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| **Applicant Name:** |  | **Application Number:** |  |
|  |  |  |  |
| **Fiscal Year:** |  | **Grant Agreement Number:** | TBD |

**As needed, please refer to instructions at the end of this questionnaire.**

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| **SECTION I: FINANCIAL POSITION**  (This section should be answered about your organization as a whole.) | | | |
| 1. | Please indicate the accounting system in place (e.g., accrual, cash, or modified accrual) | | |
| 2. | Does your organization complete yearly financial statements (e.g., Balance Sheet, Income Statement, Cash Flow)?  *If yes:*  *a. Please list the name(s) of the person(s) responsible for preparing the annual financial statement(s):*    *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)?*  *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. | Yes No  Yes No | |
| 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.  *If yes:*  *a. Please attach an original, bound audit report and management letter (if applicable) as provided by the independent auditor as* ***ATTACHMENT # I-3.***  *b. Please indicate the frequency with which your accounting records are audited by an independent auditor.*   |  | | --- | |  |   *c. Please describe how independent audit results are shared with the governing body of your organization.* | Yes No | |
| 4. | Is your organization subject to the Single Audit requirement in accordance with [§200.501 (b) of the Uniform Grant Guidance (UGG)](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-F/subject-group-ECFRfd0932e473d10ba/section-200.501)?  Note: For more information please see the ICSQ Instructions at the end of this Questionnaire. | Yes No | |
| 5. | 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/grant (e.g., outstanding audit exceptions or purchase of real property)?  If no, please explain. | Yes No | |
| 6. | Does your organization stay current with payment of its liabilities, loans, taxes, etc.?  If no, please provide a detailed description of any defaults on loans or violations of restricting covenants in loan agreements in the past year. | Yes No | |
| 7. | Is your organization able to obtain credit when needed?  If no, please explain any difficulty your organization has had in obtaining credit. | Yes No | |
| 8. | Has your organization been audited by the Internal Revenue Service (IRS) in the past two years?  *If yes:*   1. *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-8A.*** 2. *Have all discrepancies cited in the audit been resolved?* 3. *If the IRS has placed any type of lien on the organization's resources, have the liens been released?* 4. *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-8D.*** | Yes No  Yes No N/A  Yes No N/A | |
| 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/grants,” it is referring to any contract or grant you administer with funding received through DFPS or any other state or federal agency.) | | | |
| 1. | Does your organization allocate costs between contracts, grants, and/or programs?  *If yes, please attach a detailed cost allocation plan as* ***ATTACHMENT # II-1***. | | Yes No |
| 2. | *Please attach a list that identifies all your contracts and grants with state agencies, including DFPS. For each agreement include: state agency name, type of service provided, contract and grant agreement number, dollar amount, and payment method (e.g. cost reimbursement, fee for service) as* ***ATTACHMENT # II-2****.* | |  |
| 3. | Does your financial management system contain provisions that would ensure the organization is in compliance with [§200.302 (financial management) of the Uniform Grant Guidance (UGG)](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-D/section-200.302), or the [Texas Grant Management Standards (TxGMS)](https://nam12.safelinks.protection.outlook.com/?url=https%3A%2F%2Fcomptroller.texas.gov%2Fpurchasing%2Fgrant-management%2F&data=04%7C01%7CRobert.Space%40dfps.texas.gov%7Cf3e9b5782bfd446e50ac08d9c1655bd0%7C0915ef3812cd4561ab809c7f41bfb31e%7C0%7C0%7C637753463339474943%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C3000&sdata=udKLdkAYjRgFP4QFlKo0i%2FCCN0pjczxZcq2LtY7MJPA%3D&reserved=0), as applicable?  Note: For more information please see the ICSQ Instructions at the end of this Questionnaire. | | Yes No |
| 4. | 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 contract and grant revenues and expenditures separately as* ***ATTACHMENT # II-4****.* | | Yes No  Yes No |

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| 5. | Are costs and expenditures under budgetary control:  a. For total contract and grant budget?  b. By budget category? | Yes No  Yes No | |
| 6. | Do all purchases require approval from an authorized individual in the requesting department? | Yes No | |
| 7. | Indicate the name and title of individual(s) authorized to:   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | Sign Checks or Authorize Payments | Approve Purchases  (including on-line and credit card) | Prepare payments  (checks and electronic fund transfers) | Reconcile Accounts  internal accounts to bank records | 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: | | | |
| 8. | Are all expenditures reconciled with your general ledger?  If no, please explain | Yes No | |
| 9. | How often are bank accounts reconciled to internal check registers?  Monthly Quarterly Other (please specify) | | |
| 10. | Is your accounting system automated?  **If no, please skip to question # 18.** | Yes No | |
| 11. | Please describe how your accounting system is secured and/or protected (e.g. location, the use of passwords, access limits, checks and balances). | | |
| 12. | 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: | | |
| 13. | Please explain the process (e.g., initiation, review, approval) for making updates, changes, deletions, and year-end adjustments in the accounting system. | | |
| 14. | 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 |
| 15. | 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 |
| 16. | 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 |
| 17. | What, if any, additional internal controls and approvals are in place within the organization to ensure payments made are valid and authorized? | | |
| 18. | Are all checks pre-numbered and accounted for?  If no, please explain. | Yes No | |
| 19. | a. Are all disbursements (excluding petty cash) made by check?  If no, what other means does your organization use to make disbursements?    b. Is a check register (disbursement journal) used to record disbursements and maintain balances?  If no, how are disbursements and balances tracked? | Yes No  Yes No | |
| 20. | Are all disbursements approved prior to payment?  If no, please explain. | Yes No | |
| 21. | Is there any additional review or special approval required for payment transactions (check or electronic disbursement) that exceed a specific dollar amount?  *If yes, please specify the dollar limit(s), name(s) and title(s) of responsible staff.* | Yes No | |

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| 22. | Does your organization have a system for tracking:  a. Voided checks?  b. Credit card transactions?  c. Other electronic transactions?  If no, please explain. | Yes No  Yes No  Yes No N/A |
| 23. | Does your organization use a check**-**signing machine?  *If yes, please describe how facsimile signature plates are safeguarded from improper use.* | Yes No |
| 24. | 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. | Yes No |
| 25. | 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. | Yes No  Yes No  Yes No |
| 26. | 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)?  *If yes, please attach an explanation of your purchase order/requisition controls as* ***ATTACHMENT # II-26***. | Yes No N/A |
| 27. | a. Does your organization have written policies and procedures for purchases?  *If yes, please attach your written policies and procedures as* ***ATTACHMENT # II-27****.*  b. Are your purchasing policies and procedures in compliance with [§200.320 of the Uniform Grant Guidance (UGG)](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-D/subject-group-ECFR45ddd4419ad436d/section-200.320), or [Texas Grant Management Standards (TxGMS)](https://nam12.safelinks.protection.outlook.com/?url=https%3A%2F%2Fcomptroller.texas.gov%2Fpurchasing%2Fgrant-management%2F&data=04%7C01%7CRobert.Space%40dfps.texas.gov%7Cf3e9b5782bfd446e50ac08d9c1655bd0%7C0915ef3812cd4561ab809c7f41bfb31e%7C0%7C0%7C637753463339474943%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C3000&sdata=udKLdkAYjRgFP4QFlKo0i%2FCCN0pjczxZcq2LtY7MJPA%3D&reserved=0), as applicable?  *If no, please explain below: (you may attach additional sheets if needed)*    Note: For more information please see ICSQ Instructions at the end of this Questionnaire. | Yes No  Yes No |
| 28. | 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?  If yes, please attach an explanation as **ATTACHMENT # II-28**. The attachment should describe your process for maintaining supporting documentation, such as:   * 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.* | Yes No |
| 29. | Do supporting documents accompany checks for the check signer’s signature? | Yes No |
| 30. | Are invoices marked to identify allocation of payment? | Yes No |
| 31. | 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?  If no, please explain: | Yes No N/A |
| 32. | Does your organization have procedures to identify costs and expenditures not allowable under federal or state regulations?  *If yes, please attach an explanation of your system for identifying unallowable costs/expenditures as* ***ATTACHMENT # II-32.*** | Yes No |
| 33. | Does your organization maintain a file for each contract and grant?  *If yes, does each file contain:*  *a. The executed contract and**grant**with all attachments?*  *b. A copy of each contract and grant amendment (as applicable)?*  *c. Billing documents?*  *d. Documentation of contract and grant performance?*  *e. Related correspondence?*  *f. A copy of each subcontract and subcontract for DFPS grant services agreement (as applicable)?*  If no to any of the above, please explain. | Yes No  Yes No  Yes No  Yes No  Yes No  Yes No  Yes No NA |
| 34. | a. Does your organization's internal control process comply with the standards of 'COSO' (Committee of Sponsoring Organizations of the Treadway Commission) or the 'Standards of Internal Control in the Federal Government', issued by the Comptroller General of the United States, as may be applicable under the [Uniform Grant Guidance (UGG)](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-D/section-200.303) or the [Texas Grant Management Standards (TxGMS)](https://nam12.safelinks.protection.outlook.com/?url=https%3A%2F%2Fcomptroller.texas.gov%2Fpurchasing%2Fgrant-management%2F&data=04%7C01%7CRobert.Space%40dfps.texas.gov%7Cf3e9b5782bfd446e50ac08d9c1655bd0%7C0915ef3812cd4561ab809c7f41bfb31e%7C0%7C0%7C637753463339474943%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C3000&sdata=udKLdkAYjRgFP4QFlKo0i%2FCCN0pjczxZcq2LtY7MJPA%3D&reserved=0)?  *If yes, please attach an explanation of your system for following these internal control standards as* ***Attachment # II-34a****.*  b. Does your organization have a process to prevent unauthorized access to confidential information related to your contracts and grants (e.g., sensitive client information or records - commonly referred to as Personally Protected Identifiable Information)?  *If yes, please attach a copy of your procedures as* ***ATTACHMENT # II-34b****.*  Note: For more information on parts a or b please see the ICSQ Instructions at the end of this Questionnaire. | Yes No  Yes No |
| II. B. PERSONNEL | | |
| 35. | 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 |

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| 36. | 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 |
| 37. | 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.    *If yes, please submit a blank time sheet or activity sheet and a copy of the related policy as* ***ATTACHMENT # II-37****.* | | Yes No |
| 38. | Does your organization have on file an established rate of pay and withholding information for each employee?  If no, please explain. | | Yes No |
| 39. | Does your organization have a written job description with a set salary level for each position?  If no, please explain. | | Yes No |
| 40. | Is the amount being paid to each employee based on documentation of actual hours worked? | | Yes No |
| 41. | 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 |
| 42. | Does your organization conduct criminal background checks on your employees and volunteers?  *If yes, please attach a copy of your employee/volunteer background check policy and procedures as* ***ATTACHMENT # II-42****. The attachment should, at a minimum, include the following:*   * *When criminal background checks are conducted,* * *When criminal background checks are updated, and* * *Identify by title and/or position the employees and volunteers who are subject to criminal background checks.* | | Yes No |
| **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.** | | | |
| 43. | Are expenditures for travel substantiated by travel vouchers, travel logs or other supporting documentation?  If no, please explain.    *If yes, please submit a copy of your travel policy, a blank travel voucher, and a blank travel log as* ***ATTACHMENT # II C-43.*** | | Yes No N/A |
| II. D. EQUIPMENT | | | |
| 44. | a. Please specify the level of capitalization (dollar amount) used by your organization.    b. Please provide your organization's definition of equipment: | | |
| 45. | Does your organization conduct a physical inventory of capital equipment purchased with federal funds?  If yes, how often? | Yes No | |
| 46. | Have 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)?  **Note:** Contractors and grantees should review the Comptroller’s State Property Accounting User Manual at: <https://fmx.cpa.state.tx.us/fmx/pubs/spaproc/appendices/appa/appa_6.php> for the most current listing of controlled assets. Contractors and grantees must add these items classified as controlled assets to their inventory list based on the noted acquisition costs.  **If no, please skip to Section II.E. Subawards and Subcontractors of DFPS grant services.** | Yes No | |
| 47. | Are inventory records maintained that include: item description, serial number, funding source(s), acquisition cost, acquisition date and inventory number?  *Please attach a blank inventory form as* ***ATTACHMENT # II-47****.* | Yes No | |
| 48. | Are all equipment items and controlled asset tagged for the purpose of internal tracking and inventory? | Yes No | |
| 49. | Does your organization have a policy regarding the documentation required for equipment that has been disposed of?  *If yes, please attach a copy of your equipment disposal policy as* ***ATTACHMENT #II-49****.* | Yes No | |

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| II. E. Subawards and subcontracts for DFPS grant services **If your organization does not (and does not intend to) subaward or subcontract for DFPS grant services, mark N/A  here and skip to section II.F. Related Party Transactions.** | | |
| 50. | Does your organization have written policies and procedures for subawarded or subcontracted DFPS grant services?  *If yes, please submit a copy of your policy for subawarded or subcontracted DFPS grant services as* ***ATTACHMENT # II-50****.*  b. Does your organization assess risk for subawardees or subcontractors of DFPS grant services non-compliance with federal statutes or [TxGMS](https://nam12.safelinks.protection.outlook.com/?url=https%3A%2F%2Fcomptroller.texas.gov%2Fpurchasing%2Fgrant-management%2F&data=04%7C01%7CRobert.Space%40dfps.texas.gov%7Cf3e9b5782bfd446e50ac08d9c1655bd0%7C0915ef3812cd4561ab809c7f41bfb31e%7C0%7C0%7C637753463339474943%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C3000&sdata=udKLdkAYjRgFP4QFlKo0i%2FCCN0pjczxZcq2LtY7MJPA%3D&reserved=0), as applicable?  *If yes, please provide a description of the process as* ***ATTACHMENT # II-50b****.* | Yes No  Yes No |
| 51. | Is your organization considered a pass-thru entity for any of the Federal awards, funding, or agreements it has with DFPS? *(Note: See instructions for definition of a pass-thru entity)*  If yes, does it make subrecipient/contractor determinations according to [§200.330 of the Uniform Grant Guidance (UGG)](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-D/subject-group-ECFR36520e4111dce32/section-200.330), as applicable?  *If yes, please provide a copy of the policy and procedure for making this determination as* ***ATTACHMENT # II-51****.* | Yes No  Yes No |
| 52. | Does your organization have a state contract/grant of $100,000 or greater? | Yes No |
| 53. | Does your organization conduct criminal background checks on your subawards or subcontractors of DFPS grant services? | Yes No |

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| II. F. RELATED-PARTY TRANSACTIONSA related party could include a family member or relative, [stockholder](http://www.investorwords.com/4735/stockholder.html), or a [corporation](http://www.investorwords.com/1140/corporation.html) (individual or group) who is [related](http://www.investorwords.com/10870/related.html) in some way to the [initial](http://www.investorwords.com/10043/initial.html) [party](http://www.investorwords.com/13659/parties.html). | | |
| 54. | If your organization subcontracts with a related party to provide part or all of the program services, including subawarded DFPS grant services please attach a description of your selection process as *ATTACHMENT # II-54*. | |
| 55. | 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 |
| **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.** | | |
| 56. | List any member of your Board of Directors with whom you are “doing business”.  a. Board Member:  b. Business relationship: | N/A |

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| 57. | 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: | N/A |
| 58. | List anyone with whom you are “doing business” who is a principal stockholder of your organization.  a. Principle Stockholder:  b. Business relationship: | N/A |

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| 59. | 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: | N/A |
| 60. | 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: :  *Please include a copy of the lease for each item as* ***ATTACHMENT # II-60****.* | N/A |
| **The following questions relate to “conflict of interest.” Key employees (e.g., executive director, president, chief executive officer, administrator) exert a degree of control.** | | |
| 61. | List any key employee with whom your organization is “doing business”.  a. Employee name/position:  b. Business Relationship: | N/A |
| 62. | 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: | N/A |
| 63. | List any key employee from whom the organization leases a building and/or property.  a. Employee name/position:  *Please submit a copy of each lease as* ***ATTACHMENT # II-63****.* | N/A |
| 64. | 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. | Yes No N/A |
| 65. | 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 of:  c. Relationship to Board Member: | N/A |
| 66 | 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 of:  c. Relationship to Board Member: | N/A |
| 67. | 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. Name/position of Key Employee or related party:  c. Relationship to Stockholder: | N/A |
| 68. | 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.  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. | | |

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|  |  |  |
| Signature |  | Date |
|  |  |  |
| Printed/Typed Name |  | Title |

**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 and grant application 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 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 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 or grant.

**Question 4:**

A non-Federal entity that expends $ 750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit, conducted for that year in accordance with the provisions of [§200.501 of the Uniform Grant Guidance (UGG)](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-F/subject-group-ECFRfd0932e473d10ba/section-200.501). The state requires a for profit entity to conduct a specific engagement that mirrors the provisions of the above referenced audits. For more information about this requirement please see the Code of Federal Regulations PART 200--UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS - [§200.501 Audit Requirements](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-F/subject-group-ECFRfd0932e473d10ba/section-200.501). You may access this information by [clicking this link](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-F/subject-group-ECFRfd0932e473d10ba/section-200.501).

#### 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 or grantee’s responsibility to meet contract terms and 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 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 and grantees must use reasonable methods of allocating costs consistently. Any cost allocation method used should be a reasonable reflection of actual business operations.

**Question 3:**

Each non-Federal entity receiving Federal award dollars is required to have the financial management systems in operation that are specified in [§200.302 of the Uniform Grant Guidance](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-D/section-200.302). [Click here](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-D/section-200.302) to review these applicable financial management systems.

**Questions 6-7:**

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 8-9:**

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

**Questions 10-16:**

If the business entity's accounting system is automated, please complete questions 9 - 15 to provide detail as to who has access to the accounting system and how the system is protected.

**Questions 17-26:**

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

**Question 27:**

[§200.320 of the Uniform Grant Guidance](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-D/subject-group-ECFR45ddd4419ad436d/section-200.320) specifies that all non-Federal entities that receive Federal grant dollars must use one of the methods of procurement listed in the UGG. You may [click here](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-D/subject-group-ECFR45ddd4419ad436d/section-200.320) to review the acceptable procurement methods that are listed.

**Questions 28-29:**

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 30:**

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 31:**

To ensure funds are fully protected, contractors and grantees should understand their coverage limits and confirm that their financial institution is [FDIC-insured](http://www.fdic.gov). 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 32:**

Contractors and grantees should reference the applicable Texas Administrative Code (TAC) or the [Uniform Grant Guidance (UGG)](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-E) to identify costs and expenditures that are not allowable.

**Question** **33**:

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 34 (a) and (b):**

(a) [§200.303 of the Uniform Grant Guidance](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-D/section-200.303) provides a list of certain Internal Control processes that must be in place for all non-Federal entities receiving Federal grant dollars. The list of Internal Control processes may be viewed by [clicking this link](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-D/section-200.303).

(b) An important protective measure to safeguard sensitive information is controlling physical access to the information or records related to your contracts and grant awards. All contract and 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.

###### II. B. PERSONNEL

**Questions 35-36:**

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 37-41:**

The Uniform Grant Guidance addresses when documentation may be necessary to support salaries and wages. The UGG further states that when the allocation of direct service delivery staff salaries between programs and contracts must be documented.

**Question 42**:

DFPS requires contractor and grantee 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 subawardees or subcontractors of DFPS grant services 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 and grantees, contractors and grantees, their employees, subawardees or subcontractors of DFPS grant services, and volunteers.

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

**Question 43:**

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 unless otherwise specified in the grant agreement. Supporting documentation for travel expenses must include receipts for the following expenses: parking fees, hotel lodging, taxis, and airfare. Travel costs may be billed at the current approved General Services Administration (GSA) rate in effect for the service date on the invoice, if allowed in the grant agreement. Rates may be found at: <https://www.gsa.gov/travel-resources> . Mileage rates may be found at: <http://www.gsa.gov/mileage>

### II. D. EQUIPMENT

**Questions 44-49:**

Equipment is defined in 45 Code of Federal Regulations (CFR) Part 74 and the [Uniform Grant Guidance (UGG)](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-A/subject-group-ECFR2a6a0087862fd2c/section-200.1).

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 the [Uniform Grant Guidance (UGG)](https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-D/subject-group-ECFR8feb98c2e3e5ad2/section-200.313). 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. Subawards and subcontracts for DFPS grant services

This section must be completed if DFPS funds are or will be provided to subawardees or subcontractors for DFPS grant services.

**Question 50:**

The selection procedures for subaward or subcontract for DFPS grant services should reflect a system in which the best entity is fairly and objectively selected. Procedures should clearly identify the method of selection utilized (e.g., competitive selection or bidding, direct grant, request for application).

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

Monitoring procedures should be sufficient to ensure that subawardees or 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 subcontractor/subaward monitoring in proportion to the amount/extent of the services provided. 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 51:**

Pass-through entity means a non-Federal entity that provides a subaward to a subrecipient to carry out part of a Federal program.

**Question-52:**

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 encourages contractors and grantees who have contracts of $100,000 or more to do the same and maintain documentation of their process and results.

**Question 53:**

DFPS requires contractor and grantee 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 subawardees or 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 and grantees, contractors and grantees, their employees, subawardees and subcontractors for DFPS grant services, and volunteers.

##### II. F. RELATED-PARTY TRANSACTIONS

**Questions 54-68:**

This section deals with doing business with related parties. A related party is a person or business entity related to the contractor or 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 contractor or 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 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 related party’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.