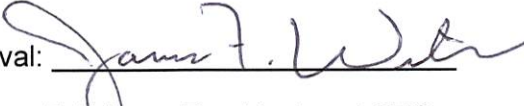


PURCHASING POLICY and PROCEDURES

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Approval: 
James F. Wilson, President and CEO

1.0 POLICY STATEMENT

The purpose of this procedure is to define the purchasing and receiving process. All employees involved with the purchasing of materials or services shall follow this procedure and the forms and procedures as referenced.

It is Kepler Research's policy to reimburse employees for ordinary, necessary, and reasonable expenses when directly related to the transaction of company business.

2.0 GENERAL GUIDANCE

Employees are expected to exercise prudent business judgment regarding expenses covered by this policy. The act of signing an expense report is a representation that the expenditures incurred are in accordance with this policy. Falsifying an expense report will include disciplinary action up to and including termination.

Reimbursement for expenses that are not in compliance with this policy requires the approval of the employee's Supervisor or by the Vice President of Business Operations or the President of Kepler.

Employees are responsible for complying with this policy. Employees submitting expenses that are not in compliance with this policy risk delayed, partial or forfeited reimbursement.

Expenses will be categorized as:

- Direct
- Overhead
- General & Administrative (G&A)
- Unallowable

3.0 PROCEDURES

Kepler's President and Vice President of Business Operations may make purchases and pay reoccurring bills without written approval but must keep each other informed when this is happens.

Approval:

- **For Client Reimbursed Travel** – all employees must receive written prior approval from the client. Written prior approval can be an email or client filled out form. The traveler will give a copy of the approval to the Vice President of Business Operations and make their direct supervisor aware. Travel must be within the requirements of the contract and if the traveler is unsure should consult with their supervisor or the Vice President of Contracts. Prior to making any travel arrangements, an employee should review Kepler's Travel Policy.
- **For Kepler Reimbursed Travel** – all employees must receive prior verbal or written approval from their supervisor and coordinate with either the Vice President of Business Operations or President. Prior to making any travel arrangements, an employee should review Kepler's Travel Policy.

- **For Kepler Reimbursed Non-IT Purchases** – all employees must receive prior verbal or written approval from their supervisor and coordinate with the Vice President of Business Operations. Written approval can be in email form or on a Request for Purchase Form. Pricing information must be included with the request.

There may be instances where the employee does not have the time to gain prior approval due to extenuating circumstances and they must provide a request and pricing documents to the Vice President of Business Operations after the purchase is made. Purchases for items should be made by the Vice President of Business Operations, President, or Office Managers whenever possible.

- **For Client Reimbursed IT and Non-IT Purchases** – all employees must receive written prior approval from the client and coordinate with their supervisor, Vice President of Business Operations or the Vice President of Contracts. A client reimbursed purchase must be authorized in the contract as an Other Direct Charge (ODC). Purchases for items should be made by the Vice President of Business Operations, President, or Office Managers whenever possible. Client approval documentation and pricing information will be provided to the Vice President of Business Operations.

- **For Kepler Reimbursed IT Purchases** - all employees should receive prior verbal or written approval and must coordinate with Kepler's Information Security Officer (ISO). A Purchase Order Request Form should be used but is not mandatory if verbal approval was received and the Vice President of Business Operations is aware.

There may be instances where the employee does not have the time to gain prior approval due to extenuating circumstances and they must provide a request and pricing documents to the Vice President of Business Operations after the purchase is made. Purchases for items should be made by the Vice President of Business Operations, President, or Office Managers whenever possible.

Reimbursement for Items

Employees can be reimbursed for approved purchased items by filling out a Petty Cash/Mileage/Expense Reimbursement Form with receipts.

The Petty Cash/Mileage/Expense Reimbursement Form should include information relating to:

- Amount of the expenditure
- Date and place of the expenditure
- Contract or project code the expense should be booked to
- Business purpose of the expenditure
- Names and the business relationships of individuals other than yourself for whom the expenditures were made

This form can also be used for mileage reimbursement when an employee utilized their personal car for official Kepler business. When using the form for mileage reimbursement the

distance traveled must be listed. The per mile rate will be taken from the Department of Defense's mileage rate found in the JTR or GSA's website.

The completed form should be given to the Vice President, Business Operations for review and payment. The employee or the Vice President, Business Operations will obtain Supervisor's approval. If their Supervisor is unavailable another senior person familiar with the client's travel requirements may approve.

The Petty Cash/Mileage/Expense Reimbursement Form can be scanned and emailed.

The President, Office Manager(s), and the Vice President, Business Operations may make routine supply purchases under \$250 for office supplies without completing a form.

The Vice President of Business Operations will enter the cost data into QuickBooks, ensure proper coding of costs, and print a check. The check and receipts/backup documentation will be reviewed by the President and if all is in order he will sign and mail.

The Accounting Consultant/Bookkeeper will question any irregularities noticed.

Reimbursement of Invoices

For payment of items not paid for at time of ordering, a Payment Approval Form should be used and submitted to the Vice President of Business Operations.

Reimbursement for Travel

After travel has occurred the traveler should submit their travel voucher ASAP. The travel voucher should show expenses by day and break down the expenses in the following categories:

- Airfare
- Per Diem (food)
- Hotel
- Hotel Taxes
- Car Rental
- Car Rental Fuel
- Taxi/Metro/Shuttle
- Phone
- Mileage
- Parking
- Other

The Other category should include miscellaneous expenses not covered by any other category. Examples: Official phone calls, internet connection, laundry and/or dry-cleaning expenses during trips in excess of 5 days, tolls, and conference fees.

A traveler may not be reimbursed for all expenses they incur while on travel. The following expenses are not reimbursable under this policy:

- Baby-sitter costs

- Airline club dues
- Barber/hairstylist
- Traffic fines
- In-flight movies/refreshments
- Hotel room movies and other forms of personal entertainment
- Luggage or briefcase purchased for trip
- Alcohol
- Reimbursement for personal miles in excess of the cost of airfare to the same destination
- First class airfare
- Tuxedo rentals

No policy can anticipate every situation that might give rise to legitimate business expenses. Reasonable and necessary expenses, which are not listed may be incurred. Each employee and supervisor must use his/her best professional judgment in determining if an unlisted expense is reimbursable under this policy.

While original receipts are recommended for all expenses submitted for reimbursement, they are required for all expenses greater than \$50.00. If a receipt is lost a statement should be placed on the travel voucher saying the receipt is missing. Travel will be reimbursed per the DOD JTR or GSA guidance. Any expense over the JTR/GSA rates must have a letter justifying the overage attached the travel voucher. If the traveler cannot justify an expense then they will not be reimbursed for the expense.

The traveler's supervisor will review the travel voucher and if accurate sign the form. In the absence of the immediate supervisor, approval from the next higher level of supervision of other senior person familiar with the client's travel requirements is required.

Supervisors approving expense reports are responsible to ensure the following:

- Expenses reported are proper and reimbursable under this policy
- The expense report has been filled out accurately and has the required documentation
- The expenses are reasonable and necessary

The travel voucher will then be forwarded to the appropriate Office Manager for review. If the Office Manger concurs the voucher is accurate then they will initial the form and forward to the Vice President, Business Operations for payment. A scanned copy may be emailed.

4.0 CREDIT CARDS

Employees can use their personal credit card to pay for expenses that have been approved. If an employee will be traveling often and does not wish to use their personal credit card, Kepler will request a card from American Express. It will be the employee's responsibility to only charge authorized Kepler related charges to the card and to pay the balance in full each month.

Expense reimbursement forms, together with required documentation, must be submitted to the employee's immediate supervisor for review and signature approval.

See Credit Card Policy for full credit card guidance.

5.0 EXCEPTIONS

Generally, any exception to this policy must have the prior written approval of the applicable Supervisor and the Vice President of Business Operations, or Kepler's President. Requests for exceptions should document extenuating circumstances or proposed overall savings to the client or Kepler. At certain times, under unusual circumstances, exception may be made after the fact, however, payment by Kepler will not be made without the approval of the Vice President of Business Operations or President.

Additionally, expense purchases and travel performed by the President of Kepler Research are allowed without written approval if the expense will not be direct.

The Vice President of Business Operations is authorized to purchase supplies needed to support the daily work for each office location without receiving prior approval.

6.0 DEFINITION OF TERMS

- Direct - Any expense that can be identified specifically with a particular final cost objective (contract). The expenses would be necessary to fulfill the requirements of a specific contract.
- Overhead - Any expense that is incurred for or that only benefits an identifiable unit or activity of the contractor internal organization such as an engineering or manufacturing department are considered overhead costs.
- General & Administrative (G&A) - Any expense that represents the cost of activities that are necessary to the overall operation of the business as a whole, but for which a direct relationship to any particular cost objective cannot be shown.
- Unallowable - Any cost which, under the provisions of any pertinent law or regulation, cannot be included in process, cost reimbursement, or settlements under a Government contract to which it is allocable. This definition encompasses not only Expressly Unallowable Costs but also costs such as contract ceiling overruns and unauthorized contract costs

7.0 ADDITIONAL GUIDANCE & FORMS

- Travel Policy Handbook
- Travel Authorization
- Travel Expense Voucher
- Credit Card Policy
- Request for Purchase Form
- Payment Approval Form
- Petty Cash/Mileage/Expense Reimbursement Form
- Request for AmEx Travel Card