll Taxes	2,118	235	2,353
Total Payroll Expenses	<u>29,795</u>	<u>3,310</u>	<u>33,105</u>
Client Assistance	1,130,279	-	1,130,279
Contracted Services	155,467	6,928	162,395
Rent	10,800	1,200	12,000
Office Expenses	4,714	635	5,349
Insurance	282	2,545	2,827
Dues and Subscriptions	1,328	338	1,666
Supplies	776	174	950
Accounting Fees	-	192	192
Bank Charges	-	135	135
Advertising	5	20	25
Travel	<u>6</u>	<u>-</u>	<u>6</u>
TOTAL OPERATING EXPENSES	\$ <u>1,333,452</u>	\$ <u>15,477</u>	\$ <u>1,348,929</u>

The accompanying notes are an integral part of this financial statement.

BLANCO RIVER REGIONAL RECOVERY TEAM
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Change in Net Assets	\$ (3,332)
Adjustments to Reconcile Net Change to Net Cash Used by Operations:	
(Increase) Decrease in Assets:	
Grants Receivable	(167,258)
Prepaid Expenses	796
Increase in Liabilities:	
Accounts Payable	65,111
Accrued Liabilities	24,195
NET CASH USED BY OPERATING ACTIVITIES	<u>(80,488)</u>
NET DECREASE IN CASH FLOWS	(80,488)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>121,907</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 41,419</u></u>

The accompanying notes are an integral part of this financial statement.

BLANCO RIVER REGIONAL RECOVERY TEAM
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The accompanying statements of Blanco River Regional Recovery Team have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Nature of Activities

Blanco River Regional Recovery Team (BR3T) is a Texas 501(c)(3) non-profit corporation organized in September 2015 to facilitate long-term recovery for victims of the Memorial Day Weekend, All Saints, and other disasters in the counties of Blanco, Caldwell, Guadalupe, and Hays in Texas.

BR3T's primary funding source is the Emergency Rental Assistance Program, which provides funds for housing stability services and other financial assistance to eligible households. BR3T also receives grants and contributions to offer assistance and home repair services to victims of disasters.

Basis of Presentation

BR3T is required to report information regarding its financial position and activities according to two classes of net assets:

- *Net Assets Without Donor Restrictions* – Net assets available for use in the general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board of Directors are reported as net assets without donor restrictions, board-designated.
- *Net Assets With Donor Restrictions* – Net assets subject to donor restrictions that may or will be met either by actions of BR3T and/or the passage of time. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

BLANCO RIVER REGIONAL RECOVERY TEAM
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing the services and other activities of BR3T have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll expenses which are allocated on the basis of estimates of time and effort, as well as office expenses, rent, supplies, and various other expenses which are allocated on the basis of square footage or some other reasonable basis.

Cash and Cash Equivalents

For purposes of reporting cash flows, BR3T considers all certificates of deposit and money market fund purchases with an original maturity of three months or less to be cash equivalents.

Income Taxes

BR3T is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As of December 31, 2022, the tax years that remain subject to examination by taxing authorities begin with 2019.

Revenue Recognition

Grants and contributions received are recorded as revenue without donor restrictions or with donor restrictions, depending on the existence and/or nature of any grantor or donor restrictions. Support that is restricted by the grantor or donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2021. A lessee will be required to recognize on the statement of financial position the assets and liabilities for leases with lease terms of more than twelve months. Management has evaluated the pronouncement and determined it is not applicable to BR3T since there were no such lease agreements during the year ended December 31, 2022. Therefore, this pronouncement will not be adopted for fiscal year 2022.

BLANCO RIVER REGIONAL RECOVERY TEAM
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

New Accounting Pronouncements (continued)

In 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This pronouncement provides guidance regarding revenue recognition effective for reporting periods beginning after December 15, 2019. The pronouncement affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets. The core principle of this update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. Management has evaluated the pronouncement and determined it is not applicable to BR3T based on the nature of BR3T's revenue sources. Therefore, this pronouncement will not be adopted for fiscal year 2022.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This pronouncement requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The pronouncement includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The new pronouncement, as amended, is to be applied retrospectively, to annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. Management has evaluated the pronouncement and determined it is not applicable to BR3T since it did not receive in-kind contributions during the year ended December 31, 2022. Therefore, this pronouncement will not be adopted for fiscal year 2022.

Recently Adopted Accounting Pronouncements

In 2018, the FASB issued ASU 2018-13, *Changes to the Disclosure Requirements for Fair Value Measurement*, effective for periods beginning after December 15, 2019. This pronouncement improves the effectiveness of fair value measurement disclosures in the notes to the financial statements. BR3T adopted this pronouncement effective January 1, 2022. The change was applied retrospectively, but there was no cumulative effect on beginning net assets as of this date.

In 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This pronouncement clarifies and improves the scope and the accounting guidance for contributions received and contributions made in order to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of *Topic 958, Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. BR3T adopted this pronouncement effective January 1, 2022. The change was applied retrospectively, but there was no cumulative effect on beginning net assets as of this date.

BLANCO RIVER REGIONAL RECOVERY TEAM
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 2 - GRANTS RECEIVABLE

Grants receivable primarily represent amounts due from federal government grants. BR3T receives a portion of its revenues from government grants, all of which are subject to audit by the government. The ultimate determination of amounts to be received under these programs is generally based upon allowable costs reported to and audited by the government. Until such audits have been completed and final settlement reached, there exists a contingency with respect to the amount receivable from the government agency in excess of allowable costs. Management is of the opinion that no material adjustments will result from such an audit. All grants receivable are considered to be fully collectible; therefore, no allowance is recorded. Grants receivable was \$167,258 at December 31, 2022.

NOTE 3 - REVENUE CONCENTRATIONS AND ECONOMIC DEPENDENCY

BR3T received grant revenue totaling \$1,316,951 from a state agency, representing 98% of BR3T's total support and revenue for the year ended December 31, 2022.

The amounts allocated to BR3T depend upon the availability of funds, possible changes in the allocation of the grantor's resources, and the grantor's continued confidence in the programs that they support.

NOTE 4 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The following reflects BR3T's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of donor-stipulated restrictions.

Cash and Cash Equivalents	\$	41,419
Grants Receivable		167,258
Total Financial Assets		<u>208,677</u>
Donor Restrictions		<u>(4,140)</u>
Financial Assets Available to Meet Cash		
Needs for Expenditures Within One Year	\$	<u>204,537</u>

BR3T's primary sources of cash flows during the year are grants and contributions. These revenue sources provide a consistent inflow of cash throughout the year to cover normal operating expenses.

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were for the following purposes at December 31, 2022:

Emergency Shelter	\$	3,484
Relief Assistance		<u>656</u>
Total	\$	<u>4,140</u>

BLANCO RIVER REGIONAL RECOVERY TEAM
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS

BR3T adopted the provisions of ASC 820, *Fair Value Measurements and Disclosures* (formerly SFAS 157). ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market, and establishes a framework for measuring fair value in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The adoption of ASC 820 did not affect BR3T's financial position or results of operations.

The valuation techniques required by ASC 820 are based upon observable and unobservable inputs, and ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority.
- Level 2 valuations are based on quoted prices in markets that are not active.
- Level 3 valuations are based on inputs that are unobservable and supported by little or no market activity.

BR3T's current assets and liabilities as presented in the statement of financial position are Level 1. BR3T does not have Level 2 or Level 3 assets or liabilities. The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

NOTE 7 - LEASE

BR3T leases office space under a month-to-month operating lease. Lease expense amounted to \$12,000 for the year ended December 31, 2022.

NOTE 8 - SUBSEQUENT EVENTS

BR3T has evaluated subsequent events through September 14, 2023, the date on which the financial statements were available to be issued.

FINANCIAL AWARDS SECTION

**BLANCO RIVER REGIONAL RECOVERY TEAM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022**

Grantor/Pass Through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF THE TREASURY			
Passed Through Texas Department of Housing and Community Affairs: Emergency Rental Assistance Program	21.023	20220000010	\$ <u>1,316,295</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u><u>1,316,295</u></u>

See accompanying notes to schedule of expenditures of federal awards.

BLANCO RIVER REGIONAL RECOVERY TEAM
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2022

NOTE 1 - GENERAL

The accompanying schedule of expenditures of federal awards presents expenditures for all federal assistance awards that were in effect for the year ended December 31, 2022 for Blanco River Regional Recovery Team (BR3T). BR3T's reporting entity is described in Note 1 of the basic financial statements.

NOTE 2 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of BR3T and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of BR3T, it is not intended to and does not present the financial position, changes in net assets, or cash flows of BR3T.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reflected on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, "Cost Principles for Non-Profit Organizations", wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 4 - OTHER DISCLOSURES

There were no loans or loan guarantees outstanding at year end.

BR3T has elected not to use the 10 percent *de minimis* indirect cost rate.

BR3T did not disburse any federal awards to subrecipients for the year ended December 31, 2022.

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Blanco River Regional Recovery Team
San Marcos, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Blanco River Regional Recovery Team (BR3T), a nonprofit organization, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 14, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered BR3T’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BR3T’s internal control. Accordingly, we do not express an opinion on the effectiveness of BR3T’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether BR3T’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an audit finding that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2022-01.

BR3T's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on BR3T's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. BR3T's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of BR3T's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BR3T's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Randy Walker & Co.

San Antonio, Texas
September 14, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Blanco River Regional Recovery Team
San Marcos, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Blanco River Regional Recovery Team's (BR3T's) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of BR3T's major federal programs for the year ended December 31, 2022. BR3T's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, BR3T complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of BR3T and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of BR3T's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to BR3T's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on BR3T's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about BR3T's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding BR3T's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of BR3T's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of BR3T's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matter

The results of our auditing procedures disclosed an audit finding required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-01. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on BR3T's response to the audit finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. BR3T's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a

federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Randy Walker & Co.

San Antonio, Texas
September 14, 2023

**BLANCO RIVER REGIONAL RECOVERY TEAM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting: Material weakness(es) identified	None
Significant deficiencies identified that are not considered to be material weakness(es)	None
Noncompliance material to the financial statements	None

Federal Awards

Internal control over major programs: Material weakness(es) identified	None
Significant deficiencies identified that are not considered to be material weakness(es)	None
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	Yes

Major Programs

Federal

21.023 Emergency Rental Assistance Program	
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Audit qualified as low-risk auditee	No

Findings - Financial Statements Audit None

**Findings and Questioned Costs - Major Federal Award
Programs Audit** See item 2022-01

BLANCO RIVER REGIONAL RECOVERY TEAM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022

Current Year Finding - Major Federal Award Programs Audit

2022-001 – Fraud Affecting Federal Program

Federal Awarding Agency – U.S. Department of the Treasury

Pass-Through Entity – Texas Department of Housing and Community Affairs

Assistance Listing and Title – 21.023 Emergency Rental Assistance Program

Condition: Through an internal review, BR3T identified twenty cases where rental assistance payments were made for security deposits, utility deposits, and application fees based on fraudulent applications and false documentation submitted to BR3T by a contracted housing provider. For three of the cases, assistance payments amounted to \$1,800 during the year ended December 31, 2022. For the remaining seventeen cases, assistance payments totaled \$16,637.50 and were made in 2023.

Criteria: Per 2 CRF section 200.516(a)(6), an auditor must report known or likely fraud affecting a federal program award.

Effect: BR3T issued rental assistance payments to a housing provider based on fraudulent documentation.

Cause of Condition: The housing provider supplied fraudulent documentation to BR3T in order to receive rental assistance payments.

Recommendation: We recommend management terminate its relationship with the housing provider and return the federal funds to the grantor for the cases identified by BR3T. In addition, we recommend management enhance its procedures to verify and ensure that communication with clients is from a valid source.

Management Response: Management accepts the finding and recommendation.

BLANCO RIVER REGIONAL RECOVERY TEAM
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022

Prior Year Findings - Financial Statement Audit N/A

Prior Year Findings - Federal Awards Audit N/A

**BLANCO RIVER REGIONAL RECOVERY TEAM
CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2022**

<u>Finding Number</u>	<u>Contact Person</u>	<u>Corrective Action Planned</u>	<u>Anticipated Completion Date</u>
2022-001	Elizabeth Wills, Executive Director	BR3T is no longer doing business with Southpark (housing provider).	3/31/2023
		All money for payments for fraudulent Security deposits/Application Fees/ Utility deposits (\$18,437.50) was reimbursed from Southpark to BR3T and then from BR3T to TDHCA.	6/23/2023
		Police report filed.	5/22/2023
		When multiple applications come from the same apartment complex, BR3T does more investigating and follow-ups with the clients. BR3T is especially cautious when only one apartment employee is sending all documentation.	March 2023
		New BR3T Policy: No security deposit assistance for a rental unit with a family member/friend as the landlord. BR3T documents connections between clients and landlords.	June 2023
		Trends and Patterns. BR3T is acting more quickly on trends and patterns. We have added more reports to the monitoring dashboard to identify trends.	March 2023