Policy: Procurement Card Policy and Procedure

Policy No.: 1327

Responsible Officer: Senior Vice President, Finance and CFO

1.0   Purpose

This policy provides guidance for the purchase of goods or services using the Company issued Procurement Card ("P-Card").   Holding a P-Card is a serious responsibility. Use of the P-Card in any way that is not compliant with Company's policy will result in the loss of P-Card privileges and potential disciplinary action, including termination of employment.

2.0   Definitions

2.1. <u>Procurement Card("P-Card")</u>:   A MasterCard issued by the Bank of America.

2.2. <u>Card Issuer:</u> Bank of America ("BOA").

2.3. <u>Card Approver:</u> The Staff/Business Unit controller who approves issuing the BOA P-Card.

2.4. <u>Supplier:</u> A company from which a Cardholder is purchasing goods.

2.5. <u>Cardholder:</u> An employee who has been approved for a Company-issued P-Card and is authorized to execute purchases on behalf of the Company.

2.6. <u>Cardholder Manager:</u> The cardholder's direct supervisor, who might act in the capacity of the Approver for the Cardholder's transactional purchases.

2.7. <u>Approver:</u>The individual who approves the Cardholder's P-Card purchases in Works.

2.8 <u>Program Administrator:</u> The P-Card Program Administrator is supervised by the Business Services Organization ("BSO") and is responsible for issuing the P-Card and managing other facets of the Company's P-Card Program.

2.9 <u>Employee Acknowledgement Form:</u> The form required to be acknowledged by the Cardholder before a Company-issued P-Card is provided to the employee, which outlines the responsibilities of the Cardholder.

2.10 <u>Transaction Dispute/Retrieval Form:</u> The form required to be completed by the Cardholder when disputing a purchase transaction charged on the Cardholder's P-Card.

2.11. <u>BOA Works system:</u> A third-party application maintained and managed by Bank of America. The Works application is a Web-based, user-friendly electronic card payment and management service that automates, streamlines, and integrates existing payment authorization and reconciliation processes while providing management reporting and spending controls.

2.12. Cardholder Cost Allocation Report: The monthly listing of transactional purchases by the Cardholder, which the the Cardholder will reconcile in Works.

2.13 Default Coding: Represents the employee's home company code and cost center, as defined by the human resources record, where transactional purchases will be automatically charged if the cardholder does not expense the transactional purchases timely, in accordance with this Policy.

2.14 Merchant Category Codes ("MCC"): Codes used to classify merchants and businesses by the type of good or services provided.

2.15 Monthly Statement: Statement from BOA identifying the transactional purchases for the cycle period.

2.16 Cycle Period: The 28th of the month to the 27th of the subsequent month.

2.17. Single Transaction Limit: A $1,500 limitation of a single transaction delegated to Cardholder. The limitation covers purchases that are billable or non-billable.

2.18. Monthly Transaction Limit: A $10,000 limitation of the total value of all transactional purchases in a cycle period delegated to Cardholder. The limitation covers purchases that are billable or non-billable.

3.0 Guidelines

3.1 How to Obtain a Company-Issued P-Card

3.1.1   When an employee identifies the need for a P-Card, the employee will submit a request through BetterNet. The employee's direct manager and the Business Unit controller will review the request for approval.

3.1.2   The Employee is required to sign the Employee Acknowledgement Form and the Procurement Card Policy and Procedure.

3.1.3   By signing the Employee Acknowledgement Form, the employee agrees to comply with the Cardholder responsibilities as stated in the Employee Acknowledgement Form and the Procurement Card Policy and Procedure.

3.2 Cardholder Training: In addition to individual training sessions, the Program Administrator will provide step-by-step training guides to each new Cardholder.

3.3 Authorized Use of the Company-Issued P-Card: The Cardholder's name will be embossed on the P-Card. This employee and the Direct Manager and/or Approver are ultimately responsible for all activity on the P-card. Although the Cardholder may make purchases on behalf of other individuals within their Business Unit, the Cardholder and Direct Manager and/or Approver are still responsible for all transactions charged to the Cardholder's P-Card. When the charges are for the direct benefit/use of the Cardholder's Approver, the Cardholder must obtain prior written authorization from the Cardholder's Approver's manager and attach the authorization to the transaction receipt documentation in Works.

3.4 Use of the Company-issued P-Card is intended for the following purchases:

a.   Goods not exceeding the Single Transaction Limit. Payment for a purchase that exceeds the Single Transaction Limit may not be split into multiple transactions to stay within the Single Transaction Limit, regardless of the transaction's billable status. The Staff/Business Group's respective controller must approve all exceptions in advance of the expense being incurred.

b.   Meals and related expenses provided at Company locations for business meetings or Company-sponsored events.

c.   Company approved gift cards for business-related employee recognitions. The Cardholder must forward adequate documentation to Human Resources and Payroll for withholding of taxes (federal, state and local) as appropriate. The Cardholder must contact Human Resources for more information on the issuance of gift cards to employees.

3.5. Unauthorized Use of the Company P-Card: The P-Card MAY NOT BE USED for any purchases other than those defined above, unless pre-approved by the Staff/Business Group's respective controller. Examples of non-compliant purchases include:

a.   Labor services (billable and/or non-billable) where a supplier is performing work on behalf of the Company or Customer and/or on Company or Customer property (e.g., janitorial services, snow removal, recruitment, temp. labor, etc.);

b.   Personal purchases or as a means of personal identification;

c.   Purchases in excess of the Single Transaction Limit;

d.   Aggregate purchases in excess of the Monthly Transaction Limit ;

e.   Business travel or related expenses;

f.   Entertainment expenses, including business meals with employees and customers;

g.   Consultants, agents, subcontractors, or independent contractors; and

h.   Charitable contributions.

4.0 Authorizing/Processing Declined Transactions

4.1 Transactions are restricted by certain Merchant Category Codes ("MCCs") to ensure compliance with this Policy. Every supplier is assigned an MCC by its merchant bank. It is important to note that many suppliers can have the same MCC, which are set by the International Organization for Standardization ("ISO").

4.2   If a Cardholder's purchase transaction is declined due to a restricted MCC, the Program Administrator, with Staff/Business Unit approval, may authorize BOA to "force through" a legitimate business transaction that complies with the Policy. The process to follow is defined below:

a. The cardholder sends an email request to the Program Administrator (mastercard@dayzim.com) to authorize the restricted MCC declined purchase transaction.

b. The email must contain (1) the decline reason/description, (2) the supplier's name, (3) the transaction date, (4) the transaction amount, and (5) the business purpose of the transaction.

c. The Program Administrator reviews and authorizes the transaction in Works on the Cardholder's P-Card.

d. The Program Administrator will contact the Cardholder to explain the reason for the declined transaction and provide guidance on how to proceed with the purchase transaction. The Cardholder may be required to contact the supplier before the purchase transaction can be processed. In some cases, the Cardholder will be required to change the method of payment if the goods or services are not permitted under the Policy.

4.3   If the supplier does not accept the P-Card, the employee must identify another supplier that will accept the P-Card. Corporate Supply Chain will assist in sourcing additional suppliers.

4.4 Transaction Dispute/Retrieval Instructions: The Cardholder must initiate a dispute in Works when challenging a purchase transaction. The Cardholder must:

a. Attempt to resolve the dispute directly with the supplier or contact BOA.

b.   If the disputed purchase transaction is not resolved in thirty (30) days, the Cardholder must complete and sign the Transaction Dispute/Retrieval Form. The Cardholder must contact the Card Program Administrator at mastercard@dayzim.com to request the form.

c.   Send the Transaction Dispute/Retrieval Form to the Program Administrator (mastercard@dayzim.com) who will review the information, research the transaction and work with BOA to resolve.

d.   To preserve the Company's rights, BOA must receive the form no later than sixty (60) days after the monthly statement reflects the Cardholder's disputed purchase transaction.

5.0   Bank of America P-Card Online Application

5.1   The BOA Works application is a web-based, user-friendly electronic card payment management servicethat allows the Cardholder to view P-Card transactional purchases on a real-time basis, as the transactions post to the Cardholder's account. WORKS can be accessed using the following link: BOA Works. The Cardholder may use Works to view transactional purchase data and to edit the

cost center distribution for each purchase transaction. Each purchase the transaction will follow the Default Coding for cost center distribution and to the account number linked to the supplier's MCC.

5.2   The Cardholder must review and edit the cost center distribution of each purchase transaction. The Cardholder's Approver must review and approve each purchase transaction within the Works application. The Cardholder's Approver has the access and authority to edit the cost center distribution or any available editable field in Works.

5.3   The Cardholder must enter a "ship to" zip code for purchase transactions that fall into one of the following two categories:(1) Taxable Purchase – Tax Not Collected or (2)Tax Collected – Purchase Not Taxable

5.4   The Cardholder and the Cardholder's Approver should review, edit and approve P-Card transactions throughout the billing cycle as the transactions are posted in Works. The Cardholder must check the "cardholder reviewed" box for each purchase transaction. The Cardholder's Approver must check the "supervisor reviewed" box for each approved purchase transaction.

6.0 Cardholder Reconciliation and Record Keeping

6.1   To reconcile the purchase transactions, the Cardholder must verify each purchase transaction listed in Works by attaching a legible, electronic image of the transactional receipt in Works as proof of purchase. The images substantiating and validating the transactional purchase must be attached to each transaction in Works. Attachments to the purchase transaction should include:

1.   Invoice or sales receipt, if the purchase is made over the counter. The Cardholder is responsible for ensuring that the supplier lists the quantity, item description and sales tax, if applicable, on the documentation.

b. The packing slip if the purchase is by telephone or email.

6.2   If the Cardholder does not have documentation to substantiate a purchase transaction, the Cardholder must attach an explanation that includes (1)a description of the item(s) purchased; (2) the date of purchase; (3) the supplier's name; and (4) the reason that the supporting documentation is missing, along with the Cardholder Approver's legible signature. This will provide adequate validation and verification that the Cardholder Approver is aware of the purchase transactions that are missing supporting documentation.

6.3   The reconciliation and record keeping by the Cardholder is an essential responsibility to substantiate and validate that the P-Card transactions are a valid business expense.

6.4   After the Cardholder signs off on each purchase transaction, the Cardholder's Approver must review and sign off on the purchase transaction. The Cardholder's Approver is responsible for validating and verifying the following:

a. Receipts and shipping documentation exist for each purchase transaction. (In the event that a receipt is missing or lost, the Cardholder must contact the supplier to obtain a duplicate receipt).

b. The goods were received.

c. Cost center distribution is correct.

d. The Cardholder is compliant with the Company policy.

6.5   At the conclusion of each reconciliation cycle, which is different from the BOA P-Card billing cycle, the Program Administrative team will conduct an audit of the purchase transactions. A detailed file will be sent to the applicable Staff/Business Unit controller indicating late submissions, discrepancies and transactions missing documentation. The reports will be distributed to the Staff/Business Unit controllers on a monthly basis at the conclusion of the Cardholder's reconciliation cycle.

7.0   Monthly Reporting Timeline

Non-compliance with reconciliation due dates poses a financial risk to the Company.

7.1   1st – 5th calendar day of the month – Cardholder and Cardholder's Approver must complete the reconciliation and review process for the P-Card purchase transactions posted in Works for the recently closed billing cycle. An auto-generated email will be sent to the Cardholder and Cardholder's Approver when there are transactions not reconciled and approved within Works by the necessary timeline.

7.2   6th – 10th calendar day of the month – The Program Administrator will notify the Cardholder of purchase transactions with default coding so that the Cardholder can contact the Corporate General Ledger Department to facilitate the processing of the correct cost center distribution.

8.0 Customer Service

8.1   BOA Global Card Access at the following link: Global Card Access.

8.2   Company Account Inquiry/Service Request: Program Administrator (mastercard@dayzim.com):
a. Replacement P-card requests for lost, stolen, ordamaged P-Cards;

b. Monthly transaction and single transaction limit changes;

c. Cardholder address or name changes;

d. Inquiries on spending limitations, such as MCC transaction limits; and

e. Other inquiries and maintenance requests.

9.0 Card Security

9.1 If the P-Card is lost or stolen, the Cardholder must (1) immediately notify BOA at the telephone number listed on the P-card; and (2) contact the Program Administrator at **mastercard@dayzim.com**.

9.2 The Program Administrator and BOA will promptly deactivate or suspend the lost or stolen P-Card and issue a new P-Card to the Cardholder.

9.3 Prior to separation from the Company or a change in job responsibilities, the Cardholder and/or the Cardholder Approver must surrender the P-Card to their Direct Manager or Business Unit Human Resources Business Partner.

9.4 TheProgram Administrator is notified when a Cardholder has separated from the Company through BetterNet ("DZTerm Request").

9.5 If a Cardholder is terminated, the Cardholder's Direct Manager or the Staff/Business Unit Business Partner must notify the Program Administrator (mastercard@dayzim.com) immediately to deactivate the P-Card. It is essential for the Program Administrator to deactivate the P-Card within two days after the Cardholder's termination so that the Company qualifies for complete liability coverage under the BOA MasterCard Coverage insurance program

10.0 Responsibilities

10.1 The Cardholders' Manager is responsible for notifying the Business Unit Human Resources Business Partner and Program Administrator (mastercard@dayzim.com in the event of a Cardholder's termination.

10.2 The Cardholder is responsible for keeping the Program Administrator informed of any change in employment information, including the name of the Direct Manager.

10.3 The Cardholder and Approver are responsible for ensuring that purchases made with the P-Card are done in accordance with the Company's policies.

10.4 The Vice President, Enterprise Supply Chain and Vice President, Business Services Organization are responsible for suggesting revisions, as needed, to maintain the Policy on an up-to-date basis, based on the need of the Staff/Business Units.