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September 14, 2020

Ms. Heather Mauze  
Executive Director  
Charter School Authorizing and Administration Division  
Texas Education Agency  
1701 N. Congress Ave.  
Austin, Texas 78701

**Re: IDEA Public Schools (CDN 108-807) Institutional and Financial Controls, Additional Follow-up needed**

Dear Ms. Mauze,

Thank you for the opportunity to respond to questions from the Texas Education Agency regarding IDEA Public Schools' financial practices and controls. We appreciate TEA's important oversight and accountability role as our authorizer, and we are committed to stewarding our resources effectively and ensuring every dollar we spend is aligned with IDEA Public Schools' mission and values.

Please see below for responses to your follow-up questions.

**1. Section 8 of the Executive Benefits Policy prohibits out-of-state, non-commercial travel as follows:**

**Sec. 8. CHARTER TRAVEL RESCINDED (Executive Benefits Policy)**

*IDEA prohibits its officers and directors from traveling on non-commercial aircraft when in furtherance of IDEA operations or its operations outside of Texas.*

**a) Is the prohibition of non-commercial aircraft for travel in the state of Texas as well as out-of-state travel?**

The prohibition of non-commercial aircraft applies to both travel within the state of Texas and to out-of-state travel. Quite simply, no non-commercial aircraft travel is permissible. IDEA updated the Executive Benefits policy at our September 11, 2020 board meeting to make this more explicit by updating the language to say "IDEA prohibits its officers and directors from traveling on non-commercial aircraft when in furtherance of IDEA operations or its operations to any destination inside and outside of Texas." We hope that this addresses your concern. IDEA has attached the policy (Exhibit A) as approved by the Board, pending signature given the proximity of this response in timing to the Board Meeting.

**b) Will state of Texas dollars ever be used for out-of-state travel? If so, what are the specific instances that state of Texas dollars would be allowed for out-of-state travel?**

Yes, it is possible and likely that Texas dollars may be used for out-of-state travel for certain high-impact meetings, conferences, or events where appropriate and that would yield direct benefits for Texas



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students. While the list below is not intended to be comprehensive, it outlines the type of activities IDEA management and the board would consider allowable.

First, we note that due to COVID-19, out-of-state professional development in the 2020-2021 school year is rare. However, in a typical year some IDEA staff members participate in out-of-state professional development or conferences as part of their core job functions, particularly in these areas: instructional and curricular training and best practice sharing, staff recruitment, and philanthropic fundraising. For example, many IDEA Principals, instructional coaches, and principal managers have participated in the highly regarded Relay Graduate School of Education program, which takes place in regions across the United States. The district also sends select staff members, in line with their professional responsibilities, to the annual National Charter School Conference for professional development and staff recruitment. Our staff recruitment team may attend job fairs in other states to recruit high-quality educators to our schools – we have made use of these opportunities to attract talent to some of our more rural regions, like Midland-Odessa, where we operate a partnership school with Midland ISD. Finally, members of our Advancement team and other senior leaders may occasionally participate in grant programs with a national community of practice, or attend foundation conferences outside of Texas, for the explicit purpose of raising funds to support both Texas and non-Texas students. The types of out-of-state travel that may be paid for with Texas dollars will be similar to what is allowable and common among other Texas public schools. No Texas public funds will be used to pay for any travel or expenses related to IDEA's expansion out of Texas or its affiliated charter schools in other states.

**c) How will travel be monitored to ensure adherence to the policy?**

Staff members book travel through our SAP Concur travel management platform, which has measures in place to ensure that staff members can only book travel within the allowable types. Additionally, the business office and Internal audit will also monitor and review, respectively, for compliance.

**2. Section 7 of the Travel Policy prohibits the use of charter or other private aircraft as follows:**

**Sec. 7. Travel by Commercial Airline (Travel Policy)**

*Sec 7.1. IDEA employees shall not travel by charter or other private aircraft. The Delegates shall not reimburse any cost incurred violative of this policy statement and shall report any violation to the Board's Audit and Finance Committees.*

*Sec. 7.2. When traveling via a common, commercial airline, IDEA employees shall only make coach-class accommodations.*

**a) Does the restriction of travel by commercial airline apply to all IDEA employees and board members?**

The restriction of travel by commercial airline applies to all IDEA employees and board members. Moreover, IDEA revised Section 7.2 to reflect the following "When traveling via a common, commercial airline, without exception, all IDEA employees, including officers, as defined in Sec. 5 of the Controlling Policy, shall only make coach-class accommodations." This policy revision was presented and approved



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by the IDEA Board of Directors on September 11, 2020 in advance of this submission. IDEA has attached the policy (Exhibit B) as approved by the Board, pending signature given the proximity of this response in timing to the Board Meeting.

**b) How will this be monitored to ensure adherence to the policy?**

As stated above, travel will be booked through our SAP Concur travel management platform, which has measures in place to ensure that staff members can only book travel within the allowable types. Additionally, the business office and Internal audit will also monitor and review, respectively, for compliance.

**c) What actions will the Audit and Finance Committees, as well as other members of the organization or the board itself, take upon notification of a violation of this policy?**

A violation of this policy will be investigated as appropriate. Depending on the circumstances the offending individual may be required to repay any unauthorized amount and may face discipline up to and including termination.

**3. The organizational chart presented as an attachment (p. 67) does not match page 7 of the non-expansion amendment, bylaws revision, currently in process, that was submitted to the charter division on May 1, 2020, specifically in reference to the VP of Board Relations and Governance.**

**a) Noting the discrepancies in the two charts, which chart will you be using going forward? *(Any deviation from the currently approved organizational chart will need to be submitted via the amendment process for commissioner approval.)***

As IDEA has worked through the senior leadership changes and implementation of policies as approved by the Board of Directors over the last few months, IDEA's Board updated bylaws in May and again in July with a new organizational chart. IDEA then made some organizational shifts in August which were submitted to the Board of Directors on September 11, 2020. IDEA has attached the updated organizational chart as an exhibit (Exhibit C) and will be submitting the bylaws, as approved in July, with the updated organizational chart along with accompanying non-expansion amendment to the Charter Division of the Texas Education Agency this month.

**b) Is there a process in place to ensure quality checks before proposed amendments are submitted to the agency?**

IDEA will work closely with external legal counsel on preparation of amendments to the agency. IDEA will be ensuring that staff counsel is also trained to also review these amendments prior to submission to the agency moving forward. While IDEA plans on doing annual reviews of policy and bylaws, it is also the intent of IDEA to not need to submit amendments regarding the same issue multiple times in a calendar year as is the case of the bylaws and organizational chart described above.



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**4. You report the following in your response regarding the internal audit structure:**

*The Board also stood up new standing committees, most importantly including an Audit Committee and established a robust internal audit department reporting directly to the Board and Audit Committee. IDEA's CEO, JoAnn Gama, also appointed a Vice President of Governance working with her and the Board, facilitating internal audit, overseeing staff counsel, compliance, board governance and coordinating the continuing work of outside counsel. Internal auditors and the Audit Committee received in-depth training and resources on internal audit and board Audit Committee functions.*

- a) Why, in both organizational charts, does the internal auditing department report to the CFO, not directly to the board, as you state?**

Our organizational chart required updating. As you can see in the most recent version to be submitted, the Internal Audit Department reports (for daily HR related purposes) to the Vice President of Board Relations & Governance but also reports directly to the Audit Committee of the Board, as outlined in the [Internal Audits Policy](#). The Board of Directors approved the updated organizational chart at the September 11, 2020 Board meeting.

- b) If the organizational chart is correct in that the internal auditing department reports to the CFO, how will independence be maintained in matters of financial integrity?**

As outlined above, Internal Audit does not directly report to the CFO. There is collaboration between the Internal Audit Department and members of the Business Office team, but independence is maintained regarding work product and reporting in accordance with applicable audit standards and industry practices. The Internal Audit team attends all Board Meetings and Finance Committee meetings, as well as Audit Committee meetings.

- c) How will whistleblower complaints be handled? Where will this be outlined in policy?**

IDEA has contracted with Syntro Lighthouse (Lighthouse) as the District's third-party whistleblower hotline provider. Employees can submit reports through a dedicated third-party managed website, phone number, e-mail or fax. All reports are initially recorded by Lighthouse representatives, on a dedicated, secure and restricted case management system and simultaneously a notice is sent to Internal Audit, Legal Counsel, the Audit Committee Chairman and the Board Chairman for investigation. The Internal Audit Department reviewed several options prior to selecting Syntro Lighthouse as an appropriate vendor for this service and worked diligently to operationalize and implement a communications plan announcing the hotline's existence.

All reports will be promptly investigated by the Audit Committee or directed to the appropriate process where legally necessary, and appropriate corrective action will be recommended to the Board of Directors, if warranted by the investigation. In addition, action taken must include a conclusion and/or follow-up with the complainant, if feasible, for complete closure of the concern. The Audit Committee



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has the authority to retain special legal counsel, accountants, investigators, or any other resource deemed necessary to conduct a full and complete investigation of the allegations. This information is outlined in IDEA Public School's Whistleblower Protections Board Policy adopted May 1, 2020.

IDEA is including as Exhibit D the communication issued to all employees regarding Lighthouse as well as a PDF of our intranet page regarding the whistleblower policy and hotline.

**5. In this same paragraph you mention staff counsel.**

**a) Where are staff counsel indicated on the organizational chart?**

Staff attorney reports to the Vice President of Board Relations & Governance. Additionally, the staff attorney partners closely with external counsel Schulman, Lopez, Hoffer & Adelstein, LLP (SLHA) and spends time internally collaborating with the human resources and business office functions.

**b) Regarding financial and organizational integrity and accountability, which matters will require attention from staff counsel and which matters will be directed to outside counsel?**

Staff counsel is currently being mentored, trained and closely supported by external counsel at SLHA, LLP, on matters related to financial and organizational integrity and accountability, given the employee's tenure in his role and subject matter expertise in these areas. It is of critical importance, particularly in these areas, that staff counsel is fully aware of the intersections of law and policy prior to being charged with these responsibilities.

**6. You address a \$250,000 expenditure threshold in several areas:**

**Sec. 6. BOARD AUTHORIZATION REQUIRED. (Board Authority Over Fiscal Matters)** *Consistent with Sec. 3 of this policy and the Board's fiduciary duties and standard of care established under applicable law, the Delegates shall present to the Board for approval any business arrangement or transaction with a cost or value of \$250,000 or that relates to an officer or conflicted, interested, or related party, as defined in other Board policy or applicable law.*

**a) What fiscal thresholds are in place for administrators throughout the organization?**

All fiscal thresholds across the organization are now spelled out in policy. Per Capital Assets Policy, Sec 3.3.1 Capital Asset Purchase Approval, the Board shall approve the purchase of land, any public work contract or the acquisition of personal property with a per unit cost or value of \$50,000 or more prior to its acquisition. Per Travel Policy Section 10.1 Meals, IDEA shall reimburse officers and employees the actual cost incurred for meals while traveling on official IDEA business not to exceed the maximum daily meal per diem for the duty point promulgated by the GSA meals and per Sec 9.4 Lodging, IDEA shall only reimburse an employee for the actual cost of lodging for the city and state to which the employee traveled, up to the maximum allowable rates promulgated by the GSA.



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- b) Are there any business arrangements or transaction thresholds below \$250,000 that will be or have been established, depending on specific roles in the organization, such as campus administrators or mid-management personnel?**

All fiscal thresholds across the organization are now spelled out in policy. We will continue to monitor for issues and address any issues that arise through policies and procedures. Per Purchasing Policy, Sec. 5.6. Signature Authority, only the Chief Financial Officer or Senior Vice President of Finance/Controller or designee shall be authorized to execute contracts or other written legal agreements that obligate IDEA to disburse funds for the receipt of goods and/or services.

- 7. Board committees are mentioned in the response, and you note in your response the active role that the committees have had in revising policy. As noted:**

*...the Audit Committee supports the organization by also reviewing expenditures, monitoring compliance, and identifying areas of weakness for correction, guiding improvement plans, and ensuring fiscal controls are being implemented and are effective.*

- a) Please provide additional detail as to the work of the internal audit committee.**

The Audit Committee will oversee and strategically guide the work of the Internal Audit Team, including determining annual audit plans based on risk assessments and organizational benefit. The committee will also review all interim and final audit results, understand corrective action plans based on discussions with functional area leaders, monitor the implementation of correction action plans in partnership with management, and oversee the annual financial audit and all other external audits. The committee will review and investigate all whistleblower reports and work with Internal Audit, Human Resources and Legal counsel to ensure all allegations of financial or other improprieties are investigated and resolutions are reported to the Board of Directors. The Audit Committee will review monthly expenditure reports as well as manage an operating calendar stemming from the approved audit plan.

- b) What specific processes or procedures outlined will guide the work of the audit committee in accomplishing the tasks described in your response/description of the audit committee's role?**

**Monthly Audit Committee Meetings** – The Audit Committee will meet monthly at a minimum and add additional meetings as needed. During each monthly meeting, the Audit Committee will honor standing agenda items including the review of documentation as required by current Board policy such as Corporate Card expenditures.

**Annual Audit Plan** – The committee will support in the development and approval of the annual audit plan based on risk assessments and the Internal Audit Team resources. The plan will be continuously reviewed against year-to-date progress to determine if the scope and expected deadline of internal audits are aligned. The plan will be amended by the committee in partnership with management and



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the Internal Audit Team as necessary to reflect changes to organizational risks, priorities areas, or the addition of external audits.

Whistleblower Reports – Per the Whistleblower Policy, the committee will review and investigate all whistleblower reports and work with Internal Audit, Human Resources and Legal counsel to ensure all allegations of financial or other improprieties are investigated and resolutions are reported to the Board of Directors. A third-party whistleblower service has been contracted to support in collecting reports and internal procedures have been established to guide the process when a report is received.

The Audit Committee is committed to continued training for the board members and the staff to ensure that all internal policy requirements are met, and external requirements are understood and executed upon appropriately by the organization.

**8. You describe the compensation study in such a way that it is ongoing and not yet complete:**

*... a formal study is provided to the Board reviewing all senior management team members total compensation, not just base salary, for the 2020-2021 year and beyond. The Board's legal counsel and special nonprofit tax counsel will guide the Board further on state and federal requirements pertaining to compensation and benefits.*

**a) When do you anticipate the completion of the compensation study?**

The study is expected to be completed by December 2020 for review by the Board of Directors.

**b) Will the study's findings result in changes to compensation for the 2020-21 fiscal year, or will these be changes that will be implemented in 2021-22?**

It is most likely that changes will be implemented in 2021-22. However, should there be significant items for consideration from the study related to senior leader compensation, the Board of Directors is prepared to consider a mid-year adjustment related to the findings of the study. Moreover, the senior leader contracts include language allowing for mid-year pay adjustments in the event this is necessary.

**c) How will the results of the study be used to address compensation structures throughout the entire organization?**

IDEA's management team and the Board of Directors is committed to ensuring a total compensation package for all team members that cascades appropriately through the grades of employee type. The study results will be used to ensure that this cascade is established or revised, as necessary, to ensure appropriateness not only within the right external peer groups but within our organization, as well. Should it be deemed advantageous and beneficial to review additional groups, IDEA is open to engaging in additional studies with other employee groups.

**9. You describe training for new policies in several places (one example is in the Allowable and Prohibited Use of Funds Policy):**



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#### **Sec. 19. Training and Updates**

*The Delegates or designee shall properly train officers and employees on the requirements of this policy and any administrative procedure(s) adopted to implement this policy. Additionally, the Delegates or designee shall keep officers and employees informed of any changes to this policy and related requirements.*

**a) Please provide more details on the training process and associated timeline.**

Upon approval of the policies, the Senior Vice President of Finance and the Senior Vice President of Financial Planning began to examine the administrative procedures and platforms that would need to adjust in order to implement and execute on the policies with fidelity. Simultaneously, the team cross-functionally met to create Executive Summaries of the policies to share in conjunction with the full policy to Executive Leadership Council (Chiefs, Superintendents, Executive Directors, Vice Presidents, Principals) and to be cascaded to their teams. The team then began utilizing the weekly all headquarters meetings that take place Monday mornings to educate on a policy per week – including policy rationale, requirements, and relevant scenarios for practice. See Exhibit E for an example of a training.

**b) You mention your online training platform Roadmap. What training will occur on modules in Roadmap for new and existing policies?**

Roadmap trainings will include a full copy of each policy, an executive summary and a guided session discussing key points in the policy. Each module also features examples rooted in our work across school and central teams. Participants will be expected to interact by answering questions related to practice scenarios, receiving a score based on accuracy of their responses, participating in the discussion feature based on open ended questions, and certifying they've read and understand each policy.

**c) Describe the frequency of any required training to be implemented and describe how that will be documented.**

The completion of Roadmap trainings related to policies will be required of all Executive Leadership Council (Chiefs, Superintendents, Executive Directors, Vice Presidents, Principals), additional officers (Directors and Assistant Principals) and financial stewards (Administrative Assistants and Business Clerks) by the end of October 2020. All Executive Leadership Council members, officers and financial stewards will be required to complete policy related Roadmap trainings annually.

Moreover, IDEA has mapped the training to be in conjunction and part of the required annual training for officers.

**d) How will you assure compliance with training?**



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The Roadmap system allows training series authors to assign members and a completion deadline. Roadmap will automatically send reminders to users who have not completed their assigned series or modules. The Senior Vice President of Finance and Senior Vice President of Financial Planning will also utilize Monday morning meetings across headquarters and regions to share training completion progress by team. Cascading messages from our Senior Team to direct reports will also be employed as an effective mechanism for ensuring completion with this requirement.

**10. Please feel free to provide any additional information or exhibits regarding the practices and procedures the school has implemented, or plans to implement, that will provide evidence of a robust repertoire of institutional and financial controls for IDEA Public Schools going forward.**

IDEA's team and external counsel are developing procurement and contracting guides, compliance checklists refining our procedures manuals to align with law and recent policy adoptions. These are actively under development and will be provided to the Agency once complete in the coming months. Additionally, as Exhibit F, IDEA has included material from the work of Nygren Consulting attesting to some of the work of the Board and management in the last months.

As we stated in our previous response, we appreciate the opportunity to respond to the agency's inquiries. We remain available to answer any further questions or provide information needed to facilitate our expansion requests.

A handwritten signature in blue ink, appearing to read "JoAnn Gama".

IDEA Public Schools Management Team

JoAnn Gama

CEO and Superintendent

A handwritten signature in blue ink, appearing to read "Al Lopez".

IDEA Public Schools Board of Directors

Al Lopez

Board Chair