

---

# CenterBank Business and Travel Expense Policy

(Reviewed in Board of Directors packet of 6/03/10)

## **Purpose**

This policy has been established in order to balance the need for financial control with the flexibility to operate the bank. It is the policy of the bank to incur those expenses necessary to the conduct of its business and in the furtherance of its purpose. This policy is applicable to all employees of the bank.

## **Objectives**

This policy is designed to:

- Set forth the operational procedures needed to implement the policy.
- Define the general types of expenses the bank will incur.
- Provide particular policy guidelines for travel and entertainment expenses.

## **Planning and Budgeting**

Annually, the bank prepares a budget covering all of its anticipated income and expenses for the following fiscal year. After approval by the board, the budget becomes the general authority for executive management and department heads to expend funds within the budgeted amounts. Any material budget revisions should be approved following the same steps used in the original budget preparation.

## **Operating Expenses**

Operating expenses include all expenses related to the administration and operation of the bank. Following are the approval policies for specific operating expenses:

### **Salaries and Benefits**

As a general rule, salaries and salary adjustment amounts should be included in the budget, together with anticipated increases for the following year. Promotions and salary increases for employees will be approved by the department heads and the bank president within budgetary guidelines. It is recognized that some discretion is allowed in order for the bank to remain competitive in order to attract and retain quality personnel. Promotions and salary increases of executive officers will be approved at the board level. Benefits are, in most cases, based on budgeted salary amounts and it shall be the responsibility of the controller to calculate budgeted benefits. Major changes to benefit levels will be approved at the board level.

### **Professional Fees**

These fees must be approved in advance by the appropriate department head. Projects that exceed \$2,000 and involve attorneys or consultants for which the bank does not have a pre-approved ongoing relationship must be supported by a written agreement regarding fees and the scope of work. This policy does not apply to customer reimbursed professional expenses related to loans.

### **Office Supplies**

The controller will ensure that adequate amounts of routine office supplies are on hand. Requests for non-routine office supplies must be approved by the controller.

### **Equipment and Furniture**

The bank's capital addition/expense threshold is generally considered to be \$500. Items costing less than this amount will be expensed. Items costing greater than \$500 will be capitalized and depreciated over their useful lives. Orders for those items which have been budgeted shall be approved by the controller. Orders for computers, telephones, or other electronic equipment must be approved in writing by the president. At least two written bids should be obtained on capital additions costing more than \$5,000. Exceptions to this policy require the approval of the president. Items greater than \$10,000 will be presented to the board of directors.

**Contractual Amounts**

Any items under contract that exceed \$2,500 (e.g., services, maintenance, rent and insurance) must be approved by the president and be based on properly executed contracts.

**Telephones**

The use of bank telephones to make personal long distance calls is prohibited. Exceptions will be made in the case of an emergency, with department head approval. Employees are permitted to place or receive necessary personal local calls, but such calls should be held to a minimum. Personal long distance calls must be charged to a telephone number other than the bank.

Employees traveling on bank business are permitted to make one personal call of a reasonable length to their homes per day at the bank's expense. Calls are generally not to be made through a hotel's system if the hotel assesses a surcharge for this service.

Employees charging mobile telephone expenses to the bank must have the approval of the president to do so. Only employees whose positions require a mobile phone will be reimbursed for monthly service charges.

**Other Expenses**

All other expenses such as dues and subscriptions, training, advertising, telephone, and donations must be approved by the appropriate department head within the approved budget.

**Invoice Approval**

It is generally considered good practice that all invoices be approved by the appropriate person based on the criteria described above. Approval shall be in the form of "initials or signature" and "date" on the actual invoice. Approval of an invoice indicates that the related goods and/or services have been received by the bank in a satisfactory manner and that the price indicated on the invoice is correct and in compliance with existing contracts. Approval will constitute authority for the payment of the invoice. In addition, in the regular course of business all invoices will generally be reviewed by the controller as he prepares checks and by the president as he signs the checks.

## **Employee Business Expenses**

The policy of the bank is to reimburse employees for reasonable approved business expenses incurred during the conduct of bank business. The following are allowable expenses if incurred within the limits of the general policy. It is the responsibility of each employee to submit his or her expenses on an expense report at least quarterly. Receipts are generally required, and expense items exceeding \$25.00 that are not supported by a receipt require approval by the president. It is the responsibility of the department head to review the expense reports and supporting documentation prior to approving cash reimbursements or other requests for payment of such expenditures. Expense reports of the president will be reviewed and approved by the controller.

### **Automobile Mileage**

Mileage incurred on approved business travel while using a personal auto will be reimbursed at the then-prevailing authorized rate per mile. Authorized rates are set by the controller based on IRS guidelines. Mileage reported on expense reports must be net of the employee's round-trip mileage to and from home to the bank.

### **Corporate Credit Cards**

Certain employees may receive a corporate credit card. Use of bank credit cards is limited to business purposes only. Personal use of bank credit cards will result in revocation of that employee's card and other disciplinary action as appropriate. Expenses incurred must be included in the employee's expense report along with all receipts or bills.

### **Cash Advances**

Employees may receive cash advances to cover out-of-pocket travel expenses, if needed and upon request. Receipts and documentation will be required after issuance of a cash advance. A cash advance must be cleared on the subsequent expense report by offsetting it against cash expenses or by reimbursing the bank. No further cash advances will be permitted until prior cash advances are cleared. All other cash advances must be approved in writing by the controller.

### **Business Meals**

Employees traveling on bank business will be reimbursed for reasonable and necessary meal expenses. The bank has established a per diem amount of \$40.00 for meals. Employees should, whenever possible, maintain meal expenses within that per diem amount. It is recognized that there are situations and locations where the per diem will not be sufficient and these will be handled on a case-by-case basis. All meal expenses are subject to department head approval.

**Overnight Lodging**

Reasonable expenses for out-of-town overnight lodging at business class hotels will be fully reimbursed to the employee. These expenses must be reported on the employee's expense report. It is recognized that certain events (e.g., conferences) and certain geographic areas (e.g., New York City) will exceed the normal lodging allowance. In these instances, the controller will have the authority to approve appropriate lodging expenses.

**Entertainment**

Entertainment expenses should be kept to a minimum and be incurred with discretion.

Some employees will be authorized to entertain customers, potential customers, or business associates. These expenses include breakfast, lunch, or dinner engagements, sporting events, etc. Professional judgment and discretion should be used when entertainment expenses involving alcoholic beverages are incurred. Expense reports for entertainment must include the name or names, titles, and employer of the persons entertained, and the place of entertainment, date, and nature of the business discussed. Entertainment expenses exceeding \$500.00 must be approved in advance and in writing by the appropriate department head or supervisor.

**Expenditures Requiring Prior Approval**

1. Any proposed expenditures over \$2,000 must be approved by the President or Executive Committee of the Company's Board of Directors.
2. Requests for approval under this policy should include a detailed business case which supports the business objective and cost justification.
3. All required approvals must be obtained before any funds may be committed or disbursed.
4. Spousal travel to a bank sponsored event.

**Non-Allowable Employee Business Expenses**

The following are examples of specific expenses that are NOT reimbursable and will therefore be incurred by the employee:

1. Traffic fines.
2. Automobile insurance, except for employees with bank-leased automobiles.
3. Travel accident insurance.
4. Service club fines.

5. Entertainment of other employees, except at the discretion of the department head where deemed necessary for the advancement of work objectives or morale.
6. Mileage related to social outings, service club outings, golf outings, etc.
7. Personal entertainment.
8. Contributions to public officials, political parties or candidates.
9. Personal subscriptions and memberships not authorized by department heads.
10. Any other expenses of a personal nature.

### **Exceptions**

Any exception to the foregoing business travel and expense policy must have the prior written approval of the president.

### **Violations**

All employees have a duty to adhere to this policy and are required to promptly report any suspected violations to the Chief Risk Officer or the Controller in a written fashion. If a violation is confirmed appropriate disciplinary and corrective action, up to and including termination will result.

### **Review of Policy**

The board of directors shall review this policy at least annually, making such changes and amendments as it deems appropriate.