

Sec. 1. PURPOSE OF POLICY.

The Board of Directors (the “Board”) of IPS Enterprises, Inc. (“IPS”) shall endeavor to provide appropriate fiscal oversight of IPS through an internal audits function. Through this policy, the Board shall address the legal requirements, as applicable, promulgated at Texas Business Organizations Code (“Tex. Bus. Org. Code”) Sections 3.101, 22.201, 22.221 and 22.235. This policy shall also track the policies of IDEA Public Schools subject to Board differentiation contained herein or otherwise approved by the IPS Board.

Sec. 2. AUTHORITY OVER FISCAL MATTERS.

- (a) Subject to the provisions of Section 4.4 of the IPS Bylaws relating to actions to be approved by the Chief Executive Officer (“CEO”) or the Sole Member, the business, property, and affairs of IPS shall be managed and all powers of IPS shall be exercised by or under the direction of 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,” Finance Policy 1.0) for requirements applicable to this policy.
- (b) The Officers of IPS (as defined in Sec. 5 of the Controlling Policy) shall report to the Board any business arrangement or transaction with an individual that is an Officer and any conflicted, interested or related party, as defined in other Board policy or applicable law. IPS (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. OFFICE OF INTERNAL AUDITS.

The Board authorizes the establishment of the office of internal audits (“Internal Audits”) for the purpose of providing independent and objective assurance and consulting services so as to improve the management of risks and the effectiveness of the control environment and governance.

Sec. 4. AUDIT COMMITTEE OVERSIGHT.

The Board’s Audit Committee shall oversee and direct the activities of Internal Audits. However, the Board shall have final authority over Internal Audits.

Sec. 5. CHARTER.

The Audit Committee may adopt a charter for Internal Audits.

Sec. 6. INTERNAL AUDIT STANDARDS.

The Audit Committee shall require that Internal Audits conducts its work pursuant to the *International Standards for the Professional Practice of Internal Auditing* and other applicable professional auditing standards.

Sec. 7. ACCESS TO PERSONNEL, PROPERTY, AND RECORDS.

IPS Officers and staff shall provide to Internal Audits any and all personnel, property, and records deemed necessary by Internal Audits in the conduct of its work. If an IPS Officer or other employee fails to provide Internal Audits said access, Internal Audits shall report the Officer’s or other

employee's failure to provide access to the Audit Committee. The Audit Committee shall recommend an appropriate disciplinary action to the Board, up to and including termination of employment.

Sec. 8. RECOMMENDATIONS TO AUDIT COMMITTEE.

The Chief Executive Officer ("CEO") or other Officers may recommend or submit a request to the Audit Committee that Internal Audits address an area(s) of concern or an opportunity for the improvement of an activity, function, program, service, or organizational unit.

Sec. 9. PROHIBITED CONDUCT.

IPS Officers and employees, without exception, are prohibited from demanding or otherwise directing the work undertaken by Internal Audits, including the content of any report or other deliverable prepared by Internal Audits.

Sec. 10. ANNUAL RISK ASSESSMENT.

Internal Audits shall conduct an annual risk assessment and present the results to the Audit Committee. The Audit Committee shall prioritize the identified risks that Internal Audits shall then address in the annual audit plan.

Sec. 11. ANNUAL AUDIT PLAN.

Internal Audits shall prepare an annual audit plan that addresses the prioritized risks provided by the Audit Committee, identifies the assurance and consulting work that it will perform, provides a timeline for the conduct of its work, allocates staff, financial, and other resources to the planned work, and discloses the deliverables that it will submit to the Audit Committee and Board.

Sec. 12. BUDGET.

Internal Audits shall prepare and submit an annual budget to the Audit Committee separately from that prepared by the CEO and Chief Financial Officer ("CFO") under the Board's Policy governing the Authorization for the Obligation and Expenditure of Funds (Finance Policy 1.3). Upon review and approval of Internal Audits, the Audit Committee shall submit the proposed budget to the Board for its consideration, revision, and approval. In like manner, Internal Audits shall submit amendments to the initial budget to the Audit Committee and then to the Board for review, revision, and approval.

Sec. 13. LIAISON TO INDEPENDENT AUDITOR.

Internal Audits shall function as the Audit Committee's and Board's liaison with the certified public accountant engaged to conduct the annual financial and compliance audit. As liaison, Internal Audits shall coordinate and facilitate the efficient and effective conduct of the annual audit.

Sec. 14. TRAINING AND UPDATES.

The CEO and/or CFO shall prepare and formally adopt administrative procedures as reasonably necessary to properly administer this policy and to adhere to applicable law and rule. In doing so,

**IPS Enterprises, Inc.
Internal Audits****Finance Policy 1.2**

the CEO and/or CFO shall not adopt, and is prohibited from adopting, an administrative procedure that conflicts with applicable law or this policy. Accordingly, the CEO and/or CFO shall confer with the Board or legal counsel before deviating from the requirements set forth in this policy and whereby an amendment to this policy or deviation shall be proposed and adopted.

Sec. 15. ADMINISTRATIVE PROCEDURES.

The CEO and/or CFO shall prepare and formally adopt administrative procedures as reasonably necessary to properly administer this policy and to adhere to applicable law and rule. In doing so, the CEO and/or CFO shall not adopt, and is prohibited from adopting, an administrative procedure that conflicts with applicable law or this policy. Accordingly, the CEO and/or CFO shall confer with the Board or legal counsel before deviating from the requirements set forth in this policy and whereby an amendment to this policy or deviation shall be proposed and adopted.

Sec. 16. DATE ADOPTED AND EFFECTIVE.

As set forth in the pertinent minutes to the meeting of the Board, the Board adopted this policy on January 15, 2021 and it became effective on January 15, 2021.


Sec. 17. RETENTION.

This policy shall be retained until superseded, expired or discontinued and for five years thereafter.

Sec. 18. CERTIFICATION.

The Undersigned, being the Secretary of IPS, hereby certifies that the foregoing represents a true copy of the Board Policy relating to Internal Audits, as originally adopted by the Board on January 15, 2021 which Policy is in full force and effect and has not been revoked or amended.

DocuSigned by:


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Ryan Vaughan, Secretary

Date: January 15, 2021