



# WEIS MARKETS INC

## Audit Recovery Policies and Guidelines

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### COST RECOVERY PROGRAM

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1.0 Weis Markets values our vendor partners. Part of maintaining good relationships with our valued vendors is to have a consistent and timely audit cost recovery program. Our goal is to continue to accelerate the audit process to as close to transaction date as possible. Most audit reviews begin the quarter after the transaction date and all recovery audits should be completed within two years of the transaction date.

2.0 All claims will contain the appropriate backup to support the claim.

3.0 Audit Philosophy – Many standard audit guidelines can be applied to the audit process; however, guidelines cannot be applied to all circumstances. The key to a valid claim should strongly consider the intent of the transaction. In other words, do circumstances indicate the intent to receive an allowance. Is there significant lost margin without the allowance? Has the vendor benefitted from a promotion at Weis' expense?

4.0 Weis Markets uses two audit firms to complete our cost recovery reviews.

Audit Technology Group (ATG) is the primary audit firm and is the first to review our transactional data.

AudiTec Solutions is the secondary audit firm and reviews our transactional data once the primary company has completed their review.

Both audit firms use sophisticated software to review for potential claims. The data reviewed includes sales, discounts, allowances, merchandise shipments, the reclamation process, cash discounts, discontinued product, freight bills, price protection, and vendor statements.

The following are audit guidelines for claims:

#	Category	Description
1	Off Invoice & Deals/Promo Allowance	Order/Receipt date within deal period or +/- 3 days after. Large orders +/- 7 days. Orders placed 14 days before deal date if deal notification is late.
2	Pallet Allowance Missed	All pallets and shippers purchased to support promotion should be entitled to allowance regardless of purchase date.
3	Deal Due On Shortage	Short shipment for deal product. Shorted deal product shipped on the next shipment. Claim deal allowance for shortage if allowances was not applied.
4	EDLP Allowance Missed	EDLP Allowance will be claimed if there is a historical trend that shows for most of the year, a product was "on deal" and if the EDLP retail was active during deal lapse.
5	Off Invoice & Deals/Promo Allowance	No product purchased within 14 days of deal dates. Claim purchase within 21 days of start or first shipment after the deal. If there are only purchases after the deal, claim the purchase closest to deal end.
6	Off Invoice & Deals/Promo Allowance	Claim promotion for large purchase received 4-7 days prior to or after the sale program.
7	Off Invoice & Deals/Promo Allowance	Late deal notification on orders placed 14 days before the begin deal order date.
8	Warehouse Movement Billed Short & Not Billed	All quantities scanned during the Store Shipment Recap promotional period should be billed for all stores authorized for the deal.
9	Scan Spikes	Product sold at the promotional price before or after a promotional event where the vendor was not billed for the deal scan.
10	Scan – Movement Allowance – Not Billed - Family	"Family" item(s) that is subject to an allowance was inadvertently omitted from a promotion and the item was sold at the promotional price.
11	Shortages Before A Price Increase	Claim for shipment items shorted prior to price increase if subsequent purchases are made at the higher price.
12	Large Buy Increase & Decrease	Large buy after price increase or before price decrease.
13	Overcharges – By Invoice Comparison	Claim for different paid cost in same week by order date, receipt date or invoice date.
14	Overlapping Comparisons	Claim for different paid cost when high cost is between two lower cost order dates.

15	Pallet Allowance Missed	Pallets vs Cases Cost – Weis should not be paying more for a pallet/display compared to the price of open stock or the pallet/display components.
16	Reclamation – Unposted Debits	Reclamation items processed but not billed.
17	Reclamation – Pricing/Allowance Errors	Reclamation items not billed at the correct cost.
18	DSD Deal/Promotional Allowance	Claim one delivery for pre-stocking when shipment is not received within 3 days prior to sale. If no delivery prior to promotion, claim one shipment after – within 7 days of deal start date.
19	Advertising/ISE/Bracket Program Billed Short	Slotting not billed for new item or discrepancy in the billed amount.
20	Cash Discount	Claim for missed cash discount.
21	Cash Discount	Claim for cash discount not taken on the correct price.
22	Duplicate Payments	Claim on duplicate payment or payment errors.
23	Pickup/Backhaul Allowance on Short Shipment	Under payment of backhaul freight due shorted shipment.
24	Discontinued Item Movement Allowance	Ensure allowances on discontinued product is billed to the vendors through scans.
25	Reclamation – Discontinued Product, Not Billed	Allowances on discontinued items sent through reclamation should be billed to the vendor.
26	Price Protection – Price Decrease	Claim for product purchased prior to the price decrease resulting in inventory devaluation from a higher previous price.
27	Statements	Aged open credits on vendor account statements.
28	Advertising/ISE/Bracket Program Billed Short	Joint Business Plan agreements should be paid as required by the contract.
29	Advertising/ISE/Bracket Program Billed Short	Review of annual POS movement by item in comparison to received funds for identification of shortfalls. Rates are assessed in line with Weis’s ISE policy document.
30	Off Invoice & Deals/Promo Allowance - Family	Missed off invoice or billback on “family” item(s) that qualified by po order or receipt date for the allowance.
31	Pricing Errors - Per Purchase Order	Incorrect cost paid for item(s) based on purchase order history comparison.
32	Pricing Errors - Per Price List	Incorrect cost paid for item(s) based on price list comparison.

33	Scan - Movement Allowance - Billed Short	Scanned quantities missed on the billing during the promotional period.
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5.0 Review and Approval Process

5A. Audit Technology Group (ATG)

5A.1 Claims under \$5,000 are deducted without review from the vendor or Merchandising as long as there is no special condition agreements present for the vendor.

5A.2 Claims \$5,000 or over are reviewed by the Category Manager with a response requested within 7-14 days. Claims rejected by the Category Manager are cancelled.

5A.3 If a claim rejected by the Category Manager is a significant amount and still believed to be valid the claim is sent to the Director level for review. This has been handled as a judgement call.

5B. AudiTec Solutions (ATSI)

5B.1 Upon receiving concept approval from Weis, all claims are sent to the vendors for a 30-day review period regardless of claim amount.

5B.2A If there is no vendor dispute in the review period claims under \$5,000 are deducted as long as there are no special condition agreements present.

5B.2B Claims \$5,000 or greater are submitted to Merchandising for a 14-day review period. If there is no dispute from Merchandising after 14 days, the claims under \$10,000 are deducted. Claims of \$10,000 or greater are submitted to the Director level if the review times have expired with no response. If no response is received in 14 days from the Director level the claim will be followed up on by Weis Accounting Management to reach a resolution.

5B.3 Additional support will be provided, and an additional 14-day review period will be extended to the vendor for disputed claims. If the vendor feels the additional support is adequate the claim is deducted. If the vendor does not respond in the 14-day extension period, claims under \$5,000 are processed. If additional clarification is required for claims over \$5,000 the audit firm will work with Merchandising and the vendor as necessary.

6.0 Contact Information

<u>Associate</u>	<u>Title</u>	<u>Email Address</u>
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