

Internal Control Structure Questionnaire (ICSQ) for Cost Reimbursement Contracts

Contractor Name: County of Fort Bend **Procurement Number:** N/A

Fiscal Year: 2015 **Contract Number:** 24185932

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.)

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| 1. | Please indicate the accounting system in place (e.g., accrual, cash, or modified accrual) <u>Cash</u> |
| 2. | Does your organization complete yearly financial statements (e.g., Balance Sheet, Income Statement, Cash Flow)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If yes: a. Please list the name(s) of the person(s) responsible for preparing the annual financial statement(s): <u>Joyce Wendel, Accounting Supervisor</u> b. Please attach a copy of your most current statements as ATTACHMENT# I-2 . If no, please provide any manual or automated information maintained regarding your current financial position (e.g., assets versus liabilities) as ATTACHMENT #I-2 . c. Does your organization file annual tax returns (e.g. Schedule C, Form 990, Form 1120, Subchapter S)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If, yes, please include the tax return for the most recent year as ATTACHMENT 1-2C . If no, please explain why annual returns are not filed. <u>Government</u> |
| 3. | Are your accounting and financial system operations audited at regular intervals by an independent auditor (Certified Public Accountant)? Note that this is not referring to compliance monitoring performed by State Contract Managers. <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If yes: a. Please attach an original, bound audit report and management letter (if applicable) as provided by the independent auditor as ATTACHMENT #-3 . b. Please indicate the frequency with which your accounting records are audited by an independent auditor. <u>Annual</u> c. Please describe how independent audit results are shared with the governing body of your organization. |

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| | <u>Results are submitted to Commissioners' Court for acceptance.</u> | |
| 4. | <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> <p>_____</p> | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 5. | <p>Does your organization stay current with payment of its liabilities, loans, taxes, etc.?</p> <p>If no, please provide a detailed description of any defaults on loans or violations of restricting covenants in loan agreements in the past year.</p> <p>_____</p> | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 6. | <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.</p> <p>_____</p> | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 7. | <p>Has your organization been audited by the Internal Revenue Service (IRS) in the past two years?</p> <p><i>If yes:</i></p> <p style="margin-left: 20px;">a. <i>Please submit a copy of the IRS audit report, all related correspondence received from the IRS, and all related correspondence submitted to the IRS from your organization as ATTACHMENT I-7A.</i></p> <p style="margin-left: 20px;">b. <i>Have all discrepancies cited in the audit been resolved?</i></p> <p style="margin-left: 20px;">c. <i>If the IRS has placed any type of lien on the organization's resources, have the liens been released?</i></p> <p style="margin-left: 20px;">d. <i>If all discrepancies have not been resolved or all liens have not been released, please submit a description of the discrepancies or liens and the impact of such on your financial position and include a copy of any repayment schedule that may be required by the IRS as ATTACHMENT #I-7D.</i></p> | <p style="text-align: center;"><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p style="margin-top: 100px; text-align: center;"><input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A</p> <p style="margin-top: 10px; text-align: center;"><input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A</p> |

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 any contract or grant you administer with funding received through DFPS or any other state or federal agency.)

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| 1. | <p>Does your organization allocate costs between contracts and/or programs?</p> <p><i>If yes, please attach a detailed cost allocation plan as ATTACHMENT #II-1.</i></p> | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| 2. | <p><i>Please attach a list that identifies all your contracts with state agencies, including DFPS. For each contract include: state agency name, type of service provided, contract number, dollar amount, and payment method (e.g. cost reimbursement, fee for service) as ATTACHMENT #II-2.</i></p> | |

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| 3. | Does your organization maintain a separate ledger account for: a. Deposits for each source of funds? b. Disbursement of each source of funds? <i>Please provide a copy of your chart of accounts, and a description of how your accounting system identifies contract revenues and expenditures separately as ATTACHMENT #II-3.</i> | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|-----------------------------------|---|--|--|---|---|--|-------------------|--------------|-------------------|-------|-----------------------|----------------|-------|---------------------------|----------------|--------|--------|--------|--------|--------|--------------|-------|-------|-------|-------|-------|------------------|--------|--------|--------|--------|--------|
| 4. | Are costs and expenditures under budgetary control for: a. total contract budget? b. by budget category? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5. | Do all purchases require approval from an authorized individual in the requesting department? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6. | Indicate the name and title of individual(s) authorized to: <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 16.6%;">SIGN CHECKS OR AUTHORIZE PAYMENTS</th> <th style="width: 16.6%;">APPROVE PURCHASES <small>(INCLUDING ON-LINE AND CREDIT CARD)</small></th> <th style="width: 16.6%;">PREPARE PAYMENTS <small>(CHECKS AND ELECTRONIC FUND TRANSFERS)</small></th> <th style="width: 16.6%;">RECONCILE ACCOUNTS <small>INTERNAL ACCOUNTS TO BANK RECORDS</small></th> <th style="width: 16.6%;">CONTROL INVENTORY</th> <th style="width: 16.6%;">RECEIVE CASH</th> </tr> </thead> <tbody> <tr> <td>Robert Sturdivant</td> <td>Name:</td> <td>Accounts Payable Dept</td> <td>County Auditor</td> <td>Name:</td> <td>County Treasurer's Office</td> </tr> <tr> <td>County Auditor</td> <td>Title:</td> <td>Title:</td> <td>Title:</td> <td>Title:</td> <td>Title:</td> </tr> <tr> <td>Jeff Council</td> <td>Name:</td> <td>Name:</td> <td>Name:</td> <td>Name:</td> <td>Name:</td> </tr> <tr> <td>County Treasurer</td> <td>Title:</td> <td>Title:</td> <td>Title:</td> <td>Title:</td> <td>Title:</td> </tr> </tbody> </table> | | SIGN CHECKS OR AUTHORIZE PAYMENTS | APPROVE PURCHASES <small>(INCLUDING ON-LINE AND CREDIT CARD)</small> | PREPARE PAYMENTS <small>(CHECKS AND ELECTRONIC FUND TRANSFERS)</small> | RECONCILE ACCOUNTS <small>INTERNAL ACCOUNTS TO BANK RECORDS</small> | CONTROL INVENTORY | RECEIVE CASH | Robert Sturdivant | Name: | Accounts Payable Dept | County Auditor | Name: | County Treasurer's Office | County Auditor | Title: | Title: | Title: | Title: | Title: | Jeff Council | Name: | Name: | Name: | Name: | Name: | County Treasurer | Title: | Title: | Title: | Title: | Title: |
| SIGN CHECKS OR AUTHORIZE PAYMENTS | APPROVE PURCHASES <small>(INCLUDING ON-LINE AND CREDIT CARD)</small> | PREPARE PAYMENTS <small>(CHECKS AND ELECTRONIC FUND TRANSFERS)</small> | RECONCILE ACCOUNTS <small>INTERNAL ACCOUNTS TO BANK RECORDS</small> | CONTROL INVENTORY | RECEIVE CASH | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Robert Sturdivant | Name: | Accounts Payable Dept | County Auditor | Name: | County Treasurer's Office | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| County Auditor | Title: | Title: | Title: | Title: | Title: | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Jeff Council | Name: | Name: | Name: | Name: | Name: | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| County Treasurer | Title: | Title: | Title: | Title: | Title: | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7. | Are all expenditures reconciled with your general ledger? If no, please explain _____ | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 8. | How often are bank accounts reconciled to internal check registers? <input checked="" type="checkbox"/> Monthly <input type="checkbox"/> Quarterly <input type="checkbox"/> Other (please specify) _____ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 9. | Is your accounting system automated? If no, please skip to question #17. | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10. | Please describe how your accounting system is secured and/or protected (e.g. location, the use of passwords, access limits, checks and balances). <u>There are various roles which have different security levels for different functions.</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| 11. | <p>Please specify the name(s) and title(s) for the individuals with access to the accounting system to perform the following functions:</p> <p>Review Only: <u>County Departments</u></p> <p>Record Transactions: <u>County Auditor/County Treasurer's Offices</u></p> <p>Update/Change: <u>County Auditor/County Treasurer's Offices</u></p> <p>Delete: <u>County Auditor/County Treasurer's Offices</u></p> |
| 12. | <p>Please explain the process (e.g., initiation, review, approval) for making updates, changes, deletions, and year-end adjustments in the accounting system.</p> <p>_____</p> |
| 13. | <p>Are there controls to provide reasonable assurance that transactions are not lost, duplicated, or added before and/or after data entry and editing?</p> <p style="text-align: right;"><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> |
| 14. | <p>Are there controls to provide reasonable assurance that transactions with errors are rejected from further processing (e.g., prevented from updating the files/database)?</p> <p style="text-align: right;"><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> |
| 15. | <p>Is the data entered into the accounting system verified?</p> <p><i>If yes, please specify whom (name and title) is/are responsible for verifying the data, and how the verification is done.</i></p> <p>_____</p> <p style="text-align: right;"><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> |
| 16. | <p>What, if any, additional internal controls and approvals are in place within the organization to ensure payments made are valid and authorized?</p> <p>_____</p> |
| 17. | <p>Are all checks pre-numbered and accounted for?</p> <p>If no, please explain.</p> <p>_____</p> <p style="text-align: right;"><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> |
| 18. | <p>a. Are all disbursements (excluding petty cash) made by check?</p> <p>If no, what other means does your organization use to make disbursements?</p> <p><u>Electronic Disbursement</u></p> <p style="text-align: right;"><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>b. Is a check register (disbursement journal) used to record disbursements and maintain balances?</p> <p>If no, how are disbursements and balances tracked?</p> <p>_____</p> <p style="text-align: right;"><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> |

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| 19. | Are all disbursements approved prior to payment? If no, please explain. _____ | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 20. | Is there any additional review or special approval required for payment transactions (check or electronic disbursement) that exceed a specific dollar amount? <i>If yes, please specify the dollar limit(s), name(s) and title(s) of responsible staff.</i> _____ | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| 21. | Does your organization have a system for tracking: a. Voided checks? b. Credit card transactions? c. Other electronic transactions?..... If no, please explain. _____ | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A |
| 22. | Does your organization use a check-signing machine? <i>If yes, please describe how facsimile signature plates are safeguarded from improper use.</i> <u>The signature plates are stored within our software which requires one Treasurer's office employee and one Auditor's office employee to process the checks.</u> | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 23. | Are unused checks 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? Please indicate name and title of person who has custody of unused checks. <u>We do not manually sign checks. Check stock remains in the Treasurer's office.</u> | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 24. | Are the following practices prohibited: a. the drafting of checks to "CASH"?..... b. the signing of blank checks? c. the removal of blank checks from the checkbook?..... If no, please explain. _____ | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 25. | 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)? <i>If yes, please attach an explanation of your purchase order/requisition controls as ATTACHMENT #II-25.</i> | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A |
| 26. | Are supporting documents (e.g., service authorizations, invoices, receipts, approvals, | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |

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| | <p>receiving reports, canceled checks) maintained with each disbursement and clearly referenced for easy location and retrieval?</p> <p><i>If yes, please attach an explanation as ATTACHMENT #II-26. The attachment should describe your process for maintaining supporting documentation, such as:</i></p> <ul style="list-style-type: none"> • <i>How supporting records are kept and filed (e.g. filed by check number, month of payment);</i> • <i>How documents are marked when paid to prevent duplication of claims, and</i> • <i>How authorizations for service are registered internally.</i> | |
| 27. | Do supporting documents accompany checks for the check signer's signature? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 28. | Are invoices marked to identify allocation of payment? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 29. | <p>If bank account balances (including Certificates of Deposit) are in excess of FDIC coverage, does your organization have a system to protect the excess amount?</p> <p>If no, please explain:</p> <hr style="border: 0; border-top: 1px solid black; margin-top: 10px;"/> | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A |
| 30. | <p>Does your organization have procedures to identify costs and expenditures not allowable under federal and/or state regulations?</p> <p><i>If yes, please attach an explanation of your system for identifying unallowable costs/expenditures as ATTACHMENT #II-30.</i></p> | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 31. | <p>Does your organization maintain a contract file for each contract?</p> <p><i>If yes, does each contract file contain:</i></p> <p>a. <i>The executed contract with all attachments?</i></p> <p>b. <i>A copy of each contract amendment (as applicable)?</i></p> <p>c. <i>Billing documents?</i></p> <p>d. <i>Documentation of contract performance?</i></p> <p>e. <i>Related correspondence?</i></p> <p>f. <i>A copy of each subcontract agreement (as applicable)?</i></p> <p>If no to any of the above, please explain.</p> <hr style="border: 0; border-top: 1px solid black; margin-top: 10px;"/> | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA |
| 32. | <p>Does your organization have a process to prevent unauthorized access to confidential information related to your contracts (e.g., sensitive client information or records)?</p> <p><i>If yes, please attach a copy of your procedures as ATTACHMENT #II-32.</i></p> | <input type="checkbox"/> Yes <input type="checkbox"/> No |

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| II. B. PERSONNEL | | |
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| 33. | Does your organization have written personnel policies? If no, please explain. <hr style="width: 60%; margin-left: 0;"/> If yes, are the personnel policies distributed to all employees? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 34. | Do the personnel policies include: <ul style="list-style-type: none"> a. Hiring? b. Performance evaluations?..... c. Time and leave?..... d. Conflict of interest?..... e. Nepotism? f. Related-party..... | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 35. | Does your organization require individual time or activity sheets to be prepared at least monthly for personnel (part-time, full-time, and/or in-kind volunteers)? If no, please explain. <hr style="width: 60%; margin-left: 0;"/> <i>If yes, please submit a blank time sheet and/or activity sheet and a copy of the related policy as ATTACHMENT II-35.</i> | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 36. | Does your organization have on file an established rate of pay and withholding information for each employee? If no, please explain. <hr style="width: 60%; margin-left: 0;"/> | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 37. | Does your organization have a written job description with a set salary level for each position? If no, please explain. <hr style="width: 60%; margin-left: 0;"/> | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 38. | Is the amount being paid to each employee based on documentation of actual hours worked? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 39. | a. Is your organization current with your payroll taxes? b. Does your organization pay payroll taxes directly? If no, please explain and indicate name of withholding agent. <hr style="width: 60%; margin-left: 0;"/> | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |

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| 40. | <p>Does your organization conduct criminal background checks on your employees and volunteers?</p> <p><i>If yes, please attach a copy of your employee/volunteer background check policy and procedures as ATTACHMENT II-40. The attachment should, at a minimum, include the following:</i></p> <ul style="list-style-type: none"> • <i>When criminal background checks are conducted;</i> • <i>When criminal background checks are updated, and</i> • <i>Identify by title and/or position the employees and volunteers who are subject to criminal background checks.</i> | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
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II. C. TRAVEL

Reimbursements for travel expenses will be paid according to the State of Texas travel rates in effect on the date of travel as approved by the Office of the Comptroller of Public Accounts.

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| 41. | <p>Are expenditures for travel substantiated by travel vouchers, travel logs or other supporting documentation?</p> <p>If no, please explain.</p> <hr style="width: 60%; margin-left: 0;"/> <p><i>If yes, please submit a copy of your travel policy, a blank travel voucher, and a blank travel log as ATTACHMENT II-41.</i></p> | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A |
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II. D. EQUIPMENT

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| 42. | <p>a. Please specify the level of capitalization (dollar amount) used by your organization.</p> <p style="margin-left: 20px;"><u>\$5,000</u></p> <p>b. Please provide your organization's definition of equipment:</p> <p style="margin-left: 20px;"><u>Tangible property (other than land or buildings) that is used in the operations of the county.</u></p> |
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| 43. | <p>Does your organization conduct a physical inventory of capital equipment purchased with federal funds?</p> <p>If yes, how often? <u>Annually</u></p> | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
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| 44. | <p>Has DFPS funds been used (in whole or in part) to purchase equipment or controlled assets (e.g., computers, furniture, cameras, camcorders, laser discs (DVD) players, TVs)?</p> <p>Note: Contractors should review the Comptroller's State Property Accounting User Manual at https://fmx.cpa.state.tx.us/fmx/spa/classcodes/control.php for the most current listing of controlled assets. Contractors must add these items classified as controlled assets to their inventory list based on the noted acquisition costs.</p> <p>If no, please skip to Section II.E. Subcontractors.</p> | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
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| 45. | <p>Are inventory records maintained that include: item description, serial number, funding source(s), acquisition cost, acquisition date and inventory number?</p> <p><i>Please attach a blank inventory form as ATTACHMENT #II-45.</i></p> | <input type="checkbox"/> Yes <input type="checkbox"/> No |
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| 46. | Are all equipment items and controlled asset tagged for the purpose of internal tracking and inventory? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 47. | Does your organization have a policy regarding the documentation required for equipment that has been disposed of? <i>If yes, please attach a copy of your equipment disposal policy as ATTACHMENT #II-47.</i> | <input type="checkbox"/> Yes <input type="checkbox"/> No |

II. E. SUBCONTRACTORS

If your organization does not subcontract DFPS services, or does not intend to subcontract DFPS services, mark N/A here and skip to section II.F. Related Party Transactions.

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| 48. | Does your organization have written policies and procedures for subcontracted services? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 49. | Does your organization have a state contract of \$100,000 or greater? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 50. | Does your organization conduct criminal background checks on your subcontractors? | <input type="checkbox"/> Yes <input type="checkbox"/> No |

II. F. RELATED-PARTY TRANSACTIONS

A related party could include a family member or relative, stockholder, or a corporation (individual or group) who is related in some way to the initial party.

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| 51. | If your organization subcontracts with a related party to provide part or all of the program services, please attach a description of your selection process as ATTACHMENT II-51 . | |
| 52. | 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. _____ | <input checked="" type="checkbox"/> N/A |

The following questions relate to “doing business” with a related party. “Doing business” refers to business activities such as purchasing or leasing (e.g., a building, a computer, a vehicle), and/or providing a service (e.g., legal, accounting, or banking services), even if the purchase/lease/service is provided for free.

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| 53. | List any member of your Board of Directors with whom you are “doing business”. a. Board Member: _____ b. Business relationship: _____ | <input checked="" type="checkbox"/> N/A |
| 54. | List anyone with whom you are “doing business” who is related by blood, adoption or marriage, to a member of your Board of Directors. a. Board Member name/position: _____ b. Name/title of related party: _____ c. Relationship to Board Member: _____ d. Type of business transaction: _____ | <input checked="" type="checkbox"/> N/A |
| 55. | List anyone with whom you are “doing business” who is a principal stockholder of your organization. | <input checked="" type="checkbox"/> N/A |

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| | a. Principle Stockholder: _____ b. Business relationship: _____ | |
| 56. | List anyone with whom you are “doing business” who is related by blood, adoption or marriage, to a principal stockholder. a. Stockholder name: _____ b. Name of related party: _____ c. Relationship to Stockholder: _____ d. Business relationship: _____ | <input checked="" type="checkbox"/> N/A |
| 57. | List any related party (e.g., a member of your Board of Directors, a principal stockholder, or anyone related by blood, adoption or marriage, to a principal stockholder or member of the Board of Directors) from whom the organization leases a building or property. a. Board Member/Stockholder name/title: _____ b. Name of related party: : _____ <i>Please include a copy of the lease for each item as ATTACHMENT #II-57.</i> | <input checked="" type="checkbox"/> N/A |
| <p>The following questions relate to “conflict of interest.” Key employees (e.g., executive director, president, chief executive officer, administrator) exert a degree of control.</p> | | |
| 58. | List any key employee with whom your organization is “doing business”. a. Employee name/position: _____ b. Business Relationship: _____ | <input checked="" type="checkbox"/> N/A |
| 59. | List anyone with whom your organization is “doing business” who is related by blood, adoption or marriage, to any key employee. a. Key employee name/position: _____ b. Name of related party: _____ c. Relationship to key employee: _____ d. Please specify business relationship: _____ | <input checked="" type="checkbox"/> N/A |
| 60. | List any key employee from whom the organization leases a building and/or property. a. Employee name/position: _____ <i>Please submit a copy of each lease as ATTACHMENT #II-60.</i> | <input checked="" type="checkbox"/> N/A |
| 61. | Does your organization maintain an appraisal of market value or market rental rates for each property resulting from a related-party transaction? If no, please explain. _____ | <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A |

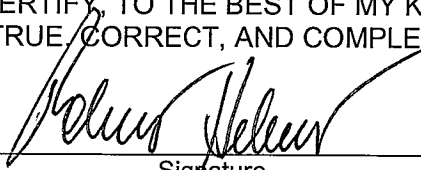
Internal Control Structure Questionnaire (ICSQ) for Cost Reimbursement Contracts

| | | |
|-----|---|---|
| 62. | List any key employee related by blood, adoption or marriage, to a member of your Board of Directors. <u>a. Board Member name/position:</u> _____ <u>b. Key Employee name/title of:</u> _____ <u>c. Relationship to Board Member:</u> _____ | <input checked="" type="checkbox"/> N/A |
| 63 | List any key employee related by blood, adoption or marriage, to anyone related, by blood, adoption or marriage, to a member of your Board of Directors. <u>a. Board Member name/position:</u> _____ <u>b. Key Employee name/title of:</u> _____ <u>c. Relationship to Board Member:</u> _____ | <input checked="" type="checkbox"/> N/A |
| 64. | List any key employee related by blood, adoption or marriage to a principal stockholder or to anyone related by blood, adoption or marriage to a principal stockholder. <u>a. Stockholder or related party:</u> _____ <u>b. Name/position of Key Employee or related party:</u> _____ <u>c. Relationship to Stockholder:</u> _____ | <input checked="" type="checkbox"/> N/A |
| 65. | List any employee related by blood, adoption or marriage to a key employee or to anyone related by blood, adoption or marriage to a key employee. <u>a. Key Employee name/title:</u> _____ <u>b. Related Employee name/title:</u> _____ <u>c. Relationship to Key Employee:</u> _____ | <input checked="" type="checkbox"/> N/A |

CERTIFICATION

Signed by an individual with documented authority as designated by the business entity.

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



Signature

4-7-2015

Date

Robert Hebert
Printed/Typed Name

County Judge
Title

Internal Control Structure Questionnaire (ICSQ) for Cost Reimbursement Contracts

ICSQ Instructions

Every business entity should have internal controls. Internal controls consist of the policies and procedures that a business entity develops and implements to 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 helps to ensure that assets that belong to the business entity 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, then there would be no protection against either fraud or errors.

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 Internal Control Structure Questionnaire (ICSQ) consists of a series of questions related to the processes and procedures for handling cash receipts, cash disbursements, physical inventory, file maintenance, etc. Responses to the questions included in the ICSQ allow for an assessment of the effectiveness of the procedures described as compared to best practices and/or specific state and federal guidelines.

Instructions for Submitting the ICSQ

An up-to-date ICSQ is required to be submitted with each new proposal to contract with the Department of Family and Protective Services (DFPS).

No two-sided copies will be accepted. No pamphlets or books will be accepted (except for required financial reports and/or audits). Responses must be typed or printed. All attachments must be clearly numbered.

Instructions for Completing the ICSQ

The ICSQ has been divided into several sections, as follows:

SECTION I: FINANCIAL POSITION

This section requests background information about the business entity, including the financial system used to maintain the accounting records; preparation of financial statements; the most recent audit report and management letter; certification of the organization not having any outstanding liabilities, loans and/or taxes, and the organization's ability to obtain credit when needed. These questions are related to the business entity's likelihood of providing continuous services for the duration of the contract period.

SECTION II: INTERNAL CONTROLS

This section addresses Internal Controls as described below:

II. A. GENERAL/ACCOUNTING CONTROLS

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

Accounting controls assist 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 ensure that all cash that is receivable by the business entity is collected and recorded without loss. The system of controlling cash payments should be designed to ensure

Internal Control Structure Questionnaire (ICSQ) for Cost Reimbursement Contracts

that no unauthorized payments are made. Control is accomplished by division of responsibility to achieve independent verification of transactions without duplication of effort.

Question 1:

Cost allocation ensures that costs are properly allocated to a specific funding source and that all costs are properly identified.

Cost allocation is required when a cost will benefit more than one contract or funding source. If cost allocation is necessary, contractors must use reasonable methods of allocating costs consistently. Any cost allocation method used should be a reasonable reflection of actual business operations.

Questions 5 - 6:

It is a good business practice to require authorized individuals to approve purchases or electronic transactions made on behalf of their department. Designating separate individuals to sign checks or authorize payments, approve purchases, prepare payments, reconcile internal accounts to the general ledger, control assets, and receive cash is also a good business practice. For smaller staffs, it may be necessary to identify compensating controls where adequate separation of duties is not possible.

Questions 7 - 8:

All costs that are reported and/or billed to a funding source should be reconciled with the general ledger (the book or file that contains all of the organization's accounts) as well as bank account transaction records.

Questions 9 - 16:

If the business entity's accounting system is automated, please complete questions 9 - 16 to provide detail as to who has access to the accounting system and how the system is protected.

Questions 17 - 25:

These are examples of internal controls that act as safeguards against unauthorized expenditures and/or check disbursement.

Questions 26 - 27:

It is a best practice to maintain supporting documents with each disbursement. Alternatively, supporting documents should be numbered, clearly referenced, and filed for easy retrieval.

Question 28:

If more than one funding source is to be used to reimburse a cost, then it is extremely important that the invoice documents how the cost is to be allocated.

Question 29:

To ensure funds are fully protected, contractors should understand their coverage limits and confirm that their financial institution is [FDIC-insured](#). The standard insurance amount currently is \$250,000 per depositor. The \$250,000 limit is permanent for certain retirement accounts (includes IRAs) and is temporary for all other deposit accounts through December 31, 2013.

Question 30:

Contractors should reference the applicable Texas Administrative Code (TAC) or Office of Management and Budget (OMB) Circulars to identify costs and expenditures that are not allowable.

Question 31:

An element of a good file maintenance process is having a systematic approach to filing the numerous contract documents that flow through a business entity. A systematic filing approach decreases the risk of lost documents, and provides a central place for documents that pertain to a specific contract.

Question 32:

An important protective measure to safeguard sensitive information is controlling physical access to the information or records related to your contracts. All contract information must be cared for with the appropriate level of physical and electronic security. Procedural safeguards ensure adequate controls against unauthorized access, fraudulent activity, disclosure, loss or damage, whether accidental or deliberate, as well as to ensure the availability, integrity, authenticity,

Internal Control Structure Questionnaire (ICSQ) for Cost Reimbursement Contracts

and confidentiality of information. Procedural safeguards may include adequate separation of duties, limiting physical access (e.g., storing information in a safe or fireproof filing cabinet, locks on doors or filing cabinets, passwords) or computer-related controls dealing with access privilege.

II. B. PERSONNEL

Questions 33 - 34:

Each business entity should have written personnel policies that are made available to all employees. The policies need to be consistently applied and should include all federally mandated policies related to human resource issues.

Questions 35 - 39:

OMB Circular A-122, Attachment B, Paragraph 8, subparagraph "m" (revised May 10, 2004) and OMB Circular A-87, Attachment B, Paragraph 8, subparagraph "h" (revised May 10, 2004) 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.

Question 40:

DFPS requires contractor employees who will have or currently have direct contact with clients or access to client records, prior to such contact or access, to disclose and release, or cause its subcontractors to disclose and release, any allegation alleging an act of abuse, neglect or exploitation of children, the elderly, or person with disabilities, as well as any criminal history or any current criminal indictment. It is the policy of DFPS to require background checks concerning criminal and DFPS abuse/neglect history on potential contractors, contractors, their employees, subcontractors and/or volunteers.

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

Question 41:

Travel expenses for which reimbursement will be requested from DFPS must conform to the current state travel requirements and rates for lodging, meals, and personal vehicle mileage. Supporting documentation for travel expenses must include receipts for the following expenses: parking fees, hotel lodging, taxis, and airfare.

II. D. EQUIPMENT

Questions 42 - 47:

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.

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

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 34 (G). Equipment purchased using DFPS contract funds is subject to an equitable claim by the state (DFPS) at contract closure. No disposition should take place without prior notification to DFPS contract management.

II. E. SUBCONTRACTORS

This section must be completed if DFPS funds are or will be provided to subcontractors.

Question 48:

Subcontractor selection procedures should reflect a system in which the best subcontractor is fairly and objectively selected. Procedures should clearly identify the method of contractor selection utilized (e.g., competitive selection or bidding, negotiation with individual). (OMB Circular A-110, Sections 40-48.)

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The subcontractor selection process should also include established criteria to evaluate potential subcontractors, ranking method, and the consideration of past performance factors.

Subcontractor monitoring procedures should be sufficient to ensure that subcontractors consistently provide quality services by measuring performance against well-documented outcome expectations. 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 should adequately describe who is responsible for monitoring, how often monitoring occurs, the monitoring process to include follow-up procedures when corrective action is required. It is also a good business practice to include an ongoing system for ensuring that funds are spent appropriately.

Question 49:

DFPS is committed to encouraging participation and increased opportunities for any minority and women-owned business that is certified as a Historically Underutilized Business (HUB). DFPS requires contractors who have contracts 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 of \$100,000 or more may be required to have a HUB Subcontracting Plan that documents either:

- a) That contractor does not plan to subcontract any component 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. In this case, a [HUB Subcontracting Form](#) must be on file.

Question 50:

DFPS requires contractor employees who will have or currently have direct contact with clients or access to client records, prior to such contact or access, to disclose and release, or cause its subcontractors to disclose and release, any allegation alleging an act of abuse, neglect or exploitation of children, the elderly, or person with disabilities, as well as any criminal history or any current criminal indictment. It is the policy of DFPS to require background checks concerning criminal and DFPS abuse/neglect history on potential contractors, contractors, their employees, subcontractors and/or volunteers.

II. F. RELATED-PARTY TRANSACTIONS

Questions 51 - 65:

This section deals with doing business with related parties. A related party is a person or business entity related to the contracted provider entity by blood, marriage, adoption, 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 business entities 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 business entity has power, directly or indirectly, significantly to influence or direct the actions or policies of a business entity or institution. If the elements of common ownership or control are not present in both business entities, the entities 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. (40 TAC §732.240)

Related party transactions include the purchase/lease of facilities, services, equipment, or supplies from the contracted provider's central office or related business entities. 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.