

WELLS RURAL ELECTRIC COMPANY

Adopted: January 5, 2005

Revised: November 7, 2007

Reviewed: February 20, 2018

POLICY NO. 1-13

FRAUD

I. OBJECTIVES

This policy applies to any fraudulent activity involving not only employees but also directors, vendors, outside agencies, and/or unknown parties. Investigations will be performed without regard to length of service, title/position, or relationship.

II. POLICY PROVISIONS

A. Actions Constituting Fraud

1. The terms fraud, misappropriation and irregularities refer to, but are not limited to:

- Any dishonest or fraudulent act
- Forgery or alteration of documents
- Misapplication of funds or assets
- Impropriety in reporting transactions
- Profiting on insider knowledge
- Gifts from vendors (outside of limits)
- Destruction of records or assets
- Disappearance of records or assets
- Disclosure of confidential information
- Any similar or related irregularity

B. Non-fraud Irregularities

Identification or allegations of personal improprieties or irregularities whether moral, ethical, or behavioral, should be resolved by departmental management, rather than audit related departments or agencies.

C. Investigation Responsibilities

Investigation of potential fraudulent matters and the resulting reporting should be under the direction of the CEO and Board of Directors. These responsible parties shall cause an investigation to be performed utilizing available internal and/or external resources. Information regarding potential fraudulent activities may be forwarded to appropriate authorities for further investigation or prosecution.

D. Confidentiality

Any one of the Board of Directors and CEO of the organization are receptive to receiving information on a confidential basis from an employee who suspects that a fraudulent activity has occurred. That employee should contact one of these responsible parties immediately and should not attempt to confront the accused or conduct his/her own investigation.

The results of investigations will not be disclosed or discussed with anyone other than those persons associated with the organization who have a legitimate need to know in order to perform their duties and responsibilities. This does not preclude the disclosure of the results in accordance with resulting prosecution under legal authority.

E. Authorization for Investigation

Those individuals or agencies assigned the responsibility for investigation may take control of and gain full access to the organization's records and premises without further authorization or consent from this organization.

F. Reporting Procedures

Care must be exercised in the investigation to avoid mistaken accusations. No facts of the case may be discussed with anyone inside or outside the organization, except those individuals conducting the investigation. Face-to-face interviews of the suspected individual should be performed under the supervision of the Company attorney, an attorney specifically retained to represent the Company, or a certified fraud examiner.

G. Suspension/Termination

During an investigation, the suspected individual may be suspended. Based upon the results of the investigation and legal review by the corporate attorney, the individual will either be reinstated or terminated.

lii. RESPONSIBILITY

A. Board of Directors.