

KAUA'I ISLAND UTILITY COOPERATIVE
BOARD POLICY NO. 21
(Revised 04/24/2018)

FINANCIAL FRAUD DETECTION AND DETERRENCE

PURPOSE OF POLICY:

To set forth the policy of Kaua'i Island Utility Cooperative ("KIUC") regarding the detection and deterrence of all types of fraud involving KIUC.

POLICY CONTENT:

A. Policy Statement:

It is the Policy of KIUC to manage the detection, deterrence, investigation and consequences of all types of suspected fraud at KIUC.

B. Scope:

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.

C. Actions Constituting Fraud:

The terms fraud, misappropriation and irregularities refer to, but are not limited to the following:

1. Any dishonest or fraudulent act
2. Forgery or alteration of documents
3. Misapplication of funds or assets
4. Impropriety in reporting transactions
5. Profiting on insiders knowledge
6. Gifts from vendors (if it can be reasonably inferred the gift is intended to influence the receiving party in the performance of the receiving party's official duties, or is intended as a reward for any official action on the part of the receiving party)
7. Destruction of records or assets without authority
8. Unexplained disappearance or records or assets
9. Improper disclosure of confidential information
10. Any similar or related irregularity

D. Non-Fraud Irregularities:

Identification or allegations of personal improprieties or irregularities whether moral, ethical, or behavioral should be resolved by departmental management and the Human Resources Department in accordance with their normal procedures and/or law, not by the financial audit staff or agencies.

E. Detection:

KIUC's management is responsible for detecting fraud of any type. Each member of the management team should be familiar with the types of fraud that might occur within his or her area of responsibility and should be alert for any indication of fraud. Any detected or suspected fraud must be immediately reported using the procedures set out herein.

F. Procedures:

1. Reporting Procedures: All instances of fraud or suspected fraud shall be immediately reported in writing to the Chair of KIUC's Audit and Finance Committee or other Director committee member; provided, however, that if the fraud or suspected fraud involves a member of the Finance and Audit Committee it shall be reported in writing to the Chair of the Board of Directors or another member of the Board's Executive Committee. Care must be exercised in the reporting and subsequent investigation of all allegations under this policy to avoid mistaken accusations. Reports may also be made to KIUC's anonymous 24 hour Reportline via online access or toll free number.

The reporting individual must not contact the suspected individual for information, but shall limit the individual's involvement with the matter to a prompt report under this policy. No facts of the case may be discussed with anyone inside or outside

KIUC, except those individuals conducting the investigation. Face- to- face interviews of the suspected individual should be performed under the supervision of an attorney or other qualified investigator under the supervision of counsel.

All members of KIUC's Board are receptive to receiving information on a confidential basis from an employee, or anyone who has information of misconduct and who suspects that a fraudulent activity has occurred. That employee should contact the appropriate Board member indicated above, another Director or KIUC's General Counsel immediately and should not attempt to confront the accused or conduct his/her own investigation.

2. Investigation Responsibilities: Prompt investigation of potential fraudulent matters reported to KIUC's Finance and Audit Committee shall be the responsibility of that committee and conducted under its direction. Prompt investigation of potential fraudulent matters reported to KIUC's Executive Committee shall be the responsibility of that committee and conducted under its direction. The appropriate committee shall cause an investigation to be performed utilizing available internal and/or external resources. Information regarding potential fraudulent activities involving criminal activity shall be forwarded to appropriate authorities for action.

3. 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 prior consent of any individual who may have custody of any such records or facilities.

4. Confidentiality: The result of the investigations will be held confidential, and 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

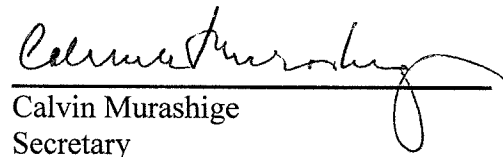
responsibilities. This does not preclude the disclosure of the results of any investigation as required by proper legal authority.

5. Suspension/Termination: During an investigation, the suspected individual may be suspended. Based upon the results of the investigation, the individual will either be reinstated or terminated, based upon a legal review by KIUC's General Counsel. Fraudulent activities will be prosecuted to the fullest extent of the law.

RESPONSIBILITIES:

- A. KIUC's President/CEO shall be responsible to work with his leadership team to establish the necessary Administrative Policies, Practices and Procedures to implement requirements of this policy, including all necessary training.
- B. The Board through its Finance and Audit Committee and KIUC's general counsel shall be responsible for compliance with this policy.

Adopted on this 24th day of April, 2018


Calvin Murashige
Secretary

Revised: 04/24/2018
Reviewed: 05/31/2016
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