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5.	<p>Are your accounting and financial system operations audited at regular intervals by an independent auditor (Certified Public Accountant)? Note: this is not referring to compliance monitoring performed by State Contract Managers.</p> <p>If yes: Please attach an original, audit report and management letter (if applicable) as provided by the independent auditor as ATTACHMENT #I-5.</p> <p>Please indicate the frequency with which your accounting operations are audited by an independent auditor:</p> <p>_____</p> <p>Please describe how independent audit results are shared with the governing body of your organization:</p> <p>_____</p>	Yes	No
6.	<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 grant (e.g., outstanding audit exceptions or purchase of real property)?</p> <p>If no, please explain:</p> <p>_____</p>	Yes	No
7.	<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>	Yes	No
8.	<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>	Yes	No
9.	<p>Has your organization been audited by the Internal Revenue Service (IRS) in the past two years?</p> <p>If yes:</p> <ol style="list-style-type: none"> 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-9A. Have all discrepancies cited in the audit been resolved? If the IRS has placed any type of lien on the organization's resources, have the liens been released? 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-9D. 	Yes	No

SECTION II: INTERNAL CONTROLS

Contract Monitoring Questionnaire

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 HHSS or any other state or federal agency.)

10.	Does your organization allocate costs between grants/contracts and/or programs? <i>If yes</i> , please attach a detailed cost allocation plan as ATTACHMENT #II-10 .	Yes No																														
11.	Please attach a list that identifies all your grants and contracts with state agencies, including HHSC. For each include: state agency name, type of service provided, grant/contract number, dollar amount, and payment method (e.g. cost reimbursement, fee for service) as ATTACHMENT #II-11 .																															
12.	Does your organization maintain a separate ledger account for: a. Deposits for each source of funds? b. Disbursement of each source of funds? Please provide a copy of your chart of accounts, and a description of how your accounting system identifies grant revenues and expenditures separately as ATTACHMENT #II-12 .	Yes No Yes No																														
13.	Are costs and expenditures under budgetary control for: a. the total grant budget? b. by budget category?	Yes No Yes No																														
14.	Do all purchases require approval from an authorized individual in the requesting department?	Yes No																														
15.	<p>Indicate the name and title of individual(s) authorized to:</p> <table border="1"> <thead> <tr> <th>SIGN CHECKS OR AUTHORIZE PAYMENTS</th> <th>APPROVE PURCHASES <small>(INCLUDING ON-LINE AND CREDIT CARD)</small></th> <th>PREPARE PAYMENTS <small>(CHECKS AND ELECTRONIC FUND TRANSFERS)</small></th> <th>RECONCILE ACCOUNTS <small>INTERNAL ACCOUNTS TO BANK RECORDS</small></th> <th>CONTROL INVENTORY</th> <th>RECEIVE CASH</th> </tr> </thead> <tbody> <tr> <td>Name:</td> <td>Name:</td> <td>Name:</td> <td>Name:</td> <td>Name:</td> <td>Name:</td> </tr> <tr> <td>Title:</td> <td>Title:</td> <td>Title:</td> <td>Title:</td> <td>Title:</td> <td>Title:</td> </tr> <tr> <td>Name:</td> <td>Name:</td> <td>Name:</td> <td>Name:</td> <td>Name:</td> <td>Name:</td> </tr> <tr> <td>Title:</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	Name:	Name:	Name:	Name:	Name:	Name:	Title:	Title:	Title:	Title:	Title:	Title:	Name:	Name:	Name:	Name:	Name:	Name:	Title:	Title:	Title:	Title:	Title:	Title:
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Name:	Name:	Name:	Name:	Name:	Name:																											
Title:	Title:	Title:	Title:	Title:	Title:																											
16.	Are all expenditures reconciled with your general ledger? <i>If no</i> , please explain: _____	Yes No																														

Contract Monitoring Questionnaire

17.	How often bank accounts reconciled to internal check are registers? Monthly Quarterly Other (please specify) _____	
18.	Is your accounting system automated?	Yes No
19.	Please describe how your accounting system is secured and/or protected (e.g. location, the use of passwords, access limits, checks and balances): _____	
20.	Please specify the name(s) and title(s) for the individuals with access to the accounting system to perform the following functions: Review Only: _____ Record Transactions: _____ Update/Change: _____ Delete: _____	
21.	Please explain the process (e.g., initiation, review, approval) for making updates, changes, deletions, and year-end adjustments in the accounting system: _____	
22.	Are there controls to provide reasonable assurance that transactions are not lost, duplicated, or added before and/or after data entry and editing?	Yes No
23.	Are there controls to provide reasonable assurance that transactions with errors are rejected from further processing (e.g., prevented from updating the files/database)?	Yes No
24.	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: _____	Yes No
25.	What, if any, additional internal controls and approvals are in place within the organization to ensure payments made are valid and authorized? _____	
26.	Are all checks pre-numbered and accounted for? If no , please explain: _____	Yes No

Contract Monitoring Questionnaire

27.	<p>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>_____</p> <p>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>Yes No</p> <p>Yes No</p>
28.	<p>Are all disbursements approved prior to payment?</p> <p>If no, please explain:</p> <p>_____</p>	<p>Yes No</p>
29.	<p>Is there any additional review or special approval required for payment transactions (check or electronic disbursement) that exceed a specific dollar amount?</p> <p>If yes, please specify the dollar limit(s), name(s) and title(s) of responsible staff:</p> <p>_____</p>	<p>Yes No</p>
30.	<p>Does your organization have a system for tracking:</p> <p>a. Voided checks?</p> <p>b. Credit card transactions?</p> <p>c. Other electronic transactions?</p> <p>If no, please explain:</p> <p>_____</p>	<p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>N/A</p>
31.	<p>Does your organization use a check-signing machine?</p> <p>If yes, please describe how facsimile signature plates are safeguarded from improper use:</p> <p>_____</p>	<p>Yes No</p>
32.	<p>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?</p> <p>Please indicate name and title of person who has custody of unused checks:</p> <p>_____</p>	<p>Yes No</p>
33.	<p>Are the following practices prohibited:</p> <p>a. the drafting of checks to "CASH"?</p> <p>b. the signing of blank checks?</p> <p>c. the removal of blank checks from the checkbook?</p> <p>If no, please explain:</p> <p>_____</p>	<p>Yes No</p> <p>Yes No</p> <p>Yes No</p>

Contract Monitoring Questionnaire

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34.	<p>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)?</p> <p>If yes, please attach an explanation of your purchase order/requisition controls as ATTACHMENT #II-34.</p>	<p>Yes No</p> <p>N/A</p>
35.	<p>Are supporting documents (e.g., service authorizations, invoices, receipts, approvals, receiving reports, canceled checks) maintained with each disbursement and clearly referenced for easy location and retrieval?</p> <p>If yes, please attach an explanation as ATTACHMENT #II-35. The attachment should describe your process for maintaining supporting documentation, such as:</p> <ul style="list-style-type: none"> • How supporting records are kept and filed (e.g. filed by check number, month of payment); • How documents are marked when paid to prevent duplication of claims, and • How authorizations for service are registered internally. 	<p>Yes No</p>
36.	Do supporting documents accompany checks for the check signer's signature?	<p>Yes No</p>
37.	Are invoices marked to identify allocation of payment?	<p>Yes No</p>
38.	<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/>	<p>Yes No</p> <p>N/A</p>
39.	<p>Does your organization have procedures to identify costs and expenditures not allowable under federal and/or state regulations?</p> <p>If yes, please attach an explanation of your system for identifying unallowable costs/expenditures as ATTACHMENT #II-39.</p>	<p>Yes No</p>

SECTION III: GRANT DOCUMENTATION

40.	<p>Does your organization maintain a grant file for each grant? If yes, does each grant file contain:</p> <p>a. The executed grant with all attachments?</p> <p>b. A copy of each grant amendment (as applicable)?</p> <p>c. Billing documents?</p> <p>d. Documentation of grant performance?</p> <p>e. Related correspondence?</p> <p>f. A copy of each subcontract agreement (as applicable)?</p> <p>If no, to any of the above, please explain:</p> <hr/>	<p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>Yes No</p> <p>NA</p>
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SECTION IV: DATA SECURITY

Contract Monitoring Questionnaire

41.	Does your organization have a process to prevent unauthorized access to confidential information related to your contracts (e.g., sensitive client information or records)? If yes , please attach a copy of your procedures as ATTACHMENT #IV-41 .	Yes No
<u>SECTION V: PERSONNEL</u>		
42.	Does your organization have written personnel policies? If no , please explain: _____ If yes , are the personnel policies distributed to all employees?	Yes No Yes No
43.	Do the personnel policies include: a. Hiring? b. Performance evaluations? c. Time and leave? d. Conflict of interest? e. Nepotism? f. Related-party?	Yes No Yes No Yes No Yes No Yes No Yes No
44.	Does your organization require individual time or activity sheets to be prepared at least monthly for personnel (part-time or full-time)? If no , please explain: _____ If yes , please submit a blank time sheet and/or activity sheet and a copy of the related policy as ATTACHMENT #V-44 .	Yes No
45.	Does your organization have on file an established rate of pay and withholding information for each employee? If no , please explain: _____	Yes No
46.	Does your organization have a written job description with a set salary level for each position? If no , please explain: _____	Yes No
47.	Is the amount being paid to each employee based on documentation of actual hours worked?	Yes No
48.	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: _____	Yes No Yes No

Contract Monitoring Questionnaire

49.	<p>Does your organization have procedures to monitor that services are being delivered by employees in accordance to the grant?</p> <p>If yes, please attach a copy of your service monitoring procedures as ATTACHMENT #V-49.</p>			Yes	No												
50.	<p>Does your organization conduct criminal background checks on your employees?</p> <p>If yes, please attach a copy of your employee background check policy and procedures as ATTACHMENT #V-50. The attachment should, at a minimum, include the following:</p> <ul style="list-style-type: none"> • When criminal background checks are conducted; • When criminal background checks are updated, and • Identify by title and/or position the employees who are subject to criminal background checks. 			Yes	No												
51.	<p>Key Management Staff</p> <p>For purposes of this question, key management staff may include individuals with titles such as: Executive Director, President, Sole Proprietor, Comptroller, Chief Financial Officer, Manager, or Program Director.</p> <p>Has there been a change in any key management staff at your business organization within the past two years?</p>			Yes	No												
52.	<p>Indicate whether or not key management staff have at least two years' worth of experience providing fiscal or programmatic components of the grant service (even if not with the same business entity).</p> <p><u>Fiscal components</u> refer to the financial aspect of the grant.</p> <p><u>Programmatic components</u> refer to the service delivery side of the grant, such as ensuring that services are provided to clients, monitoring the quality of the service delivery, complying with the service provisions in the grant.</p> <table border="1"> <tr> <td>Executive Director, Sole Proprietor, President or Equivalent</td> <td>Less than 2 years with fiscal <u>or</u> programmatic components of federal and/or state contracted programs</td> <td>At least 2 years with fiscal <u>or</u> programmatic components of federal and/or state contracted programs</td> <td>At least 2 years with fiscal <u>and</u> programmatic components of federal and/or state contracted programs</td> </tr> <tr> <td>Accounting Director, Comptroller, Chief Financial Officer, Business Manager, etc.</td> <td>Less than 2 years with fiscal <u>or</u> programmatic components of federal and/or state contracted programs</td> <td>At least 2 years with fiscal <u>or</u> programmatic components of federal and/or state contracted programs</td> <td>At least 2 years with fiscal <u>and</u> programmatic components of federal and/or state contracted programs</td> </tr> <tr> <td>Program Director, Program Coordinator or Equivalent</td> <td>Less than 2 years with fiscal <u>or</u> programmatic components of federal and/or state contracted programs</td> <td>At least 2 years with fiscal <u>or</u> programmatic components of federal and/or state contracted programs</td> <td>At least 2 years with fiscal <u>and</u> programmatic components of federal and/or state contracted programs</td> </tr> </table>					Executive Director, Sole Proprietor, President or Equivalent	Less than 2 years with fiscal <u>or</u> programmatic components of federal and/or state contracted programs	At least 2 years with fiscal <u>or</u> programmatic components of federal and/or state contracted programs	At least 2 years with fiscal <u>and</u> programmatic components of federal and/or state contracted programs	Accounting Director, Comptroller, Chief Financial Officer, Business Manager, etc.	Less than 2 years with fiscal <u>or</u> programmatic components of federal and/or state contracted programs	At least 2 years with fiscal <u>or</u> programmatic components of federal and/or state contracted programs	At least 2 years with fiscal <u>and</u> programmatic components of federal and/or state contracted programs	Program Director, Program Coordinator or Equivalent	Less than 2 years with fiscal <u>or</u> programmatic components of federal and/or state contracted programs	At least 2 years with fiscal <u>or</u> programmatic components of federal and/or state contracted programs	At least 2 years with fiscal <u>and</u> programmatic components of federal and/or state contracted programs
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53.	Grant Staff																

Contract Monitoring Questionnaire

	<p>Has there been a significant change in grant staff at your business organization within the preceding year?</p> <p>Please indicate the average level of experience that grant staff at your organization have in providing the grant service:</p> <p>0 - 23 months 24 - 59 months 60 or more months</p>	Yes No
<p><u>SECTION VI: TRAVEL</u></p> <p>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.</p>		
54.	<p>Are expenditures for travel substantiated by travel vouchers, travel logs or other supporting documentation?</p> <p>If no, please explain:</p> <p>_____</p> <p>If yes, please submit a copy of your travel policy, a blank travel voucher, and a blank travel log as ATTACHMENT #VI-54.</p>	Yes No N/A
<p><u>SECTION VII: EQUIPMENT</u></p>		
55.	<p>a. Please specify the level of capitalization (dollar amount) used by your organization:</p> <p>_____</p> <p>b. Please provide your organization's definition of equipment:</p> <p>_____</p>	
56.	<p>Does your organization conduct a physical inventory of capital equipment purchased with government funds?</p> <p>If yes, how often? _____</p>	Yes No
57.	<p>Have HHSS 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: Grantees should review the Comptroller's State Property Accounting User Manual at https://fm.xcpa.texas.gov/fmx/pubs/spaproc/ for the most current listing of controlled assets. Grantees 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 VIII: Subcontractors.</p>	Yes No
58.	<p>Are inventory records maintained that include: item description, serial number, funding source(s), acquisition cost, acquisition date and inventory number?</p> <p>Please attach a blank inventory form as ATTACHMENT #VII-58.</p>	Yes No
59.	<p>Are all equipment items and controlled asset tagged for the purpose of internal tracking and inventory?</p>	Yes No

Contract Monitoring Questionnaire

60.	<p>Does your organization have a policy regarding the documentation required for equipment that has been disposed of?</p> <p>If yes, please attach a copy of your equipment disposal policy as ATTACHMENT #VII-60.</p>	<p>Yes No</p>
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SECTION VIII: SUBCONTRACTORS

If your organization does not subcontract HHSS services, or does not intend to subcontract HHSS services, mark N/A here and skip to Section IX. Related-Party Transactions.

61.	<p>Based on the grant amount awarded, indicate the percentage of funding allocated to subcontractors for grant services (as allowable by the grant).</p> <p style="padding-left: 40px;">No Subcontractor Involvement</p> <p style="padding-left: 40px;">Subcontractors account for less than 50% of the grant award</p> <p style="padding-left: 40px;">Subcontractors account for 50% or more of the grant award</p>	
62.	Does your organization have written policies and procedures for subcontracted services?	Yes No
63.	Do the Terms and Conditions of this grant flow down to all subcontracted services? If yes , how is this documented? _____	Yes No
64.	<p>Does your organization monitor subcontractors?</p> <p>If yes, please attach a copy of your subcontractor policy and a list of your current subcontracts as ATTACHMENT #VIII-64.</p>	Yes No
65.	Does your organization conduct criminal background checks on your subcontractors?	Yes No

SECTION IX: 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.

66.	<p>Disclose the type of business transactions (compensated or not) that occur between your business entity and any related party. For purposes of this question, related party refers to:</p> <ul style="list-style-type: none"> a) A family member (including blood, marriage, or adoption), b) A member of the Board of Directors, c) Stockholders with >5% Ownership, d) Key Employees Paid Separately for Other Responsibilities (e.g., consulting services, not direct employees), e) Parent/Subsidiaries, or f) Organizations under Common Ownership or Control (excluding routine relationships for an LLC). <p>Transactions include business activities such as purchasing or leasing (e.g., a building, a computer, or a vehicle) and/or obtaining a service (e.g., legal services, accounting services, banking services).</p>		
	Non-Compensated Services	Yes	No
	Compensated, Non-Recurring Goods, Services, or Labor	Yes	No
	Compensated, Recurring Goods, Services or Labor	Yes	No
	Compensated Goods, Services, or Labor w/ Uniform Rate Uniform, Set Rate that Applies to All Contracts for the Service	Yes	No
	Compensated Consulting or Management Services	Yes	No

Contract Monitoring Questionnaire

	<table border="1"> <tr> <td>Compensated Building Leasing</td><td>Yes</td><td>No</td></tr> <tr> <td>Compensated Transportation</td><td>Yes</td><td>No</td></tr> <tr> <td>For-Profit Affiliated with Non-Profit</td><td>Yes</td><td>No</td></tr> <tr> <td>Owned/Operated by Same or Related Entity</td><td>Yes</td><td>No</td></tr> <tr> <td>Parent/Subsidiary Relationship</td><td>Yes</td><td>No</td></tr> </table>	Compensated Building Leasing	Yes	No	Compensated Transportation	Yes	No	For-Profit Affiliated with Non-Profit	Yes	No	Owned/Operated by Same or Related Entity	Yes	No	Parent/Subsidiary Relationship	Yes	No	
Compensated Building Leasing	Yes	No															
Compensated Transportation	Yes	No															
For-Profit Affiliated with Non-Profit	Yes	No															
Owned/Operated by Same or Related Entity	Yes	No															
Parent/Subsidiary Relationship	Yes	No															
67.	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 #XI-67 .																
68.	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. _____	N/A															
69.	List any key employee related by blood, adoption or marriage, to a member of your Board of Directors. a. Board Member name/position: _____ b. Key Employee name/title: _____ c. Relationship to Board Member: _____	N/A															
70.	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. a. Board Member name/position: _____ b. Key Employee name/title: _____ c. Relationship to Board Member: _____	N/A															
71.	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. a. Stockholder or related party: _____ b. Key Employee name/title: _____ c. Relationship to Stockholder: _____	N/A															
72.	List any employee related by blood, adoption or marriage to a key employee(s) or to anyone related by blood, adoption or marriage to a key employee(s). a. Key Employee name/title: _____ b. Related Employee name/title: _____ c. Relationship to Key Employee: _____	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

Date

Printed/Typed Name

Title

CMQ 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 Contract Monitoring Questionnaire (CMQ) consists of a series of questions related to the processes and procedures for handling cash receipts, cash disbursements, and physical inventory, file maintenance, etc. Responses to the questions included in the CMQ 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 CMQ

Grantee must submit an initial CMQ within thirty (30) days after grant effective date and within sixty (60) days prior to the end of each State Fiscal Year ("SFY") thereafter.

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 CMQ

The CMQ 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 grant period.

SECTION II: INTERNAL CONTROLS

This section addresses Internal Controls as described below:

GENERAL/ACCOUNTING CONTROLS

The general accounting section addresses file maintenance and the grantee's responsibility to meet grant 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 that no unauthorized payments are made. Control is accomplished by division of responsibility to achieve independent verification of transactions without duplication of effort.

Question 10-39:

Contract Monitoring Questionnaire

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 grant, contract or funding source. If cost allocation is necessary, grantees must use reasonable methods of allocating costs consistently. Any cost allocation method used should be a reasonable reflection of actual business operations.

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 the adequate separation of duties is not possible.

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.

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.

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

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.

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 38:

To ensure funds are fully protected, grantee 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 39:

Grantees 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.

SECTION III: GRANTEE DOCUMENTATION

Question 40:

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

SECTION IV: DATA SECURITY

Question 41:

An important protective measure to safeguard sensitive information is controlling physical access to the information or records related to your grants. All grant 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, 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.

SECTION V. PERSONNEL

Questions 42 - 43:

Contract Monitoring Questionnaire

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 44 - 49:

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 grants/contracts must be documented.

Question 50:

It is the policy of HHSS to require criminal background checks for all employees and subcontractor who will have or currently have direct contact with clients or access to client records and access to accounting records.

Question 51-52:

Provide the average tenure of key management staff as well as the level of experience of grant staff.

SECTION VI. TRAVEL (Travel Costs Paid with HHSS Funds)

Question 54:

Travel expenses for which reimbursement will be requested from HHSS 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.

SECTION VII. EQUIPMENT

Questions 55 - 60:

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 is 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 HHSS grant funds is subject to an equitable claim by the state (HHSC) at grant closure. No disposition should take place without prior notification to HHSS contract management.

SECTION VIII. SUBCONTRACTORS

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

Question 61-64:

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.)

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 grant/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.

HHSS is committed to encouraging participation and increased opportunities for any minority and women-owned business that is certified as a Historically Underutilized Business (HUB). HHSS requires grantees who have contracts of \$100,000 or more to do the same.

Contract Monitoring Questionnaire

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

- a) That grantee does not plan to subcontract any component of the HHSS grant, or
- b) That grantee does plan to subcontract and includes at a minimum the grantee's written policy/procedures for subcontracting and grantee's methods for soliciting and selecting subcontractors. In this case, a [HUB Subcontracting Form](#) must be on file.

Question 65:

HHSS requires grant 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 HHSS to require background checks concerning criminal and HHSS abuse/neglect history on potential grantees, their employees, subcontractors.

SECTION IX. RELATED-PARTY TRANSACTIONS

Questions 66 - 72:

This section deals with doing business with related parties. A related party is a person or business entity related to the grantee 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 grantee, 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 a family relationship up to the third degree of affinity or consanguinity will create an irrefutable presumption of relatedness through control or attribution of ownership or equity interests where the significance tests are met. (5 TGC §573.002)

Related party transactions include the purchase/lease of facilities, services, equipment, or supplies from the grantee provider's central office or related business entities. The allowable cost in a related-party transaction would 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.