

IPS Entreprises, Inc.**Finance Policy****Grant Accounting****Sec. 1. Purpose of Policy.**

Sec. 1.1. The Board of Directors (the “Board”) of IPS Entreprises, Inc. (“IPS”) shall endeavor, in accordance with its fiduciary duty and applicable law, to honor any legal restrictions on federal or state funds and donor restrictions (that can be accepted) on philanthropic funds. Through this policy, the Board shall address the following legal requirements, as applicable:

- (a) Texas Business Organizations Code (“Tex. Bus. Org. Code”), Chapters 3 and 22;
- (b) United States Code, Title 20 (“20 USC”);
- (c) Code of Federal Regulations, Title 2 (“2 CFR”), Part 200;
- (d) *Standards for Internal Control in the Federal Government*; and
- (e) *Government Auditing Standards*.

Sec. 1.2. Additionally, through this policy, the Board shall address best practices adopted by non-profit corporations. 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.

Sec. 2.1. 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.

Sec. 2.2. 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. Applicability of Policy.

This policy pertains to state, federal, and philanthropic grant funds.

Sec. 4. Grant Accounting Records.

As required under the terms and conditions of the grant, the Grant Director will maintain the following grant records:

- (a) Grant Award Notice (GAN), Notice of Grant Award (NOGA), or private grant award letter;
- (b) Grant agreement;
- (c) Grant application;
- (d) Grant staff rosters;
- (e) Funding guides that identify allowable and unallowable activities and costs;
- (f) Original budget and amendments;
- (g) Correspondence to and from grantor; and
- (h) Administrative, financial, and programmatic evaluations and reports.

Grant Accounting**Sec. 5. Grant Director Duties and Responsibilities.**

The Grant Director is responsible for the following duties and responsibilities:

- (a) Maintaining fiduciary and financial responsibility for all grant activities;
- (b) Processing and maintaining accounting data for each grant;
- (c) Requesting funds through the automated payment request systems;
- (d) Preparing and submitting expense reports, including an attestation or certification as to the accuracy, completeness, and truthfulness of the expense information submitted;
- (e) Classifying and reporting accounting transactions properly, in accordance with regulatory requirements;
- (f) Ensuring that funds are expended as approved in the application;
- (g) Maintaining employee time accounting records, including reconciliations of said records to payroll journals and other accounting records; and
- (h) Other duties as assigned by CEO, CFO or designee.

Sec. 6. Compliance Requirements.**Sec. 6.1. Allowable Activities and Costs.¹**

Officers and employees shall ensure that all uses of grant funds:

- (a) be reasonable, necessary, and not excessive for the performance of the grant program;
- (b) be allocable to the grant program;
- (c) support activities authorized by applicable law, rule and grant requirement;
- (d) conform to any limitations or exclusions as to types or amount of cost items set forth in applicable law, rule, or grant requirement;
- (e) be consistent with policies and procedures that apply uniformly to all IPS activities;
- (f) be accorded consistent treatment;
- (g) be determined in accordance with generally accepted accounting principles;
- (h) not be included as a cost or used to meet cost sharing or matching requirements of another federal grant program; and
- (i) be adequately documented.

Sec. 6.2. Reasonable, Necessary, and Not Excessive Costs.²

Sec. 6.2.1. In determining if an expenditure or cost is reasonable, necessary, and not excessive IPS Officers and employees shall adhere to the prudent person rule set forth in Sec. 7 of the Controlling Policy.

Sec. 6.2.2. In determining if a cost is reasonable, IPS Officers and employees shall consider the following factors.

- (a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of IPS or the proper and efficient performance of the federal award. Importantly, relating to the use of grant funds, IPS Officers and staff shall adhere to the accepted practices of Texas nonprofit corporations and 501(c)(3) tax-exempt entities.
- (b) The restraints or requirements imposed by such factors as: sound business practices; arm's-length

¹ 2 CFR §200.403

² 2 CFR §200.404

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bargaining; federal, state, local and other laws and regulations; and terms and conditions of the federal award.

- (c) Market prices for comparable goods or services for the geographic area.
- (d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to IPS, its employees, its intended beneficiaries, the public at large, and the federal or state government or private grantor.
- (e) Whether IPS significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the federal award's cost or increase the costs to other funding sources.

Sec. 6.3. Abuse and Waste Prohibited.

Refer to Sec. 8 of the Controlling Policy.

Sec. 6.4. Direct and Indirect Costs.

Sec. 6.4.1. All allowable direct and indirect costs allocated to the grant, minus any applicable credits, constitute the total costs.³

Sec. 6.4.2. Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.⁴ Direct Costs include:

- (a) Costs for personnel who supervise the activities of program staff, or any direct costs for personnel who perform fiscal and reporting activities related to the grant;
- (b) Costs for contracted services associated with the administration of the program;
- (c) Costs for supplies and materials requested for administrative use;
- (d) Other operating costs requested for administrative purposes; and
- (e) Equipment requested for administrative purposes.

Sec. 6.4.3. Indirect costs are costs incurred for a common or joint purpose benefitting more than one grant program or project and not readily assignable to the grant program or project specifically benefitted, without effort disproportionate to the results achieved.⁵ Indirect costs include:

- (a) Costs of operating and maintaining facilities;
- (b) General administration and general expenses, such as budgeting, accounting, human resources, legal, and purchasing;
- (c) Centralized services, such as information systems; and
- (d) Personnel and accounting administration.

Sec. 6.4.4. IPS may apply the indirect cost rate approved by its cognizant agency to the expenses submitted for reimbursement for the grant program.

³ 2 CFR §200.402

⁴ 2 CFR §200.413(a)

⁵ 2 CFR §200.1

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Sec. 6.5.1. An unallowable cost is any cost that cannot be charged to the grant regardless of whether the cost is treated as direct or indirect.

Sec. 6.5.2. IDEA shall refund to the grantor any amounts received from a grant that the grantor determines to be an unallowable costs because the underlying activity or use of funds:

- (a) violated a statute, regulation or the terms and conditions of the grant or program, including any related use of funds to match the grant or program funding;
- (b) is not supported by adequate and contemporaneous original records; or
- (c) appears unreasonable and does not reflect the actions a prudent person would take in the circumstances.

Sec. 6.6. Matching.⁷**Sec. 6.6.1. General.**

For all federal awards, any shared costs or matching funds and all contributions, including cash and third-party in-kind contributions, must be accepted as part of IPS' cost sharing or matching when such contributions meet all of the following criteria:

- (a) are verifiable from IPS' records;
- (b) are not included as contributions for any other federal award;
- (c) are necessary and reasonable for the accomplishment of project or program objectives;
- (d) are allowable under Subpart E, Cost Principles, of 2 CFR 200;
- (e) are not paid by the federal government under another federal award, except where the federal statute authorizing a program specifically provides that federal funds made available for such a program can be applied to matching or cost sharing requirements of other federal programs;
- (f) are funded in the approved budget when required by the federal awarding agency; and
- (g) conform to other provisions of 2 CFR 200, as applicable.

Sec. 6.6.2. Documentation.

The CEO, CFO or designee shall ensure that all funds and in-kind services used as a match are accurately documented and that only funds or services directly benefiting the specific grant program will be counted as a match.

Sec. 6.6.3. Overall Match.

The CEO, CFO or designee shall ensure that contributions are matched overall as opposed to category-for-category.

⁶ 2 CFR §§ 200.1 (Disallowed costs, Questioned cost) and 200.410

⁷ 2 CFR §200.306(b)

Grant Accounting**Sec. 6.6.4. Source of matching contributions.**

Matching contributions may be made from any non-federal source, including non-federal grants. Matching or cost-sharing requirements may be satisfied by any necessary and reasonable costs paid by IPS and verifiable in the accounting records; or the value of third-party in-kind contributions.

Sec. 6.7. Standards for Documentation of Personnel Expenses.⁸

Sec. 6.7.1. Grant funds may be used, if allowed by the grant agreement, to pay all or part of the salaries and allowable fringe benefits of personnel who are directly working on the grant project.

Sec. 6.7.2. The CEO, CFO or designee shall ensure that grants bear their fair share of cost. To support charges for personnel who spend time on grant supported activities, the CEO, CFO or designee shall prepare or cause to be prepared records that accurately reflect the work performed and that conform to all of the following requirements:

- (a) Are supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (b) Are incorporated into IPS' official records;
- (c) Reasonably reflect the total activity for which an employee is compensated by IPS, not exceeding 100% of compensated activities;
- (d) Encompass both federally-assisted and all other activities compensated by IPS on an integrated basis;
- (e) Comply with IPS' established accounting policies and practices; and
- (f) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on: more than one federal award; a federal award and non-federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Sec. 6.7.3. For record keeping purposes, the CEO, CFO or designee shall not use budget estimates (i.e., estimates determined before the services are performed) alone as these do not qualify as support for charges to federal awards. Nonetheless, as appropriate and necessary, the CEO, CFO or designee may use budget estimates for interim accounting purposes, provided that:

- (a) The system for establishing the estimates produces reasonable approximations of the activity actually performed;
- (b) Significant changes in the corresponding work activity are identified and entered into the records in a timely manner;⁹
- (c) The system of internal controls includes processes to review after-the-fact interim charges made to a federal award based on budget estimates; and
- (d) All necessary adjustments are made such that the final amount charged to the federal award is accurate, allowable, and properly allocated.

⁸ 2 CFR §200.430(i)

⁹ Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term.

IPS Entreprises, Inc.**Finance Policy****Grant Accounting****Sec. 6.8. Supplement; Not Supplant.¹⁰**

In accordance with applicable federal law for the pertinent federal grant program, the CEO, CFO or designee shall ensure that IPS uses federal grant funds to supplement and, not supplant, federal, state, and local funds, as applicable to the federal grant program.

Sec. 6.9. Cash Management.¹¹

To the degree feasible and without compromising IPS' financial condition, liquidity and stability, the CEO, CFO or designee shall draw down grant funds on a reimbursement basis at least once a month and maintain a record of all draw down requests and the corresponding costs charged to the grant program.

Sec. 6.10. Obligation of Funds.¹²

Sec. 6.10.1. The CEO, CFO or designee shall ensure that all encumbrances (obligations) and expenses of federal grant funds occur on or after the effective date of the application and within the grant beginning and ending dates identified for the grant award.

Sec. 6.10.2. The CEO, CFO or designee shall ensure that all goods are received, and all services are rendered between the beginning and ending dates as specified in the grant award.

Sec. 6.10.3. When used in connection with IPS' utilization of funds under a federal award, obligations means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by IPS during the same or a future period.

Sec. 6.10.4. From a U.S. Department of Education direct or pass-through grant, IPS makes obligations for various kinds of property and services as observed in the following table.

If the obligation is for	The obligation is made
(a) Acquisition of real or personal property	On the date on which IPS makes a binding written commitment to acquire the property.
(b) Personal services by an employee of the State or subgrantee	When the services are performed.
(c) Personal services by a contractor who is not an employee of the State or subgrantee	On the date on which IPS makes a binding written commitment to obtain the services.
(d) Performance of work other than personal services	On the date on which IPS makes a binding written commitment to obtain the work.
(e) Public utility services	When IPS receives the services.
(f) Travel	When the travel is taken.
(g) Rental of real or personal property	When IPS uses the property.

¹⁰ 20 USC §§ 1413(a)(2)(ii) and 6321(b)

¹¹ 2 CFR §§ 200.302(b)(6) and 200.305

¹² 2 CFR §200.1 (Financial Obligations); 34 CFR §76.707

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If the obligation is for	The obligation is made
(h) A pre-agreement cost that was properly approved by the Secretary of Education under 2 CFR Part 200, Subpart E - Cost Principles	On the first day of the grant or subgrant performance period.

Sec. 7. Approval of Federal Expenditures.**Sec. 7.1. Requisitions.**

The CEO, CFO or designee shall approve requisitions through a workflow process and shall physically sign off on all invoices.

Sec. 7.2. Purchase Card.

IPS shall not use federal funds to procure goods and services by the purchase card method.

Sec. 7.3. Invoices.

The Grant Directors will have oversight of the federal grants and will approve invoices related to federal expenditures.

Sec. 8. Reporting Requirements.

If required under the terms and conditions of the grant award, IPS shall comply with any applicable administrative, financial and/or programmatic reporting requirements.

Sec. 9. Business Office Check-Ins.

The CEO, CFO or designee shall conduct meetings with any officer or employee granted budgetary authority over a federal, state or philanthropic grant on a reoccurring basis to make sure all aspects of the grant, such as expenses, procurement and payroll, are being reviewed on a weekly, bi-weekly or monthly basis.

Sec. 10. 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. 11. 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

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Sec. 12. Date Adopted and Effective.

As set forth in the pertinent minutes to the meeting of the Board, the Board adopted this policy and it became effective on September 16, 2022.

Sec. 13. Retention.

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

Sec. 14. Certification.

The Undersigned, being the Secretary of IPS, hereby certifies that the foregoing represents a true copy of the Board Policy relating to IPS Grant Accounting, as originally adopted by the Board on September 16, 2022, which Policy is in full force and effect and has not been revoked or amended.

DocuSigned by:

A. Ryan Vaughan

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Anthony Ryan Vaughan, Secretary

9/17/2022

Date Certified