

Sec. 1. PURPOSE OF POLICY.

The Board of Directors (“Board”) of IPS Enterprises, Inc. (“IPS”) shall endeavor to maximize the use of IPS funds to purchase goods and services to further the charitable and educational mission of IP, which is to benefit, perform the functions of, and carry out the purposes of IDEA public Schools, a Texas non-profit corporation, and other charter schools and educational organizations operated by IDEA Public Schools in Texas, Louisiana, Florida, and Ohio. Through this policy, the Board shall address the legal requirements, as applicable and as may be amended, promulgated at Texas Business Organizations Code (“Tex. Bus. Org. Code”) Sections 3.101, 22.201, 22.221 and 22.235.

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. DEFINITIONS.

Sec. 3.1. Component Purchases.

“Component purchases” means purchases of the component parts of an item that in normal purchasing practices would be purchased in one purchase.

Sec. 3.2. Goods.

“Goods” means personal property such as appliances, contract rights, equipment, furniture, intellectual property, materials, software, supplies and vehicles.

Sec. 3.3. Officer.

“Officer” has the meaning set forth in Sec. 5 of the Controlling Policy.

Sec. 3.4. Ordinary Care.

“Ordinary care” means “the care that an ordinarily prudent person in a similar position would exercise under similar circumstances.”¹

¹ Tex. Bus. Org. Code § 22.001(6).

Sec. 3.5. Personal Property.

“Personal property” means an interest in tangible and intangible property other than real property, including:

- (a) furniture, equipment, supplies, and other goods;
- (b) computer hardware and software;
- (c) contract rights, intellectual property such as patents, and other intangible property;
- (d) cash, currency, funds, bank accounts, securities, and other investment instruments;
- (e) the right to repayment of a loan, advance, or prepayment or to the payment of other receivables; and
- (f) any other form of personal property recognized by Texas law.

Sec. 3.6. Separate Purchases.

“Separate purchases” means purchases, made separately, of items that in normal purchasing practices would be purchased in one purchase.

Sec. 3.7. Sequential Purchases.

“Sequential purchases” means purchases, made over a period of time, of items that in normal purchasing practices would be purchased in one purchase.

Sec. 3.8. Services.

“Services” means professional services and other services.

Sec. 3.9. Supplies.

“Supplies” means all tangible personal property other than computing devices, information technology systems, or other forms of technology devices.

Sec. 4. GENERAL REQUIREMENTS APPLICABLE TO ALL PURCHASES.

Sec. 4.1. Prudent Person Rule and Fiduciary Duty.

In their use of funds, property and other organizational resources, such as established lines of credit and the talents of and time worked by employees and contractors, Officers and employees of IPS shall limit their use of funds and property to purposes pertaining to IPS’s charitable and educational purposes and activities, functions, programs, and services that are ordinary and necessary for the conduct of IPS’s mission. Importantly, in their use of funds, Officers and employees of IPS shall only incur costs that, by their nature and amount, do not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time that the decision was made to incur the cost.

As fiduciaries, the Board and Officers have an obligation to discharge their duties, including duties as a committee member, in good faith, with ordinary care, and in a manner the director or officer reasonably believes to be in the best interest of IPS.²

² Tex. Bus. Org. Code §§ 3.101, 22.221(a).

Sec. 4.2. Segregation of Duties; Checks and Balances.

To the degree feasible, the CEO and Chief Financial Officer (“CFO”) or designee shall ensure an appropriate segregation of duties between the following functions: (1) the obligation of funds through the procurement of goods and services; (2) the receipt of goods and services including the preparation and maintenance of property inventory records; (3) the receipt of vendor invoices; (4) the disbursement of funds; and (5) the accounting of purchases and payments including the reconciliation of accounting and bank records. Where an appropriate segregation of duties between these functions is not feasible, the CEO and CFO or designee shall ensure the appropriate review and approval of contractual arrangements and business transactions.

Sec. 4.3. Purchasing Officer.

The CEO may delegate the purchasing function to an employee designated as the purchasing officer.

Sec. 4.4. Authority to Procure Goods and Services.

- (a) The Board authorizes the CEO or purchasing officer to procure or cause the procurement of goods and services pursuant to the budget adopted and amended by the Board. The CEO or purchasing officer may not procure or approve the procurement of goods and services that are not approved by the Board in the budget or by amendment to the budget.
- (b) With respect to the purchase of land or real estate, see Sec. 3.3 of the Board’s Policy relating to Capital Assets (Finance Policy 1.7).

Sec. 4.5. Signature Authority.

Only the CEO or purchasing officer shall be authorized to execute contracts or other written legal agreements that obligate IPS to disburse funds for the receipt of goods and/or services. Automatic renewals are prohibited. The CEO or purchasing officer shall, to the degree feasible, use standardized contracts, terms and conditions favorable to IPS or have the contract reviewed by legal counsel prior to execution.

Sec. 4.6. Purchase Order System.

The CEO or purchasing officer shall establish and maintain a purchase order system. The purchase order shall serve as the formal method for procuring goods and/or services from a vendor and shall have the effect of obligating IPS to remit payment to the vendor upon receipt of the goods and/or services purchased and of the related invoice.

Sec. 4.6.1. Required Approvals.

The Chief Operating Officer (“COO”) shall be authorized to approve purchase orders.

Sec. 4.6.2. Issuance Prohibited.

IPS employees may not issue a purchase order to a vendor unless it has been approved by the COO.

Sec. 5.7.3. Failure to Properly Issue.

If an IPS employee issues a purchase order to a vendor without the required approvals established in Subsection 4.6., the employee may be financially responsible for the purchase, and may also be subject to adverse employment action, up to and including termination.

Sec. 4.7. Receipt of Goods and Services.

The CFO or designee shall establish and maintain a system for documenting the receipt of goods and services from a vendor, including the condition and number of items received, the satisfactory performance of services rendered, and any dispute with the condition and number of items or performance of services.

Sec. 4.8. Employee Purchases Prohibited.

IPS employees are prohibited from conducting any transaction that results in the purchase of goods and services, that obligates IPS funds, or results in the expenditure of IPS funds except as provided in this policy. If an IPS employee fails to follow this policy to purchase goods and services, the employee may be financially responsible for any expenses incurred regardless of the benefit to IPS and its students, and may also be subject to adverse employment action, up to and including termination.

Sec. 4.9. Separate, Sequential, or Component Purchases Prohibited.

The CEO and IPS employees are prohibited from making or authorizing separate, sequential, or component purchases to avoid the requirements of this policy.

Sec. 4.10. Required Records.

IPS employees shall document and substantiate each purchase of goods and services through the preparation of internal accounting records and the submittal of original, itemized vendor invoices or receipts.

Sec. 4.11. Awards, Gifts, and Business Expenses.

In addition to the purchasing and contracting requirements set forth in this policy and in applicable state and federal law and regulation, including the Internal Revenue Code and Internal Revenue Regulations, IPS Officers and employees shall purchase any awards and gifts and incur business expenses, including the cost of business meals, pursuant to the various policies adopted by the Board including the Corporate Card Policy (Finance Policy 1.9), Accountable Plan Policy (Finance Policy 1.1), and Employee Awards and Gifts Policy (Finance Policy 1.15), as applicable.

Sec. 4.12. Failure to Adhere to Policy.

If an IPS Officer or employee fails to follow this policy to purchase goods and services, the Officer or employee shall be personally financially responsible for any expenses incurred, particularly for any unsubstantiated charges or for the purchase of non-business-related goods and/or services, regardless of the benefit to IPS.

Sec. 5. AUTHORIZED PROCUREMENT METHODS.

The CEO or purchasing officer shall procure or cause the procurement of goods and/or services through the following methods for the amounts indicated.

Sec. 5.1. Services, Supplies, or Equipment Costing \$3,000 or Less in the Aggregate.

Services, supplies, or equipment costing \$3,000 or less in the aggregate during a given fiscal year may be awarded without soliciting competitive quotations if the CEO and/or purchasing officer considers the price reasonable. The purchasing authority should apply the prudent person rule with all such purchases and maintain appropriate documentation to support compliance with this section (i.e. price comparisons, advertised prices, etc.).

Sec. 5.2. Small Purchase Method.

The Small Purchase method may be used for goods and services when the price is less than \$25,000 individually or in the aggregate.

- (a) For single purchases or individual recurring purchases made without a contract, “aggregate costs” means the cost of the individual purchase.
- (b) For contracts, “aggregate costs” means the total potential cost of the contract, including any option year(s) and amendment(s), or the time between full procurements for that same good/service.

The CEO or purchasing officer shall submit a written or verbal request for price quotes to multiple vendors for goods or services described in detail. The request for price quotes should include, at a minimum:

- (a) Detailed description of specific goods/services being purchased.
- (b) Size, color, style of goods/services being purchased.
- (c) Quantity.
- (d) Manufacturer catalog or model numbers (or equivalent), as applicable.

The CEO or purchasing officer shall document the quote solicitation activity including, at a minimum:

- (a) Name of individual obtaining the quote.
- (b) Vendor names, addresses, phone numbers.
- (c) Name of individual providing the quote for the vendor.
- (d) Prices quoted by each vendor.
- (e) Record of discussion and/or negotiation conducted.
- (f) Dates price quotes were received.
- (g) Expiration date, if applicable, for prices quoted.

Quotes may be obtained in writing, online, or by telephone. The CEO or purchasing officer shall attempt to obtain a minimum of three quotes from qualified vendors, where possible.

The CEO or purchasing officer shall record the receipt of all quotes and evaluate the quote information to determine the most reasonable and responsible response, including using cost/price analysis done by the CEO or purchasing officer. The CEO or purchasing officer shall confirm and

document the absence of a conflict of interest.

The CEO or purchasing officer shall select the responsive and most advantageous proposal to IPS, considering price, quality, and other factors considered, using a cost price analysis. Purchases shall be requisitioned through the purchase order system discussed in Sec. 4 above.

Sec. 5.3. Large Purchase Method.

The Large Purchase method may be used for goods and services when the price is \$25,000 or more individually or in the aggregate.

- (a) For single purchases or individual recurring purchases made without a contract, “aggregate costs” means the cost of the individual purchase.
- (b) For contracts, “aggregate costs” means the total potential cost of the contract, including any option year(s) and amendment(s), or the time between full procurements for that same good/service.

The CEO or purchasing officer shall submit a written or verbal request for price quotes to multiple vendors for goods or services described in detail. The request for price quotes should include, at a minimum:

- (a) Detailed description of specific goods/services being purchased.
- (b) Size, color, style of goods/services being purchased.
- (c) Quantity.
- (d) Manufacturer catalog or model numbers (or equivalent), as applicable.

The CEO or purchasing officer shall document the quote solicitation activity including, at a minimum:

- (a) Name of individual obtaining the quote.
- (b) Vendor names, addresses, phone numbers.
- (c) Name of individual providing the quote for the vendor.
- (d) Prices quoted by each vendor.
- (e) Record of discussion and/or negotiation conducted.
- (f) Dates price quotes were received.
- (g) Expiration date, if applicable, for prices quoted.

Quotes may be obtained in writing or online. The CEO or purchasing officer shall attempt to obtain a minimum of three quotes from qualified vendors, where possible.

The CEO or purchasing officer shall record the receipt of all quotes and evaluate the quote information to determine the most reasonable and responsible response, including using cost/price analysis done by the CEO or purchasing officer. The CEO or purchasing officer shall confirm and document the absence of a conflict of interest.

The CEO or purchasing officer shall provide a summary of the procurement to the Board and identify the most advantageous proposal to IPS, considering price, quality, and other factors considered, using a cost price analysis. The Board shall approve all purchases for goods or services when the price is \$25,000 or more individually or in the aggregate. Any resulting purchases shall

be requisitioned through the purchase order system discussed in Sec. 4 above.

Sec. 5.4. Changes to Contract Price.

If a change in plans or specifications is necessary after the performance of a contract is begun or if it is necessary to decrease or increase the quantity of work to be performed or of materials, equipment, or supplies to be furnished, the CEO or purchasing officer has general authority to approve change orders making the changes.

The total contract price may not be increased because of the changes unless additional money for increased costs is approved for that purpose from available money or is provided by the authorization of the issuance of time warrants.

Sec. 5.5. Unnecessary and Duplicative Items.

We shall avoid acquisition of unnecessary or duplicative items. Consideration will be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.

Sec. 6. PURCHASING CODE OF CONDUCT.

Sec. 6.1. Standards of Conduct

IPS personnel shall be responsible for adhering to the following standards of conduct when using IPS funds for the purchase of goods and services.

- (a) It is a breach of ethics to attempt to realize personal gain through public employment with the School by any conduct inconsistent with the proper discharge of an employee's duties.
- (b) It is a breach of ethics to attempt to influence any School employee to breach the standards of ethical conduct set forth in this code.
- (c) It is a breach of ethics for any School employee to participate directly or indirectly in a procurement when the employee knows that:
 - (1) The employee or any member of the employee's immediate family has a financial interest pertaining to the procurement;
 - (2) A business or organization in which the employee, or any member of the employee's immediate family, has a financial interest pertaining to the procurement; or
 - (3) Any other person, business or organization with whom the employee or any member of the employee's immediate family is negotiating or has an arrangement concerning prospective employment is involved in the procurement.
- (d) It is a breach of ethics to offer, give or agree to give any IPS Officer or employee or former Officer or employee, or for any IPS Officer employee or former Officer or employee to solicit, demand, accept or agree to accept from another person, a

gratuity or an offer of employment in connection with any decision, approval, disapproval, recommendation, preparation of any part of a program requirement or purchase request, influencing the content of any specification or procurement standard, rendering of advice, investigation, auditing, or in any other advisory capacity in any proceeding or application, request for ruling, determination, claim or controversy, or other particular matter pertaining to any program requirement or a contract or subcontract, or to any solicitation or proposal therefore pending before IPS.

- (e) It is a breach of ethics for any payment, gratuity or offer of employment to be made by or on behalf of a subcontractor under a contract to the prime contractor or higher tier subcontractor for any IPS contract, or any person associated therewith, as an inducement for the award of a subcontract or order.
- (f) The prohibition against gratuities and kickbacks prescribed at (d) and (e) above should be conspicuously set forth in every contract and solicitation therefore.
- (g) It is a breach of ethics for any IPS Officer or employee or former Officer or employee to knowingly use confidential information for actual or anticipated personal gain, or for the actual or anticipated gain of any person.

Sec. 6.2. Organizational Conflicts

An organizational conflict of interest may result when IPS conducts a business transaction with an affiliate or subsidiary organization and, as a result this relationship, IPS is unable or appears to be unable to be impartial in conducting a procurement action involving its affiliate or subsidiary. Generally, because of its relationship with an affiliate or subsidiary, IPS may encounter one or more of the following types of organizational conflict of interest.

- (a) Unequal access to information
- (b) Biased ground rules
- (c) Impaired objectivity

Thus, when procuring goods and services from an affiliate or subsidiary organization, the Board and IPS Officers and employees are to avoid and take other actions to mitigate the potential for significant organizational conflicts of interest that may result in an unfair competitive advantage to an affiliate or subsidiary. If IPS personnel identify an organizational conflict of interest, the employee must prepare a memorandum to the CEO identifying the proposed procurement, the conflicted entity, and circumstances giving rise to the conflict. Upon review, the CEO must submit the memorandum and a proposed remedy to the Board for consideration and approval.

Sec. 6.3. Gifts

No Officer or employee shall accept or solicit any gifts, favor, services, or other benefit that could reasonably be construed to influence the Officer or employee's discharge of assigned duties and responsibilities or could be perceived as having been offered because of an existing or potential business relationship. Officer and employees shall disclose any gifts, favors, services, or benefits received with an aggregate value of \$100 or more from any one individual over the course of one fiscal year to the CFO. This includes items of food, lodging, transportation, tickets, or business entertainment accepted as a guest. When the Officer or employee is in doubt of the value of the gift, he or she should report it to the CFO. If an Officer or employee has any questions regarding

acceptable conduct or the interpretation of this policy, or if he or she is in doubt about the best course of action in a particular situation, the Officer or employee must seek clarification from the CFO. Failure by an Officer or employee to disclose gifts pursuant to this policy could result in adverse personnel action against the employee.

Sec. 6. 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, 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. 7. 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. 8. DATE ADOPTED AND EFFECTIVE.

As set forth in the pertinent minutes to the meeting of the Board, the Board adopted this policy on December 10, 2021 and it became effective on December 10, 2021.

Sec. 9. RETENTION.

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

Sec. 10. CERTIFICATION.

The Undersigned, being the Secretary of IPS, hereby certifies that the foregoing represents a true copy of the Board Policy relating to Purchasing, as originally adopted by the Board on December 10, 2021 which Policy is in full force and effect and has not been revoked or amended.

DocuSigned by:



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Anthony Ryan Vaughan, Board Secretary

12/15/2021

Date