

# Excessive or Luxury Expenditures

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## Purpose

This Excessive or Luxury Expenditures Policy (“Policy”) sets forth standards applicable to all Local Government Federal Credit Union (“LGFCU”) employees, officers and directors to prohibit any excessive or luxury expenditures as required by the U.S. Department of Treasury (“Treasury”) of all participants in its Emergency Capital Investment Program (“ECIP”) (31 CFR part 35).

## Policy Objectives

As a participant in the ECIP being administered by Treasury, Local Government Federal Credit Union (“LGFCU”) is committed to fulfilling the requirements set forth in 31 CFR 35.22(c). Participation in the ECIP requires each recipient of funds to have a credit union-wide policy regarding excessive or luxury expenditures, as defined by Treasury.

The objective of this Policy is to fulfill LGFCU’s requirement, as an ECIP fund recipient, to have in place a board approved policy regarding excessive or luxury expenditures that applies to all LGFCU employees, officers and directors.

## Expenditure Definition, Categories and Expectations

The term “excessive or luxury expenditures” is defined as excessive expenditures on any of the following to the extent such expenditures are not reasonable or appropriate for business development, staff development, reasonable performance incentives, or other similar reasonable measures conducted in the normal course of LGFCU’s business operations:

- (a) Entertainment or events;
- (b) Office and facility renovations;
- (c) Aviation or other transportation services; and
- (d) Other similar items, activities, or events for which LGFCU may reasonably anticipate incurring expenses or reimbursing an employee for incurring expenses.

As a part of LGFCU’s standard business practices, LGFCU expects all employees to exercise reasonable care in determining the appropriateness of any expenditures and has developed policies and procedures to manage expenditures and determine appropriate management oversight. This Policy should be read in conjunction with other LGFCU policies that address expenditures.

## Prohibited Expenditures

Expenditures for entertainment or events, office and facility renovations, aviation or other transportation services, or other similar items, activities, or events are prohibited if LGFCU has not determined that such expenditure i) serves a legitimate business development purpose or benefits current or prospective members or other sources of new business, ii) serves a legitimate staff development purpose, iii) is related to a reasonable performance incentive, or iv) serves another legitimate business purpose.

## **Expenditures Requiring Prior Approval**

The following categories of expenditures will require prior approval:

- (a) Entertainment if the expenditure exceeds \$100,000 per item, ticket, event, or activity;
- (b) Events if the expenditure (excluding expenditures for aviation or other transportation/travel services and lodging and meals) exceeds \$100,000 per event;
- (c) Office and facility renovations if the expenditure exceeds \$100,000;
- (d) Aviation or other transportation/travel services and lodging and meals if the expenditure exceeds \$100,000 per transaction; or
- (e) Other similar items, activities, or events if the expenditure exceeds \$100,000.

## **Approval Procedures**

All expenditures requiring prior approval under Section III must be submitted in writing to the Chief Executive Officer (“CEO”) or the Chief Financial Officer (“CFO”) of LGFCU. The CEO or CFO may approve such expenditures by email.

## **Certification**

LGFCU will deliver a certification executed by two senior executive officers, one of which will be either the CEO or the CFO, to Treasury on an annual basis certifying that: i) LGFCU is in compliance with this Policy; and ii) the approval of any expenditure requiring prior approval was properly obtained with respect to each such expenditure.

## **Reporting**

Any violation of this Policy must be promptly reported to LGFCU’s CFO. Upon receiving the report, the CFO will conduct a full investigation into the facts and circumstances giving rise to the allegation and may, in the exercise of his or her discretion, request the aid of the SVP of Audit to conduct the investigation. Upon completion of the investigation, the CFO shall report his or her findings to the CEO.

## **Accountability**

All employees, officers, and directors of LGFCU 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.