
FALL RIVER RURAL ELECTRIC COOPERATIVE, INC.

GENERAL POLICY NO 319
SUBJECT: PREVENTION AND DETECTION OF FRAUD

I. PURPOSE:

To provide a framework for the treatment for suspicion of fraud and for reporting suspicion of fraud. The Cooperative commits to properly address the concerns of members, other consumers, directors and employees as submitted in accordance with the provisions of this policy.

II. POLICY

This policy applies equally to any fraudulent activity involving not only employees but also directors, vendors, and/or outside agencies, without regard to length of service, title/position, or relationship. It is understood that any of these parties may make a report of suspicion of fraud under this policy.

A. Reportable Actions Constituting Fraud

The terms fraud, misappropriation, and irregularities are synonymous terms commonly used to refer to occupational or internal fraud. There are three types of fraud:

1. Asset Misappropriation (i.e. the taking of Cooperative assets),
2. Corruption (i.e. collusion between at least two parties to gain personally),
3. Financial Statement Fraud (i.e. misrepresenting the financial position and/or results of Cooperative operations).

Fraud can include, but is not limited to any dishonest act, misapplication of funds or assets profiting on insider knowledge, destruction of records (outside Record Retention Policy # 305) or assets, disclosure of confidential information, forgery, or alteration of documents, impropriety in reporting transactions, gifts from vendors (the combined value of gifts

should not exceed \$150 per year of any one vendor), intentional disappearance of records or assets, and/or any similar or related irregularity.

B. Predication (Reasonable Cause)

1. The Cooperative has implemented this policy to encourage the reporting of suspicions that fraud is occurring or has been perpetrated. It is understood that in making a report in accordance with this policy, proof positive evidence is not necessary. The potential reporter should consider what predication, or reasonable cause, exists to make a report.
2. Accordingly, those considering making a report under this policy should provide some type of documentation that a fraud may have been committed or at least indicate that the specific issue may appear to be fraudulent in nature. It is the responsibility of the investigators to form the conclusion that presentable fraud has occurred. Maliciously false or frivolous reports made under this policy will be dealt with in accordance with the General Policy # 605 Whistleblower Policy.
3. Any individual making a report must be acting in good faith and have reasonable grounds for believing the information provided. Allegations made maliciously or with knowledge of their falsity will not be tolerated. Under no circumstance should an individual confront the fraud suspect.
4. This policy establishes a formal reporting mechanism whereby any individual who has knowledge of any suspected fraudulent activity can anonymously report these suspicions to the Cooperative.

The reporting process is as follows:

An individual who discovers or suspects fraudulent activity will contact the CEO/General Manager of the Cooperative, unless the

suspected individual is the CEO/General Manager or a Board member, then the Cooperative Attorney should be contacted immediately.

5. Great care must be taken in the investigation of suspected improprieties or irregularities to avoid mistaken accusations or alerting suspected individuals that an investigation is under way. The complainant may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual, their attorney or representative, or any other inquirer should be directed to the CEO/General Manager or Cooperative Attorney, as described above. No information concerning the status of an investigation will be given out. The proper response to any inquiry is: "I am not at liberty to discuss this matter." Under no circumstances should any reference be made to "the allegation," "the crime," "the fraud," "the forgery," "the misappropriation," or any other specific reference. The reporting individual should be informed of the following:

Do not contact the suspected individual in an effort to determine facts or demand restitution.

Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the CEO/General Manager or Cooperative Attorney.

C. Non-fraud Irregularities

Identification or allegations of personal improprieties or irregularities whether moral or behavioral, should be resolved by departmental management, CEO/General Manager, and/or the human resources department.

D. Investigation Responsibilities

Upon receipt of the notification of alleged fraudulent activities, Management and the Cooperative Legal Counsel will investigate the

specific allegations utilizing available internal and/or external resources. The parties shall retain in their possession all documentation regarding the nature of the allegations, the date the allegations were received, the resolution of the allegations, and the date the allegations are resolved. Decisions to refer investigation results to the appropriate authorities for prosecution will be made in conjunction with Cooperative Legal Counsel, The Board of Directors, and CEO/General Manager.

E. Authorization for Investigation

Those individuals or agencies assigned the responsibility by the CEO/General Manager or Legal Counsel for the investigation may take control of and gain full access to the Cooperative's records without prior consent of any individual who may have custody of any such records.

F. Investigation Process

Those individuals who are implicated in the suspected fraud will have an opportunity to know what accusation has been made against them and will have an opportunity to be informed, review the claim and be able to respond. A report of the suspected fraud will include details of the suspected fraud, results of investigation if warranted, and a documentation of the resolution or actions taken.

G. Suspension and/or Termination

During an investigation, the suspected individual may be suspended with pay. Based upon the results of the investigation, the individual will either be reinstated or terminated in consultation with the Cooperative's Legal Counsel. Fraudulent activities will be prosecuted to the fullest extent of the law.

III. **RESPONSIBILITY:**

CEO/General Manager and the Board of Directors

IV. **PRIMACY OF POLICY:**

This policy supersedes any existing policy that may be in conflict with the provisions of this policy.

APPROVED BY THE BOARD OF DIRECTORS

Georg Behrens, President

DATE APPROVED: August 24, 2020

REVIEWED: June 17, 2023