

Internal Control Structure Questionnaire (ICSQ) for Cost Reimbursement Contracts

Subcontractor : _____ **DFPS Contract #:** 29792901

Current Contract Period: _____ **Contract Manager:** Jodi Newton

Please refer to instructions at the end of this questionnaire.

SECTION I: FINANCIAL POSITION

(This section should be answered about your organization as a whole.)

1.	Please describe the accounting system in place (i.e., accrual, cash, or modified accrual) _____
2.	<div style="display: flex; justify-content: space-between;"> <div style="width: 75%;"> <p>Do you complete yearly financial statements (e.g., Balance Sheet, Income Statement, Other)?</p> <p><i>If yes, please list the name of the person responsible for preparing the annual financial statements below and attach copy of your most "current" statements and mark it ATTACHMENT# I-2.</i></p> <p>Person responsible for annual financial statements: _____</p> <p><i>If no, please provide any manual or automated information maintained regarding your "current" financial position (i.e., assets versus liabilities, a copy of Schedule C from your latest income tax forms, etc.) and mark it ATTACHMENT #I-2.</i></p> </div> <div style="width: 20%; text-align: center;"> <input type="checkbox"/> Yes <input type="checkbox"/> No </div> </div>
3.	<div style="display: flex; justify-content: space-between;"> <div style="width: 75%;"> <p>Are your accounting and financial system operations "audited" at regular intervals by an independent auditor (CPA, State Public Accountant, Office of State Auditor)? Note that this is not referring to compliance monitoring performed by State Contract Managers.</p> <p>If yes, how often and who audits your records? _____</p> <p><i>Also, if yes, please provide a copy of your most current "audit" performed of your agency and mark it ATTACHMENT #I-3.</i></p> </div> <div style="width: 20%; text-align: center;"> <input type="checkbox"/> Yes <input type="checkbox"/> No </div> </div>
4.	<div style="display: flex; justify-content: space-between;"> <div style="width: 75%;"> <p>Does your organization certify that there are no contingencies, outstanding liabilities or litigation that could affect your organization's financial position during the life cycle of the contract (e.g., outstanding audit exceptions or purchase of real property)?</p> <p>If no, please explain. _____</p> </div> <div style="width: 20%; text-align: center;"> <input type="checkbox"/> Yes <input type="checkbox"/> No </div> </div>
5.	<div style="display: flex; justify-content: space-between;"> <div style="width: 75%;"> <p>Does your organization stay current with payment of its liabilities, loans, taxes, etc.?</p> <p>If no, please explain, and include any defaults on loans or violations of restricting covenants in loan agreements in the past year. _____</p> </div> <div style="width: 20%; text-align: center;"> <input type="checkbox"/> Yes <input type="checkbox"/> No </div> </div>
6.	<div style="display: flex; justify-content: space-between;"> <div style="width: 75%;"> <p>Is your organization able to obtain credit when needed?</p> <p>If no, please explain any difficulty your organization has had in obtaining credit in the previous year. _____</p> </div> <div style="width: 20%; text-align: center;"> <input type="checkbox"/> Yes <input type="checkbox"/> No </div> </div>

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7.	<p>Has your organization been audited by the Internal Revenue Service (IRS) in the past two years?</p> <p>If your organization has been audited by the IRS within the past two years, have all discrepancies cited in the audit been resolved?</p> <p>If no, please describe the discrepancies <u>or</u> impact of the audit on your financial position.</p> <hr style="border: 0; border-top: 1px solid black; margin-top: 10px;"/>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A</p>
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SECTION II: INTERNAL CONTROLS

II. A. GENERAL/ACCOUNTING CONTROLS

(This section should be answered about your organization as a whole. When a question mentions "contracts," it is referring to all of your contracts with DFPS and with any other state agencies, as well as any grants you might have.)

1.	<p>Do you have more than one contract with DFPS?</p> <p><i>If yes, please attach a list of all of your DFPS contracts, including type of service, contract number, dollar amount of contract, contract payment method (e.g., cost reimbursement or fee for service), and name and telephone number of DFPS contact person for each contract. Mark this list ATTACHMENT #II-1.</i></p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
2.	<p>Do you have contracts with other Texas state agencies (e.g., Texas Youth Commission, Texas Juvenile Probation Commission, Texas Education Agency, etc.)?</p> <p><i>If yes, please attach a list of all your contracts with other state agencies, including the state agency name, type of service provided under the contract, dollar amount, and name and telephone number of state agency contact person for the contract. Mark this list ATTACHMENT #II-2.</i></p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
3.	<p>Do you maintain contract files for each of your DFPS contracts?</p> <p>If yes, do the contract files contain:</p> <p>a. The approved contract with all attachments?.....</p> <p>b. Copies of contract amendments?</p> <p>c. Billing documents?</p> <p>d. Related correspondence?</p> <p>e. Copies of subcontracts?</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
4.	<p>a. Are all expenditures that are reported and/or billed as DFPS costs reconciled with your general ledger?</p> <p>If no, please provide a written explanation below as to why such expenditures are not reconciled to your general ledger.</p> <hr style="border: 0; border-top: 1px solid black; margin-top: 5px;"/> <hr style="border: 0; border-top: 1px solid black; margin-top: 5px;"/> <p>b. Is the general ledger kept up-to-date and balanced at least monthly?</p> <p>If not monthly, please specify frequency.</p> <hr style="border: 0; border-top: 1px solid black; margin-top: 10px;"/> <p>c. Are financial statements reviewed by Executive Management?</p> <p>If no, please explain.</p> <hr style="border: 0; border-top: 1px solid black; margin-top: 10px;"/>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>

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5.	Do you maintain a separate general ledger account for: a. Deposits for each contract's funds? b. Disbursement of each contract's funds? <i>Please provide a copy of your chart of accounts, along with an explanation of how your accounting system identifies contract revenues and expenditures separately for each contract. Mark it ATTACHMENT #II-5.</i>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No
6.	Are billings submitted within the time frame specified in the DFPS contract?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
7.	How do you allocate shared costs between contracts and/or programs? <i>Please attach a detailed explanation, and mark it ATTACHMENT #II-7.</i>	
8.	Are costs and expenditures under budgetary control for both total contract budget and by budget category?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
9.	Do you authorize separate individuals to: a. Sign checks? Indicate name(s) and title(s) _____ _____ b. Approve purchase orders and vouchers? Indicate name(s) and title(s) _____ _____ c. Prepare checks? Indicate name(s) and title(s) _____ _____ d. Record accounting transactions? Indicate name(s) and title(s) _____ _____ e. Reconcile bank accounts to internal check registers? Indicate name(s) and title(s) _____ _____ f. Maintain an inventory? Indicate name(s) and title(s) _____ _____	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No
10.	Is your accounting system automated? If no, skip to Question #18.	<input type="checkbox"/> Yes <input type="checkbox"/> No
11.	Who has access to the accounting system? Specify name(s) and title(s) below: _____ _____ _____	

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12.	Please specify the name(s) and title(s) below for the individuals responsible for updating, changing and deleting accounting information: Updating: _____ _____ Changing: _____ _____ Deleting: _____ _____	
13.	How is the accounting system secured and/or protected? Please explain. _____ _____ _____	
14.	Explain below the process (initiation, review, approval, etc.) for making updates, changes, deletions, and year end adjustments to the accounting system. _____ _____ _____	
15.	Are there controls to provide reasonable assurance that transactions are not lost, duplicated, or added before and after data entry and editing?	<input type="checkbox"/> Yes <input type="checkbox"/> No
16.	Are there controls to provide reasonable assurance that transactions with errors are rejected from further processing (e.g., prevented from updating the files/database)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
17.	Is the data entered into the accounting system verified? If yes, please specify whom (name and title) is/are responsible for verifying the data, and how the verification is done. _____ _____ _____	<input type="checkbox"/> Yes <input type="checkbox"/> No
18.	a. Do purchase orders/requisitions require specific approvals from authorized individuals in the requesting department? b. What additional internal controls and approvals are in place within the organization to ensure payments made are valid and authorized? _____	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
19.	Are all checks pre-numbered and accounted for? If no, please explain. _____ _____	<input type="checkbox"/> Yes <input type="checkbox"/> No
20.	Is there any additional review or special approval required for checks exceeding a specific dollar amount? If yes, please specify the dollar limits, name(s) and title(s) of responsible staff below. _____ _____	<input type="checkbox"/> Yes <input type="checkbox"/> No
21.	Are voided checks marked "VOID" to prevent reuse? If no, please explain. _____ _____	<input type="checkbox"/> Yes <input type="checkbox"/> No

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22.	Are voided checks kept with canceled checks? If no, please explain. _____ _____	<input type="checkbox"/> Yes <input type="checkbox"/> No
23.	Are unused checks adequately safeguarded and in the custody of a person who does not manually sign checks, control the use of facsimile signature plates or operate the facsimile signature machine? Indicate name and title of person below who has custody of unused checks. _____	<input type="checkbox"/> Yes <input type="checkbox"/> No
24.	If a check -signing machine is used, are the facsimile signature plates properly safeguarded? If no, please explain below. _____ _____	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
25.	Is the person receiving cash prohibited from signing checks, reconciling bank accounts, and accessing other accounting records? Indicate name and title below of person receiving cash. _____ _____	<input type="checkbox"/> Yes <input type="checkbox"/> No
26.	Is the drafting of checks to "CASH" prohibited? If no, please explain. _____ _____	<input type="checkbox"/> Yes <input type="checkbox"/> No
27.	Is the practice of signing blank checks prohibited? If no, please explain. _____ _____	<input type="checkbox"/> Yes <input type="checkbox"/> No
28.	Are all disbursements approved prior to payment? If no, please explain. _____ _____	<input type="checkbox"/> Yes <input type="checkbox"/> No
29.	Are all disbursements (excluding petty cash) made by check? If no, what other means do you use to make disbursements. _____ _____ Is a check register (disbursement journal) used to record disbursements and maintain balances? <input type="checkbox"/> Yes <input type="checkbox"/> No If no, how are disbursements and balances tracked? _____ _____	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No
30.	Are purchase orders/requisitions controlled in such a way that they can all be accounted for (e.g., by sequential pre-numbering, by entry in a register, etc.)? <i>If yes, please attach an explanation and mark it ATTACHMENT #II-30.</i>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A

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31.	<p>Are supporting documents (invoices, receipts, approvals, receiving reports, canceled checks, etc.) maintained with each disbursement and/or clearly referenced for easy location and retrieval?</p> <p>Please comment on where and how supporting records are kept and filed (e.g., filed by check number, month of payment, etc).</p> <p>_____</p> <p>_____</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No
32.	<p>Do supporting documents accompany checks for the check signer's signature?</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No
33.	<p>Are supporting documents marked when paid to prevent reuse or duplication of payment?</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No
34.	<p>Are invoices marked to identify allocation of payment?</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No
35.	<p>For your DFPS contracts, do you have procedures to identify costs and expenditures not allowable under federal and/or state regulations?</p> <p><i>If so, please attach an explanation of your system for identifying unallowable costs/expenditures and mark it ATTACHMENT #II-35.</i></p>	<input type="checkbox"/> Yes <input type="checkbox"/> No
36.	<p>Are all bank accounts reconciled monthly? If not, how often?</p> <p>_____</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No
37.	<p>If bank account balances (including Certificates of Deposit) are in excess of FDIC coverage, has the bank pledged securities?</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
38.	<p>Do you have a fidelity bond (of at least \$10,000) on employees in appropriate positions (e.g., employees handling cash, employees responsible for equipment inventory)? Indicate name(s) and title(s) of employees covered.</p> <p>_____</p> <p>_____</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No
39.	<p>Do you maintain commercial general liability insurance coverage (with a minimum coverage per occurrence of \$300,000, and a minimum aggregate coverage of \$600,000)?</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
40.	<p>Is insurance coverage (fire, theft, flood) maintained at amounts sufficient to cover the value of all the assets (building, equipment, personal property)?</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No
<u>II. B. PERSONNEL</u>		
41.	<p>Do you have on file authorizations covering rates of pay, withholding and deductions for each employee?</p> <p>If no, please explain. _____</p> <p>_____</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
42.	<p>Do any employees work overtime?</p> <p><i>If yes, please attach a copy of your overtime policy and mark it ATTACHMENT#II-42.</i></p>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
43.	<p>Do you have written job descriptions with set salary levels for each employee?</p> <p>If no, please explain. _____</p> <p>_____</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A

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44.	<p>Does your policy require individual daily time and attendance records for personnel (part-time, full-time, and/or in-kind volunteers) delivering services under your DFPS contract(s)?</p> <p>If no, please explain. _____</p> <p>_____</p> <p>If yes, do the time and attendance records contain the following:</p> <p>a. Employee's name?</p> <p>b. Position/title?</p> <p>c. Total daily hours worked?</p> <p>d. Daily hours charged directly to each contract?</p> <p>e. Employee's signature and/or supervisor's signature?</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
45.	<p>a. Are you current with your payroll taxes?</p> <p>b. Do you pay taxes directly? If no, please explain and indicate name of withholding agent.</p> <p>_____</p> <p>_____</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A</p>
46.	<p>Do you have written personnel policies?</p> <p>If yes, are they distributed to all employees?</p> <p>Do your personnel policies include:</p> <p>a. Hiring policies?</p> <p>b. Performance evaluations?</p> <p>c. Termination policies?</p> <p>d. Vacation and/or other authorized absences?</p> <p>e. Possible conflict of interest?</p> <p>f. Nepotism policies?</p> <p>g. Related-party policies?</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
47.	<p>a. Does the amount of salary being paid to each employee agree with the approved budget?</p> <p>b. If only a portion of any employee's salary is charged to DFPS (i.e., allocated) is that portion supported by an allowable and equitable allocation method?</p> <p>If yes, please explain allocation method(s) used.</p> <p>_____</p> <p>_____</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A</p>

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II. C. TRAVEL		
48.	<p>Are expenditures for travel substantiated by travel vouchers, travel logs and/or other supporting documentation? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A</p> <p>If yes, do travel vouchers/logs contain the following information:</p> <p>a. Name of employee? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>b. Travel destination (to and from) <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>c. Private car mileage? (to and from destination for each trip) <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>d. Date and time of departure and return? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>e. Purpose of trip? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>f. Signature of employee? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>g. Approval of supervisor?..... <input type="checkbox"/> Yes <input type="checkbox"/> No</p>	
49.	<p>Are travel expenditures billed to DFPS at or below the prescribed State reimbursement rates? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A</p> <p>If no, please explain. _____</p>	
50.	<p>Is out-of-state travel for DFPS projects approved by the DFPS contract manager? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A</p>	
II. D. EQUIPMENT		
<p>(If your agency as a whole does not purchase equipment with federal funds, skip to Section II E and mark here <input type="checkbox"/> N/A)</p>		
51.	<p>Has equipment been directly purchased with DFPS funds? <input type="checkbox"/> Yes <input type="checkbox"/> No</p>	
52.	<p>Please specify the level of capitalization used by your organization, and provide the definition of what your organization classifies as equipment.</p> <p>Dollar Amount: _____</p> <p>Definition of Equipment: _____</p>	
53.	<p>For any equipment items costing more than the level of capitalization stated above in #52 and billed to DFPS, did you obtain written approval from your DFPS contract manager? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A</p>	
54.	<p>For any equipment items costing \$5,000 or more and billed to DFPS, did you obtain written approval from your DFPS contract manager? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A</p>	
55.	<p>Were all of the equipment items purchased and billed to DFPS included in your DFPS budget? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A</p> <p>If no, please list the equipment below, and include total acquisition cost.</p> <p>_____</p> <p>_____</p>	
56.	<p>For equipment that was directly purchased and billed to DFPS, but not detailed in the budget, was prior written approval obtained from your DFPS contract manager? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A</p>	
57.	<p>Are all equipment items, purchased with DFPS funds, tagged for the purpose of internal tracking and inventorying? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A</p> <p>Note: Since the equipment does not belong to DFPS, contractors are not to tag the equipment as "State of Texas" or "DFPS Property".</p>	

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58.	Do you conduct a physical inventory of capital equipment acquired with federal funds? If yes, how often? _____	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
59.	Are inventory records maintained to include: the description of the item, the serial number, funding source, the acquisition cost, the acquisition date and the inventory number? <i>Attach a copy of your inventory records for equipment purchases made with DFPS funds and mark it ATTACHMENT #II-59.</i>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
60.	Has any equipment purchased in whole or in part with DFPS funds been disposed of? If yes, was the DFPS contract manager's approval obtained?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
61.	a. Is equipment purchased with DFPS funds being used by employees paid with DFPS funds? If no, please explain. _____ _____ b. Is equipment purchased with DFPS funds being used as outlined in the contract? If no, please explain. _____ _____	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A

II. E. SUBCONTRACTORS

62.	a. Do you subcontract DFPS contracted services? (If your agency as a whole does not utilize subcontractors, mark N/A and skip to Section II F.) b. If yes, what percentage of the work required by your contract do you estimate will be subcontracted? _____	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
63.	Do you maintain written contracts with all your subcontractors? If no, please explain. _____ _____	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
64.	Within your organization, who is responsible for reviewing and approving subcontracts, prior to execution? Provide name(s) and title(s) below. _____ _____	
65.	Does each subcontract agreement include:	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	a. All parties to the contract?.....	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	b. Scope of work?.....	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	c. When services are to be performed?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	d. Rate of pay?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	e. Measurable method of payment?.....	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	f. Termination clause?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	g. Performance measures?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A

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66.	<p>Do all your subcontracts for services under your DFPS contract(s) (e.g., direct services to clients) either include the terms required by your DFPS contract or reference the required terms?</p> <p>If no, please explain.</p> <p>_____</p> <p>_____</p> <p><i>Please attach a copy of your subcontract agreement and mark it ATTACHMENT #II-66.</i></p>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
67.	<p>Do you have procedures in place to monitor that services under your DFPS contract(s) are being delivered and paid by subcontractors as required by your DFPS contract(s)?</p> <p><i>If yes, please attach a copy of your service monitoring procedures and mark it ATTACHMENT #II-67.</i></p>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
68.	<p>a. Do you competitively procure your subcontractors?</p> <p>b. If you subcontract with related parties, are the contracts procured fairly?</p> <p>c. If you have any DFPS contracts for \$100,000 or more, do you make a good faith effort to subcontract with Historically Underutilized Businesses (HUBS)?</p> <p>In no or n/a, please explain.</p> <p>_____</p> <p><i>Please attach an explanation of your subcontractor procurement policies and procedures and mark it ATTACHMENT #II-68.</i></p>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
69.	<p>Have all subcontracts for services under your DFPS contract (e.g., direct services to clients) been approved by your DFPS contract manager?</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A

II. F. RELATED-PARTY TRANSACTIONS

70.	<p>List name and position of any employee of your corporation who is also a principal stockholder, owning 5% or more stock or who has a controlling interest.</p> <p>_____</p> <p>_____</p> <p>_____</p>	<input type="checkbox"/> N/A
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The following questions relate to “doing business” with someone. “Doing business” refers to business activities such as purchasing (e.g., a building, a computer, a vehicle, etc.), leasing (e.g., a building, a computer, a vehicle, etc.), and/or providing a service (e.g., legal services, accounting services, banking services, etc.), even if the purchase/lease/service is provided for free.

71.	<p>List any members of your Board of Directors with whom you are “doing business”. (Provide name and their position on the Board.)</p> <p>_____</p> <p>_____</p> <p>_____</p>	<input type="checkbox"/> N/A
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72.	List anyone with whom you are “doing business” who is related, by blood or marriage, to a member of your Board of Directors. (Provide name and their relationship.) _____ _____ _____	<input type="checkbox"/> N/A
73.	List anyone with whom you are “doing business” who is a principal stockholder of your organization. (Provide name and specify the related-party transaction.) _____ _____ _____	<input type="checkbox"/> N/A
74.	List anyone with whom you are “doing business” who is related, by blood or marriage, to a principal stockholder. (Provide name and specify related-party transaction.) _____ _____ _____	<input type="checkbox"/> N/A
75.	List any building and/or property leased from any related party (i.e., a member of your Board of Directors, a principal stockholder, or anyone related, by blood or marriage, to a principal stockholder or Board of Directors. (Include name of related party and specify relationship.) _____ _____ _____ <i>If there are items listed above, please include a copy of the lease for each item and mark them ATTACHMENT #II-75.</i>	<input type="checkbox"/> N/A
The following questions relate to “conflict of interest.” Key employees (e.g., executive director, president, chief executive officer, administrator, etc.) exert a degree of control.		
76.	List any key employees with whom you are “doing business”. (Provide name and position of employee.) _____ _____ _____	<input type="checkbox"/> N/A
77.	List anyone with whom you are “doing business” who is related, by blood or marriage, to any key employee. (Provide name, identify key employee, and specify business activity.) _____ _____ _____	<input type="checkbox"/> N/A
78.	List any building and/or property leased from a key employee. (Include name and position of employee.) _____ _____ _____ <i>If there are items listed above, please include a copy of the lease for each item and mark them ATTACHMENT #II-78.</i>	<input type="checkbox"/> N/A

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79.	Do you maintain independent appraisals of market value or market rental rates for property resulting from related-party transactions?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
80.	List any key employees related, by blood or marriage, to a member of your Board of Directors. (Provide name and position of key employee, specify relationship to member of Board of Directors and specify Board position of Board member.) _____ _____ _____ _____	<input type="checkbox"/> N/A
81.	List any key employees related, by blood or marriage, to anyone related, by blood or marriage, to a member of your Board of Directors. (Provide name and position of key employee, specify relationship to member of Board of Directors and specify Board position of Board member.) _____ _____ _____	<input type="checkbox"/> N/A
82.	List any key employees related by blood or marriage to a principal stockholder or to anyone related by blood or marriage to a principal stockholder. (Provide name of key employee and their position, and specify relationship.) _____ _____ _____	<input type="checkbox"/> N/A
83.	List any employees related by blood or marriage to a key employee or to anyone related by blood or marriage to a key employee. (Provide name and position of employees and specify the relationship.) _____ _____ _____	<input type="checkbox"/> N/A

CERTIFICATION

Signed by an individual legally responsible for the conduct of the contractor.

I HEREBY CERTIFY, TO THE BEST OF MY KNOWLEDGE, THAT THE INFORMATION REPORTED HEREIN IS TRUE, CORRECT AND COMPLETE.

Signature

Date

Printed/Typed Name

Title

Internal Control Structure Questionnaire (ICSQ) for Cost Reimbursement Contracts

Instructions for Submitting

A current “up- to-date” Internal Control Structure Questionnaire is required to be submitted with each new proposal to contract with the Agency, DFPS. If you have never submitted a previous ICSQ, you will need to complete the attached ICSQ.

However, if you have other contracts/proposals with DFPS, you are only required to submit one ICSQ for those contracts that share or abide by same controls. Therefore, if you have submitted an ICSQ with a different proposal (within the past year), and same control structure applies to this contract, you may submit a “copy” of that ICSQ as long as it is current and applicable to this contract, and covers all sections on this ICSQ. If not all sections are covered, you will need to complete the applicable sections on this ICSQ and submit this ICSQ along with the “copy” of the previously submitted ICSQ.

No two-sided copies will be accepted. No pamphlets or books will be accepted. Responses must be typed or printed. Any response that requires an attachment should reference the attachment number in the response and the attachment must be clearly numbered.

Instructions for Completing

Every agency, organization, university, and/or other business entity should have internal controls in place. Internal controls basically ensure that assets (such as cash and equipment) are safeguarded, that expenditure transactions (such as purchases) are authorized, and that financial data are accurately recorded. Another way of saying this is that a system of internal controls assures that assets that belong to the business are received when tendered, are protected while in the custody of the business, and are used only for authorized business purposes.

A system of internal controls is not designed primarily to detect errors but rather to reduce the opportunity for errors or dishonesty to occur. In an effective system of internal controls, no one person should carry out all phases of a business transaction from beginning to end. For example, if one person were permitted to order supplies, receive the supplies, write a check to pay for the supplies, and record the transaction in the accounting records, there would be no protection against either fraud or errors.

Internal controls consist of the policies and procedures that a business develops and implements to minimize risk. To determine if a business has internal controls, numerous questions can be asked regarding the business’ processes/procedures for handling cash receipts, cash disbursements, physical inventory, and file maintenance, etc. In addition, the ICSQ has questions that are specific to state and federal regulations/guidelines.

A system of internal controls frequently may be improved by physical safeguards (acting as compensatory controls). Computers help to improve the efficiency and accuracy of record keeping functions. Cash registers, safes, and pre-numbered business forms are very helpful in safeguarding cash and establishing responsibility for it. Any system of internal controls must be supervised with care if it is to function effectively.

The cost of a system of internal controls must be balanced against the benefit to be derived in preventing errors and losses.

The ICSQ has been divided into several sections, covering the below purposes as follows:

SECTION I: FINANCIAL POSITION (This section is self-explanatory.)

SECTION II: INTERNAL CONTROLS

This section mainly addresses Internal Controls as described below:

II. A. GENERAL/ACCOUNTING CONTROLS

The general section basically addresses file maintenance and the contractor’s responsibility to meet contract terms and/or state/federal regulations.

Accounting controls are concerned with the safeguarding of assets (cash and fixed assets) and the reliability of financial records. The objective sought in the control of cash receipts is to assure that all cash that is receivable by the

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business is collected and recorded without loss. The system of controlling cash payments should be designed to ensure that no unauthorized payments are made. Control is accomplished by division of responsibility to achieve independent verification of cash transactions without duplication of effort.

Number 3:

An element of a good file maintenance process is a systematic filing approach for the numerous documents that flow through a business. A systematic filing approach decreases the risk of losing documents, having documents that pertain to the same issues placed in several locations, and not knowing what changes have occurred related to similar issues. Therefore, a business should have contract files that include the information enumerated in Number 3.

Number 4:

All costs that are reported and/or billed as DFPS costs should be reconciled with the general ledger (the book or file that contains all or groups of the organization's accounts).

Number 5:

The accounting system used must adequately identify the receipt and expenditures of funds separately for each contract and/or source of funds. Direct costs for each contract must be clearly identified by the accounting system (consider: How are travel expenses recorded when traveling for the DFPS contract?).

Separate general ledger account numbers for revenues and expenses incurred under the contract should be evident. For example:

400 - 699	Support and Revenue Accounts
401	DFPS revenue - DFPS Guardianship Services
402	DFPS revenue - STAR contract
403	DFPS revenue - DFPS Parenting Training
700 - 999	Expenses
700 - 709	Salaries
700	Salaries - DFPS Guardianship Services
701	Salaries - STAR contract
702	Salaries - DFPS Parenting Training
810 - 819	Supplies
811	Consumable Supplies - DFPS Guardianship Services
812	Consumable Supplies - DFPS Parenting Training
813	Consumable Supplies - Star Contract

Number 7:

Costs should be allocated in accordance with relative benefits or other equitable relationship.

Number 8:

Total expenditures for DFPS contracts must be monitored against the total contract budget (Form 2030). For example there must be a system for monitoring the expenditures for salaries against the contract budget category for salaries.

Numbers 11-17:

These questions should only be answered if the accounting system is automated.

Number 18:

This is good business practice. Authorized individuals for departments should be required to approve purchases made on behalf of their department.

Number 19:

This helps to control disbursements of checks.

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Numbers 31:

If the supporting documents are not maintained with each disbursement, the supporting documents should be numbered, clearly referenced, and filed for easy retrieval. Work papers are necessary to provide documentation during monitoring visits and/or audits.

Numbers 32-33:

These procedures are good business practices and aid in accurate record keeping, since it is easier to remember what happened last month rather than what happened months ago.

Number 34:

This is extremely important if an invoice is allocated to more than one funding source.

Number 35:

Contractors should know how to access or obtain copies of the Texas Administrative Code (TAC) and applicable Office of Management and Budget (OMB) Circulars.

Number 38:

This is a contract term. A fidelity bond is also known as dishonesty bonding under a commercial crime policy, employee crime insurance policy, or business services bonding. A copy of the proof of insurance may be requested for your contract file since this is a contract term.

“Appropriate positions” would include, at a minimum, employees who handle cash (including petty cash), employees with check-signing authority, employees authorized to transfer bank funds, and employees responsible for equipment inventory. Often, the policy will be a blanket policy, covering all employees

Numbers 39-40:

Generally the contract requires commercial general liability coverage with a \$300,000 minimum for each occurrence limit and \$600,000 aggregate minimum limit, see contract for specifics. This question may not be applicable to governmental entities, since most are self-insured.

This is good business practice. If assets were purchased with DFPS funds, the federal regulations require that adequate insurance coverage be maintained. Fire, flood and theft insurance should be of an amount to cover the value of the type of asset being insured (building, equipment, personal property). The historical values of the assets are shown in the general ledger assets accounts (and on a balance sheet).

II. B. PERSONNEL

Businesses should have written personnel policies available to all employees. The policies need to be consistently applied. These written personnel policies should include the business' policies concerning benefits. Questions to be asked: Do all employees have the same fringe benefits? Do some employees have more benefits than others? Are the benefits consistent with the personnel policies?

Number 44:

OMB Circular A-122, Attachment B, Paragraph 7, subparagraph “m” (revised June 1, 1998) and OMB Circular A-87, Attachment B, Paragraph 11, subparagraph “h” (revised August 29, 1997) address documentation necessary to support salaries and wages. These circulars further state that the allocation of direct service delivery staff salaries between programs and/or contracts must be documented.

II. C. TRAVEL (Travel Costs Paid with DFPS Funds)

Number 48:

Supporting documentation would be receipts required for parking fees, hotels, taxis, and airfare.

Number 49:

Travel must be in conformance with the state travel requirements and rates for lodging, meals, and personal vehicle mileage. Limitations for out-of-state meals and hotels can be obtained by telephoning the Texas Comptroller's Office

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in Austin at 512/475-0966. A free copy of the Comptroller's Travel Allowance Guide (TAG) can be obtained by telephoning the Texas Comptroller's Office in Austin at 512/475-0966 or on the Internet:

<http://window.state.tx.us/comptrol/san/fm.notices.date.html/fm02/fm02-09b.html>

Number 50:

The approval must be in writing and maintained with the travel voucher/travel log. The budget narrative should also have included a reference to out-of-state travel costs.

II. D. EQUIPMENT

Numbers 51-61:

Equipment is defined in 45 Code of Federal Regulations (CFR) Part 74 and the Office of Federal Financial Management, Office of Management and Budget (OMB) Circulars.

Equipment purchased through the contract is subject to an equitable claim by the state (DFPS).

The disposition of all equipment purchased with federal funds must be made according to appropriate regulations and departmental policies, as per OMB Circular A-110, Section 33 (G). No disposition should take place without prior notification to DFPS contract management.

Question #58 is a federal requirement that a physical inventory be taken at least once every two years for equipment acquired with federal funds.

II. E. SUBCONTRACTORS

Number 62:

This section must be completed if use of subcontractors is indicated on the current Form 2046 (Certification regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion for Covered Contracts) on file.

Number 64:

These individuals should be qualified and or trained and hold an appropriate position that allows decision making at the level required as per the contractor's purchasing policy.

Number 66:

Any subcontract for direct services must either state or include all the terms and conditions of the prime contract for subcontractors.

Number 67:

Contractor oversight should be sufficient to ensure that subcontractors consistently provide quality services by measuring performance against well-documented expectations. The subcontract monitoring procedures review process will check for sound monitoring practices and sound business practices. The monitoring function should focus on the outcomes of services provided with an appropriate emphasis on contract monitoring in proportion to the amount/extent of the contracted services. Procedures would adequately describe who is responsible for monitoring, how often monitoring would occur, the monitoring process to include follow-up that requires corrective action as a result of monitoring reviews, and clearly defined termination procedures. Information provided in #65.b., c., f., & g. should be included in these procedures. Good business practice would include an ongoing system for checking the background/credentials of potential and existing contractors and that funds are spent appropriately.

Number 68:

Procurement policies and procedures should reflect a system in which the best subcontractor is fairly and objectively selected. Procedures should clearly identify which method of contractor selection is utilized for the different types of procurements (thresholds for competitive bidding, negotiation with individual). (OMB Circular A-110, Sections 40-48.)

The contractor selection process would include established criteria to evaluate potential contractors, ranking method, and the consideration of past performance factors.

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DFPS is committed to encouraging participation and increased opportunities for minority and women-owned businesses, including non-profit businesses that cannot be certified by the General Services Commission as a HUB. DFPS requires contractors who have contracts with DFPS of \$100,000 or more to do the same.

A good faith effort requires that contractors maintain documentation in purchase and contract files of their efforts to utilize HUBs. When HUB bidders are not solicited or selected, documentation should clearly state the reason. Contractors who have contracts with DFPS of \$100,000 or more are required to have a HUB Subcontracting Plan that documents either:

- a) That contractor does not plan to subcontract any components of the DFPS contract, or
- b) That contractor does plan to subcontract and includes at minimum the contractor's written policy/procedures for subcontracting and contractor's methods for soliciting and selecting subcontractors.

Number 69:

This item addresses the contract term, which requires that subcontracts for services delivered under the contract be approved by the Department. Services refer to all services required to be delivered under the contract. The completion of a Subcontractor Documentation Form is required for all subcontractors.

II. F. RELATED-PARTY TRANSACTIONS

Numbers 70-83:

This section deals with doing business with related parties. A related party is a person or organization related to the contracted provider entity by blood/marriage, common ownership, or any association, which permits either entity to exert power or influence (control), either directly or indirectly, over the other. Two or more individuals or organizations constitute related parties whenever they are affiliated or associated in a manner that entails some degree of legal control or practical influence of one over the other. This affiliation or association may be based on common ownership, past or present mutual interests in healthcare or other types of enterprises, or family ties. In determining whether a related party relationship exists with the contracted provider, the tests of common ownership and control are applied separately. Control exists where an individual or organization has power, directly or indirectly, significantly to influence or direct the actions or policies of an organization or institution. If the elements of common ownership or control are not present in both organizations, the organizations are deemed not to be related to each other. The existence of an immediate family relationship will create an irrefutable presumption of relatedness through control or attribution of ownership or equity interests where the significance tests are met. The following persons are considered immediate family: (1) husband and wife; (2) natural parent, child and sibling; (3) adopted child and adoptive parent; (4) stepparent, stepchild, stepsister, and stepbrother; (5) father-in-law, mother-in-law, brother-in-law, son-in-law, sister-in-law, and daughter-in-law; (6) grandparent and grandchild; (7) uncles and aunts by blood or marriage; (8) nephew and nieces by blood or marriage; and (9) first cousins.

Related party transactions include the purchase/lease of facilities, services, equipment, or supplies from the contracted provider's central office or related organization(s). The allowable cost in a related-party transaction will be examined to determine their reasonableness, meaning that such cost must not exceed the price of comparable services, facilities, equipment or supplies if they were to be purchased from a non-related vendor on the open market.