Prohibiting Excessive or Luxury Expenditures

Department Name	Approval Authority	Approval/Effective Date	Next Review Date
	Board of Directors	1/1/2022	1/1/2023

Stakeholders Position or Committee	Document Status	Date
CEO President	Reviewed ☒ Revised ☐	

Describe briefly the most recent revision made to this policy, procedure, or protocol and why:
This is the initial policy

Purpose/Policy Statement:
Required as a condition of accepting secondary capital investment under ECIP.

Policy Content

The purpose of this policy is to establish parameters and internal controls governing the expenditures of Mid Oregon FCU (together with its subsidiaries and controlled affiliates, referred to hereafter as the Organization). Expenditures of the Organization should be customary, prudent, consistent with applicable laws and regulations, and reasonably related to the Organization'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.

A. Authority

The Organization 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.

B. Responsibility

This policy is the responsibility of the Organization'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.

C. Scope

This policy applies to all employees, officers, and directors of the Organization with regard to any expenditure of the Organization. In making any expenditure on behalf of the Organization, employees, officers, and directors should consider whether the expenditure is an excessive or luxury expenditure that is prohibited under this policy.

D. 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 Organization's business operations:

(1) *Entertainment or events*. This category includes fees, dues, tickets 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. Entertainment or events expenditures in an amount less than $10,000 per instance, and $25,000 on an annual aggregate basis per individual, are exempt from this policy. Budgeted and planned staff events are exempt from this policy. Items included in employment contracts are exempt from this policy. Expenditures in excess of the exempt amounts require Board approval.

(2) *Office and facility renovations*. This category includes costs and allowances for office renovation, including expenditures related to furniture, art, office personalization, interior finishing, design and decoration, and similar expenditures. Office and facility renovations expenditures in an amount less than $25,000 per instance, and $100,000 on an annual aggregate basis per individual, are exempt from this policy. Budgeted fixed asset improvements that are consistent with the Mid Oregon Credit Union fixed asset management program are exempt from this policy.

(3) *Aviation or other transportation services*. This category includes charter fees, tickets, slip or docking fees, vehicle installment payments, reservation and travel agent expenses, and similar expenditures associated with transportation services (e.g., airline, train, rental cars, or vans). Mileage reimbursable according to current Internal Revenue Service mileage rates is exempt from this policy. Expenditures for authorized business travel under guidelines established in the personnel policy are exempt from this policy.

Travel reimbursement requirements are established in the Employee Handbook, which is reviewed at least annually.

Tax gross-ups. This category includes any reimbursement of taxes owed with respect to any compensation. This category does not apply to tax equalization agreements for employees subject to tax from a non-U.S. jurisdiction.

(4) *Other similar items, activities, or events for which the Organization may reasonably anticipate incurring expenses or reimbursing an employee for incurring expenses*. Expenditures related to other items not listed in the preceding categories are exempt from this policy in an amount less than $10,000 per instance, and together with all expenditures permitted under this policy, may not exceed $50,000 on an annual aggregate basis per individual.

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

The principal executive officer may establish or 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. Mid Oregon shall follow normal expenditure approval policies and any items deemed excessive or luxury expenditures shall be reported to the Board of Directors annually.

E. Exceptions or Violations

Any exception or violation of this policy must be promptly reported to the President or CEO. Exceptions and violations must be reported to the board of directors no less frequently than annually, or more frequently as the nature and severity of violation may warrant. All employees, officers, and directors of the Organization 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 CEO. The Organization prohibits retaliation against any employee or officer for making a good faith report of actual or suspected violations of the Organization's code of conduct, laws, regulations, or other Organization policies, including this policy. A finding of retaliation against any such employee or officer may result in disciplinary action up to and including termination.

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 the following: rdennis@midoregon.com.

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F. Certification

On an annual basis, the ECIP recipient will deliver to the Department of the Treasury a certification, executed by two senior executive officers (one of which must be either the ECIP recipient's principal executive officer or principal financial officer) certifying that (i) the Organization is in compliance with this policy and (ii) the approval of any expenditure requiring the prior approval of any senior executive officer, any executive officer of a substantially similar level of responsibility, or the board of directors (or a committee of such board), was properly obtained with respect to each such expenditure.