

IDEA Public Schools

# ACCOUNTABLE PLAN POLICY



## **IDEA PUBLIC SCHOOLS BOARD POLICY ACCOUNTABLE PLAN**

### **Sec. 1. PURPOSE OF POLICY.**

- (a) This policy relates to the accounting and reporting of any and all business expenses from any source of funding by IDEA Public Schools (“IDEA”) and its officers and employees pursuant to the Internal Revenue Code (“IRC”),<sup>1</sup> as applicable.
- (b) It is the policy of IDEA that all of its officers and employees are to report and account for any and all business expenses in a manner compliant with the IRC, IDEA’s other accounting and documentation policies, and this policy.
- (c) This policy is intended to supplement and not replace any federal and state laws governing business expenses applicable to tax exempt organizations and domestic nonprofit corporations, as well as those applicable to open-enrollment charter schools and other types of legal entities.

### **Sec. 2. AUTHORITY OVER FISCAL MATTERS.**

- (a) In accordance with state law, the Board has primary and ultimate authority over fiscal matters. If a matter or decision-making process is not addressed in this or other duly adopted policies of the Board, authority rests with the Board. In the event of a conflict between this policy and any other Board policy, such conflict shall be brought to the Board for resolution. Refer to the Board’s Authority Over Fiscal Matters Policy (the “Controlling Policy”) for requirements applicable to this policy.
- (b) In accordance with Sec. 4.1(b)(1) of this policy, the Delegates (as defined in Sec. 3(b) of the Controlling Policy) shall report to the Board any business arrangement or transaction with an individual that is an officer, as defined in Sec. 5 of the Controlling Policy, and any conflicted,<sup>2</sup> interested<sup>3</sup> or related<sup>4</sup> party, as defined in other Board policy or applicable law. IDEA (and its officers) may not enter into a business arrangement or conduct a transaction in such a manner so as to circumvent this requirement.

### **Sec. 3. DEFINITIONS.**

For the purposes of this policy:

- (a) *IDEA* includes IDEA Public Schools and its subsidiary, IPS Enterprises, Inc., and any other organization hereafter formed, affiliated with, and brought under the control and direction of IDEA Public Schools.
- (b) *Officer*. Refer to Sec. 5 of the Controlling Policy.

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<sup>1</sup> At a minimum, this policy is intended to comply with 26 U.S.C. §§ 62(c) and 274(d) and 26 CFR §§ 1.62-2, 1.162-17, 1.274-5 and 1.274-5T.

<sup>2</sup> Tex. Ed. Code § 12.1054; 19 TAC §§ 100.1131 through 100.1135

<sup>3</sup> 19 TAC § 100.1047(f)

<sup>4</sup> Tex. Ed. Code § 12.1166

## IDEA PUBLIC SCHOOLS BOARD POLICY ACCOUNTABLE PLAN

- (c) Employee means an individual who meets IRC requirements and guidance for classification as an employee.
- (d) Adequate records means an approved, standardized internal accounting form, completed by an IDEA employee at or near the time of a business expense, and supporting documentary evidence which, in combination, are sufficient to substantiate the business expense.<sup>5</sup>
- (e) Supporting documentary evidence means a written record, such as an original itemized credit card receipt issued by the vendor from who goods and/or services are procured, that includes sufficient information to substantiate the business expense, including that the amount was paid.<sup>6</sup>
- (f) Excess reimbursement means any amount charged, directly or indirectly, to IDEA or received from IDEA as advances, reimbursements, or otherwise, that exceeds the substantiated business expenses paid or incurred by an IDEA officer or employee.<sup>7</sup>
- (g) Substantiation means that, within a reasonable period of time, IDEA officers and employees shall corroborate their reporting and accounting of each business expense through adequate records that provide the following information:
- (1) a description of the event that prompted the incurrence of such expense,
  - (2) the time and place of the event,
  - (3) the name of the establishment and other identifying information,
  - (4) the business purpose of such expense,
  - (5) the number and names of the people benefitting, be it directly or indirectly, from such expense,
  - (6) the amount of such expense, and
  - (7) the business relationship to the officer or employee of the person receiving the benefit of such expense.<sup>8</sup>
- (h) Reasonable period of time means actions that take place within the following times:
- (1) IDEA officers and employees receive an advance within 30 days of the time an expense is incurred;
  - (2) IDEA officers and employees adequately account for expenses within 60 days after such expenses were paid or incurred;
  - (3) IDEA officers and employees return any excess reimbursement within 120 days after the expense was paid or incurred; and/or
  - (4) IDEA officers and employees are given a periodic statement (at least quarterly when they have outstanding advances) that asks them to either return or

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<sup>5</sup> 26 CFR § 1.274-5T(c)(2)

<sup>6</sup> 26 CFR § 1.274-5(c)(2)(iii)(B)

<sup>7</sup> 26 CFR § 1.274-5T(f)(2)(ii), IRS Publication 463

<sup>8</sup> 26 U.S.C. § 274(d), 26 CFR §§ 1.274-5(c)(2)(iii)(B), 1.274-5(f)(4), 1.274-5T(c) and 1.62-2(e)

## IDEA PUBLIC SCHOOLS BOARD POLICY ACCOUNTABLE PLAN

adequately account for outstanding advances and they comply within 120 days of the statement.<sup>9</sup>

- (i) *Entertainment* means any activity which is of a type generally considered to constitute entertainment, amusement, or recreation, such as but not limited to entertaining at night clubs, cocktail lounges, theaters, concerts, country clubs, golf and athletic clubs, sporting events, and on hunting, fishing, vacation and similar trips, including such activity relating solely to the taxpayer or the taxpayer's family. The term entertainment may include an activity, the cost of which is claimed as a business expense by the officer or employee, which satisfies the personal, living, or family needs of any individual, such as providing food and beverages, a hotel suite, or an automobile to a business customer or his family.<sup>10</sup> For purposes of this policy, if the officer or employee is dining with others for business purposes, the meal and related expenses incurred are “entertainment,” not “meals.”

### Sec. 4. ACCOUNTABLE PLAN.

IDEA shall implement and maintain a reimbursement and other expense allowance arrangement with its officers and employees as set forth in this subsection.

#### Sec. 4.1. **Business Connection.**

IDEA shall only provide advances, allowances, or reimbursements that are allowable as deductions under the IRC and that are paid or incurred by the officer or employee in connection with the performance of services as an IDEA officer or employee.<sup>11</sup>

- (a) *Properly approved.* IDEA officers and employees shall only incur business expenses that are properly approved by the Delegates or designee and that have a business connection and that are ordinary and necessary.
- (b) *Ordinary and necessary.* IDEA officers and employees shall only incur business expenses that are ordinary<sup>12</sup> and necessary<sup>13</sup> for the organizational activity, function, program and service for which it is incurred. Any expenditure of public funds shall additionally be prudent and in the best interest of IDEA’s students, and necessary in the conduct of public school operations, pursuant to Tex. Educ. Code §§ 12.107 and 45.105(c).
- (1) *Business purpose for travel and entertainment.* If the business expense relates to travel away from home or entertainment, IDEA officers and employees shall provide detail of the specific business reason for the travel or entertainment or a

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<sup>9</sup> 26 CFR § 1.62-2(g), IRS Publication 463

<sup>10</sup> 26 CFR § 1.274-2(b)(1)(i)

<sup>11</sup> 26 CFR § 1.62-2(d)(1)

<sup>12</sup> “An ordinary expense is one that is common and accepted in your trade or business.” IRS Publication 463.

<sup>13</sup> “A necessary expense is one that is helpful and appropriate for your business. An expense doesn’t have to be required to be considered necessary.” IRS Publication 463.

## IDEA PUBLIC SCHOOLS BOARD POLICY ACCOUNTABLE PLAN

description and details of the nature of the business benefit derived or expected to be derived as a result of the travel or entertainment.<sup>14</sup>

- (A) *Prior approval required.* The Delegates must approve any business expense relating to entertainment in advance. In doing so, the Delegates may only authorize entertainment expenses that will directly benefit IDEA, or if it is to directly precede or follow a substantial and bona fide business discussion for the purpose of obtaining a contribution or donation or another financial or business benefit.
  - (B) In accordance with Sec. 2(b) of this policy, the Delegates shall submit to Internal Audits, via electronic mail within fifteen (15) business days after the end of each calendar month, a sufficiently detailed monthly report disclosing all of the meal and travel expenses incurred by IDEA officers and by any employee who directly reports to officers listed in Sec. 5(a) through 5(k) of the Controlling Policy. Internal Audits shall conduct a detailed examination of the disclosures of the monthly reports and provide a summary report and attestation, conforming to applicable *International Standards for the Professional Practice of Internal Auditing*, to the Board's Audit Committee of the accuracy and completeness of the reports and disclose any instances of noncompliance with this and other Board policy and applicable law.
- (2) *Additional disclosure of business purpose for entertainment.* If the business expense relates to entertainment, IDEA officers and employees shall also provide the nature of any business discussion or activity.<sup>15</sup>
  - (3) *Business relationship for entertainment.* If the business expense relates to entertainment, IDEA officers and employees shall provide the occupation or other information relating to the person or persons entertained, including name, title, or other designation, sufficient to establish the business relationship of the person or persons entertained to the officer or employee.<sup>16</sup>
- (c) *Use of Public and Private Funds.* Public funds of IDEA **may not** be used for advances or allowances (including payroll advances or loans) in any circumstance. Private funds/philanthropy also may not be used for advances, loans or allowances unless authorized by the donor.
  - (d) *Employee Achievement Awards.* Special rules may apply to non-cash awards based on an employee's safety achievement or length of service. A safety or length of service award may be excluded from the employee's income if specific criteria are met pertaining to the form and timing of the award, its dollar value, and its method of presentation. Categories of employee achievement awards must be approved by IDEA Board of Directors and meet

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<sup>14</sup> 26 CFR § 1.274-5T(b)(2)(iv)/(3)(iv)/(5)(iv)

<sup>15</sup> 26 CFR § 1.274-5T(b)(3)(iv)

<sup>16</sup> 26 CFR § 1.274-5T(b)(2)(v)/(5)(v)

## **IDEA PUBLIC SCHOOLS BOARD POLICY ACCOUNTABLE PLAN**

all federal tax statutory requirements. Please refer to *Employee Awards & Gifts Policy* for details of Board Approved categories and authorized awards.

### **Sec. 4.2. Substantiation.**

IDEA shall require that its officers and employees substantiate each business expense within a reasonable period of time.<sup>17</sup>

- (a) *Separating amounts.* Each separate payment is generally considered a separate expense and should be recorded separately. IDEA officers and employees may make one daily entry in their records for reasonable categories of expenses.<sup>18</sup>
- (b) *Time traveling.* If the business expense relates to travel away from home, IDEA officers and employees shall provide the dates of departure and return of each trip away from home, and the number of days away from home spent conducting IDEA's business.<sup>19</sup>

### **Sec. 4.3. Returning excess reimbursements.**

IDEA shall require that its officers and employees return to IDEA any excess reimbursement within a reasonable period of time.<sup>20</sup> Amounts paid to an IDEA officer or employee pursuant to an arrangement conforming to this policy shall not generally be reported as income to the officer or employee.<sup>21</sup>

### **Sec. 4.4. De minimis meals.**

- (a) IDEA may exclude from an employee's taxable income the cost of a meal provided to an employee the value of which is, after taking into consideration the frequency that such meals are provided by IDEA to its employees, so small as to make accounting for it unreasonable or administratively impracticable.<sup>22</sup>
- (b) *Employee-measured frequency.* Generally, the frequency with which meals are provided by IDEA to its employees is determined by reference to the frequency with which IDEA provides the meals to each individual employee. For example, if IDEA provides a free meal in kind to one employee on a daily basis, but not to any other employee, the value of the meals is not de minimis with respect to that one employee even though with respect to IDEA's entire workforce the meals are provided "infrequently."<sup>23</sup>
- (c) This exclusion applies to the following items provided on an occasional basis, as defined in subsection (d)(1) below:

- (1) Coffee,

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<sup>17</sup> 26 CFR § 1.62-2(e)(1)

<sup>18</sup> 26 CFR § 1.274-5T(c)(6), IRS Publication 463

<sup>19</sup> 26 CFR § 1.274-5T(b)(2)(ii)

<sup>20</sup> 26 CFR § 1.62-2(f)(1)

<sup>21</sup> 26 CFR § 1.62-2(c)(4)

<sup>22</sup> 26 U.S.C. § 132(e)(1)

<sup>23</sup> 26 CFR § 1.132-6(b)(1); this requirement is applicable to all de minimis fringe benefits.

## IDEA PUBLIC SCHOOLS BOARD POLICY ACCOUNTABLE PLAN

- (2) Donuts, and
  - (3) Soft drinks.<sup>24</sup>
- (d) *Occasional meals.* Meals provided to an employee are excluded as a de minimis fringe benefit if the benefit provided is reasonable and is provided in a manner that satisfies the following conditions:<sup>25</sup>
- (1) *Occasional basis.* The meals are provided to the employee on an occasional basis. Whether meals are provided to an employee on an occasional basis will depend upon the frequency (i.e., the availability of the benefit and regularity with which the benefit is provided by IDEA to the employee). Thus, meals provided to an employee on a regular or routine basis are not provided on an occasional basis.<sup>26</sup>
  - (2) *Overtime.* The meals are provided to enable the employee to work overtime and because overtime work necessitates an extension of the employee's normal work schedule. Thus, for example, meals provided on IDEA's premises that are consumed during the period that the employee works overtime (or after hours work that is mandated beyond the 40 hour workweek for exempt personnel) satisfy this condition.<sup>27</sup>
  - (3) In no event shall the cost of meals calculated on the basis of the number of hours worked (e.g., \$1.00 per hour for each hour over eight hours) be considered a de minimis meal.<sup>28</sup>

### **Sec. 4.5. Meals provided at an IDEA eating facility.**

IDEA shall treat as a de minimis fringe the operation of any eating facility for employees if furnished on IDEA's premises for its convenience and the revenue derived from such a facility normally equals or exceeds the direct operating costs of such facility, and such meals are available to all employees.<sup>29</sup>

### **Sec. 4.6. Meals to promote goodwill or boost morale.**

IDEA may not exclude from an employee's taxable income the cost of meals provided to promote goodwill or boost morale, unless such meal qualifies as a de minimis meal under Section 5.4.<sup>30</sup>

### **Sec. 4.7. Reimbursements and allowances.**

- (a) IDEA shall not provide an advance, allowance or reimbursement to an officer or employee for business expenses that are not substantiated in accordance with this policy. Importantly, IDEA shall provide notice to its officers and employees that the requirement

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<sup>24</sup> 26 CFR § 1.132-6(e)(1)

<sup>25</sup> 26 CFR § 1.132-6(d)(2)(i)

<sup>26</sup> 26 CFR § 1.132-6(d)(2)(i)(A)

<sup>27</sup> 26 CFR § 1.132-6(d)(2)(i)(B)-(C)

<sup>28</sup> 26 CFR § 1.132-6(d)(2)(i)(C)

<sup>29</sup> 26 U.S.C. § 132(e)(2)

<sup>30</sup> IRS Publication 15-B.

## **IDEA PUBLIC SCHOOLS BOARD POLICY ACCOUNTABLE PLAN**

set forth in this subsection is necessary to ensure that its reimbursement and other expense allowance arrangement may retain its classification as an accountable plan and satisfy IRC requirements.<sup>31</sup>

- (b) In the event that an amount is paid to an IDEA officer or employee that fails to conform to the arrangement set forth above, IDEA shall report the amount as income to the officer or employee.<sup>32</sup>
- (c) IDEA shall apply the requirements of this section to any business expense incurred by an officer or employee regardless of mode of transaction, including through the use of IDEA's charge or revolving credit accounts.

### **Sec. 5. TRAINING AND UPDATES.**<sup>33</sup>

The Delegates or designee shall properly train or ensure training is provided to IDEA officers and employees on the requirements of this policy and any administrative procedures adopted to implement this policy. Additionally, the Delegates or designee shall keep IDEA officers and employees informed of any changes to this policy and related requirements.

### **Sec. 6. ADMINISTRATIVE PROCEDURES.**<sup>34</sup>

The Delegates shall formally adopt administrative procedures as reasonably necessary to properly administer this policy and to adhere to applicable law and rule. In doing so, the Delegates shall not adopt, and are prohibited from adopting, an administrative procedure that conflicts with applicable law or this policy. Accordingly, the Delegates shall confer with the Board or legal counsel before deviating from the requirements set forth in this policy. In the event that a deviation from this policy becomes necessary, the Delegates shall either recommend an amendment to this policy or the Board's approval of a specific deviation, including the purpose, scope and duration of the requested deviation.

### **Sec. 7. DATE ADOPTED AND EFFECTIVE.**

As set forth in the pertinent minutes to the meeting of the Board, the Board amended this policy on June 12, 2020, and it became effective on June 12, 2020.

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<sup>31</sup> 26 CFR § 1.62-2(c)(2)

<sup>32</sup> 26 U.S.C. §§ 62(c) and 274(d), 26 CFR § 1.62-2(h)(2)(i)(A)

<sup>33</sup> 2 CFR § 200.303(a), U.S. Government Accountability Office *Standards for Internal Control in the Federal Government*, 4.02 and 4.05.

<sup>34</sup> Consistent with 19 TAC § 100.1033(b)(14)(C)(iv), the Board has the final authority to adopt policies governing charter school operations, including authorizing the Delegates or designee to adopt an administrative procedure to implement this policy. Moreover, as set forth in IDEA's Articles of Incorporation and Bylaws and in accordance with Tex. Bus. Org. Code §§ 3.101 and 22.201, the Board is IDEA's governing authority and, as such, manages and directs IDEA's business and affairs through Board actions, resolutions and policy.



**IDEA PUBLIC SCHOOLS BOARD POLICY  
ACCOUNTABLE PLAN**

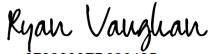
**Sec. 8. RETENTION.<sup>35</sup>**

This policy shall be retained until superseded, expired, or discontinued and for five (5) years thereafter in accordance with state law.

**Sec. 9. CERTIFICATION.**

The Undersigned, being the Secretary of the Corporation, hereby certifies that the foregoing represents a true copy of the Board Policy relating to the Authorization for the Obligation and Expenditure of Funds, as originally adopted by the Board on May 1, 2020, and as subsequently amended by the Board on June 12, 2020, which Policy, as amended, is in full force and effect and has not been revoked or amended.

DocuSigned by:

  
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Ryan Vaughan, Secretary

6/15/2020

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Date Certified

<sup>35</sup> Tex. Ed. Code §12.1052; 19 TAC §100.1203; See Record Number GR1000-38 and GR1025-25 in Local Schedule GR: Records Common to All Local Governments, Revised 5th Edition (Effective April 17, 2016) adopted by the Texas State Library and Archives Commission at Texas Administrative Code, Title 13, §7.125(a)(1).