

<b>Policy 2F: Risk Management</b>	<b>Board Review Date:</b>	<b>Date Created:</b>
RM#18 Excessive or Luxury Expenditures Policy	October 25, 2022	October 25, 2022

## Purpose

The Board of Directors (Board) of Lake Trust Credit Union prohibits expenditures that are not reasonable in nature. Expenditures of the Credit Union should be customary, prudent, consistent with applicable laws and regulations, and reasonably related to the Credit Union’s business objectives and needs. This policy identifies expenditures that are excessive or luxury expenditures, creates processes that are reasonably designed to eliminate such expenditures and establishes accountability for compliance. Routine operating expenses, capital expenditures, and other reasonable expenses are not prohibited by this policy.

## Authority

The Credit Union has authority to provide compensation and benefits that are reasonable. This policy establishes a prohibition on expenditures that are excessive, or luxury expenditures as required by the Department of the Treasury’s Emergency Capital Investment Program regulations (31 CFR Part 35), and as may be required by other statutes and regulations.

## Scope

This policy applies to all employees, officers, and directors of the Credit Union regarding any expenditure of the Credit Union. In making any expenditure on behalf of the Credit Union, employees, officers, and directors should consider whether the expenditure is an excessive or luxury expenditure that is prohibited under this policy. Expenses included in the Board approved annual budget and quarterly forecasts, including but not limited to off-site planning, Board meetings and member meetings, are not considered to be excessive or luxury expenditures and are excluded from this policy.

## **Excessive or Luxury Expenditures**

“Excessive or luxury expenditures” means excessive expenditures on any of the following to the extent not reasonable or appropriate expenditures for business development, staff development, reasonable performance incentives, or other similar reasonable measures conducted in the normal course of the Credit Union’s business operations:

### **Entertainment or Events**

This category includes fees, dues, ticket costs related to social, athletic, artistic, and dining clubs, activities, celebrations or other events, and similar expenditures. Expenditures for charitable contributions and charitable events are not prohibited under this policy. Credit Union sponsorship of excessive or luxury expenditures on entertainment or events is strictly prohibited. Prior written approval from the President and CEO or Executive Vice President Finance, Accounting and Corporate Services shall be required for all non-budgeted single entertainment related expenditures exceeding \$50,000.

### **Office and Facility Renovations**

Office and facility renovations are permitted only for approved projects that are part of the Board approved annual financial budget and/or quarterly forecasts. An exception to this can be allowed if management must deal with an emergency situation, such as an act of nature, and the expenditure is necessary to make the facility operational for member use. At no time should renovations be done that would have the appearance of being extraordinary or excessive from a management or Board perspective.

### **Transportation Services**

Mileage reimbursable according to current Internal Revenue Service mileage rates is exempt from this policy. Transportation for Credit Union personnel for business purposes should be conducted in the most cost appropriate manner. Transportation for Board and staff to meetings, conferences, training, business development and for other Credit Union related business must be reasonable and approved according to the Credit Union’s policies and procedures. Modes of transportation to be used may consist of vehicle, commercial air, or rail service. Private air services are not allowed.

### **Other Similar Items, Activities, or Events**

Other similar items, activities or events for which the Credit Union may incur expenses, or reimburse an employee for incurring expenses, which are not specifically addressed elsewhere in this policy, shall be for legitimate business purposes and reasonable in nature and amount. These activities or events shall be approved under the Credit Union’s policies and procedures.

For the avoidance of doubt, reasonable capital investments in technology, equipment, and similar items that expand the long-term capability of the Credit Union to provide products and services to its members and community are not excessive or luxury expenditures.

## **Enforcement and Oversight**

This policy is the responsibility of the Credit Union's Board of Directors (Board). The Board has approved this policy and will review compliance with this policy no less frequently than annually, and summary data on excessive or luxury expenditures will be reported to the Board as part of the compliance review.

The President and CEO may delegate to an appropriate executive officer the authority to establish processes for the evaluation and approval of expenditures in the preceding categories that are not luxury or excessive expenditures and that are not otherwise exempt from this policy. These processes will be reviewed annually.

Any exception or violation of this policy must be promptly reported to the Credit Union's (i) principal executive officer, (ii) officer with primary responsibility for the Credit Union's compliance function, or (iii) officer designated with primary responsibility for overseeing the administration, monitoring, and compliance with this policy. Exceptions and violations must be reported to the Board no less frequently than annually, or more frequently as the nature and severity of violation may warrant. All employees, officers, and directors of the Credit Union must adhere to this policy and will be held accountable for compliance. Any employee or officer who violates this policy may be subject to disciplinary action up to and including termination of employment. Any employee or officer that is aware of any circumstance that may indicate a violation of this policy is required to report such circumstance to their supervisor or the Credit Union's principal compliance officer or compliance group. The Credit Union prohibits retaliation against any employee or officer for making a good faith report of actual or suspected violations of the Credit Union's code of conduct, laws, regulations, or other Credit Union policies, including this policy. A finding of retaliation against any such employee or officer may result in disciplinary action up to and including termination. Failure to promptly report known violations by others may also be deemed a violation of the Credit Union's code of conduct. Employees and officers may ask questions, raise concerns, or report instances of non-compliance with this policy and/or any of the existing underlying relevant policies by contacting Lake Trust Listens, the Credit Union's Internal Auditor, or the Chair of the Board.

## **Certification**

On an annual basis, the Credit Union will deliver to the Department of the Treasury a certification, executed by the President and CEO and Executive Vice President Finance, Accounting and Corporate Services certifying that the Credit Union has complied with the requirements in 31 C.F.R. 35.22(c), which addresses restrictions on excessive or luxury expenditures.

## **Policy Review Frequency**

Lake Trust Credit Union Management and Board will review and evaluate this policy annually to ensure the Emergency Capital Investment Program Excessive or Luxury Expenditures Policy is still appropriate given the size, complexity, and risk profile of the Credit Union.