
FRAUD POLICY

Purpose and Objectives

The fraud policy is established to facilitate the development of controls that will aid in the detection and prevention of fraud against Farm Credit of Central Florida (ACA or Association). It is the intent of the ACA to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and the conduct of investigations.

This policy applies to any irregularity, or suspected irregularity, involving employees, as well consultants, vendors, contractors, and/or any other parties with a business relationship with the Association. Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship to the ACA.

Operating Principles

Management is responsible for establishment and implementation of internal controls for the detection and prevention of fraud, misappropriations, and other irregularities. Fraud is defined as: ***Any act characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and/or organizations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage.*** Each member of the management team will be familiar with the types of improprieties that might occur within his area of responsibility, and be alert for any indication of irregularity.

Any irregularity that is detected or suspected must be reported immediately to the Director of Internal Audit, who coordinates all investigations both internal and external.

Actions Constituting Fraud

The terms irregularity, misappropriation, and other fiscal irregularities refer to, but are not limited to:

- Any dishonest or fraudulent act;
- Forgery or alteration of any document or account belonging to the Association;
- Forgery or alteration of a check, bank draft, or other financial document;
- Misappropriation of funds, securities, supplies, or other assets;
- Impropriety in the handling or reporting of money or financial transactions;
- Profiteering as a result of insider knowledge of ACA activities;
- Disclosing confidential and proprietary information to outside parties;
- Accepting or seeking anything of material value from contractors, vendors, or persons providing services/materials to the Association; Exception: Gifts less than \$50 in value.
- Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment; and/or
- Any similar or related irregularity.

Other Irregularities or Inappropriate Conduct

Suspected improprieties concerning an employee's moral, ethical or behavioral conduct should be resolved by the Human Resources department rather than the Director of Internal Audit. If there is any question as to whether an action constitutes fraud, contact the Director of Internal Audit for guidance.

Investigation Responsibilities

The Internal Audit Department (IAD) has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. IAD may engage employees or outside resources. If the investigation substantiates that fraudulent activities have occurred, the IAD will issue reports to appropriate designated personnel and, if appropriate, to the Board of Directors through the Audit Committee.

Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in compliance with FCA Regulation 612.2301. These decisions will be made in consultation with management and, if necessary, legal counsel.

Confidentiality

The IAD treats all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify the IAD immediately, and should not attempt to personally conduct investigations interviews/interrogations related to any suspected fraudulent act.

Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is critical in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the Association from potential civil liability.

Authorization for Investigating Suspected Fraud

Those persons assigned to investigate will have:

- Free and unrestricted access to all ACA records and premises, whether owned or rented, and
- The authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who might use or have custody of any such items or facilities when it is within the scope of their investigation.

Reporting Procedures

Great care must be taken in the investigation of suspected improprieties or irregularities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way.

An employee who discovers or suspects fraudulent activity is required to report it immediately. This may be accomplished by contacting the Director of Internal Audit. As an alternative, the employee or other complainant may remain anonymous using the Whistleblower Protection procedures described below. All inquiries concerning the activity under investigation from the suspected individual, his attorney or representative, or any other inquirer should be directed to the Director of Internal Audit. No information concerning the status of an investigation will be given out. The proper response to any inquiries 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.

Whistleblower Protection

The ACA has contracted with a SAI Global Ltd. to provide a hotline – **ListenUp** – for reporting suspected or actual fraudulent activities. The service provides a method for people to make reports anonymously. Any employee who discovers or suspects fraudulent activity and desires to remain anonymous may contact:

ListenUp at 1-888-789-6627, or
www.ListenUpReports.com

The service is available to anyone; customers, borrowers, vendors, directors, employees and all stakeholders, through access at the ACA website. Any person registering a complaint is encouraged to provide as much detail as possible regarding the subject matter of the complaint. The ability to investigate and to rectify a problem will depend upon the quality and specificity of the information provided in the complaint.

Employees or management of the ACA may not retaliate against a whistleblower for reporting an activity which that person believes to be fraudulent or dishonest with the intent or effect of adversely affecting the terms or conditions of employment (including, but not limited to, threats of physical harm, dismissal, transfer to an undesirable job assignment, demotion, suspension, or impact on salary or wages). A whistleblower is defined

as an employee who informs a manager, supervisor, or Director of Internal Audit about an activity which that person believes to be fraudulent or dishonest.

Whistleblowers who believe that they have been retaliated against may file a written complaint with the Director of Internal Audit. Any complaint of retaliation will be promptly investigated by the Director of Internal Audit and appropriate remedial measures will be taken if allegations of retaliation are proven. This protection from retaliation is not intended to prohibit managers or supervisors from taking action, including disciplinary action, in the usual scope of their duties and based on valid performance-related factors.

Termination

If an investigation results in a recommendation to terminate an individual, the recommendation will be reviewed for approval by the Director of Human Resources and, if necessary, legal counsel before any such action is taken. The President/CEO has the sole authority to terminate an employee.

Authorities Delegated/Retained

The President/CEO is responsible for the administration, interpretations and application of this policy. The IAD is delegated authority to maintain the whistleblower hotline and to conduct investigations of suspected fraudulent activity.

Employee Certification

Upon hiring and annually thereafter, ACA employees will be required to certify their understanding and acknowledgement of the ACA Fraud Policy as well as state that they are not aware of any existing or suspected fraudulent activity. In addition, each employee is required to complete annual ethics, fraud awareness, and fraud prevention training.

Reporting

The Director of Internal Audit will report findings of investigations to the Audit Committee as early as practicable.

Reference

FCA Regulation 612.2130 - Referral of Known or Suspected Criminal Violations