

Cottonwood, Inc.
CORPORATE COMPLIANCE PLAN

INTRODUCTION:

Corporate Compliance is the sum of all actions, policies, procedures, reviewed audits, prevention strategies, corrective actions, modifications, staff training efforts, reporting systems, etc., that are developed and implemented by an organization and its employees to prevent and detect illegal or unethical activity and/or fraud, waste, and abuse.

Any organization receiving public sector funds and found guilty of fraud is subject to the sentencing guidelines established by the U. S. Sentencing Commission which was created by The Sentencing Reform Act of 1984 (Title II of the Comprehensive Crime Control Act, 28 U.S.C. 994). Corporate Compliance programs must be “effective” as defined by the guidelines and should be “... reasonably designed, implemented and enforced so that it generally will be effective in preventing and detecting criminal conduct.” The mere establishment of a “paper program” will not satisfy either the spirit or intent of the U. S. Sentencing Guidelines. An effective Corporate Compliance Program serves as an insurance policy against excessive fines and penalties since federal judges are obligated to recognize the proactive efforts of the organization.

A Corporate Compliance Plan also is mandated by federal law. Section 6032 of the Deficit Reduction Act requires that written policies be established to provide all employees and contractors with detailed information about the Federal False Claims Act established under Sections 3729 through 3733 of USC Title 31; administrative remedies for false claims and statements established under Chapter 38 of USC Title 31; any state laws pertaining to civil or criminal penalties for false claims and statements and whistleblower protections under such laws; and all with respect to the role of such laws in preventing and detecting fraud, waste, and abuse in federal health care programs.

On November 23, 2007, the federal government published a final rule amending the Federal Acquisition Regulations (FAR) 48CFR Parts 2, 3, 52 (Code of Conduct) governing all future contracts for services and goods involving the General Services Administration (GSA), Department of Defense (DOD), or National Aeronautics and Space Administration (NASA). The amended regulations became effective on December 24, 2007. As a result, all government contractors and subcontractors are required to have and comply with an ethics program in order to qualify to be awarded government contracts.

Cottonwood’s Corporate Compliance Plan consists of the following components:

1. Policies and procedures that are reasonably capable of reducing the prospect of criminal conduct and of preventing and detecting fraud, waste and abuse.
2. Dedicated personnel assigned to monitor and enforce the Corporate Compliance Plan.
3. Staff training which effectively communicates corporate compliance requirements to all levels of staff. Training on corporate compliance is included with new employee

orientation, and review of applicable policies with employee is included on annual review date.

4. Monitoring to ensure that the organization's Corporate Compliance Plan, and the policies and procedures defined herein, are being followed on a day-to-day basis.

5. A "No-Reprisal System for reporting suspicious activities so that employees and others can report criminal conduct and/or suspicious activity without fear of retaliation or reprisal.

6. Consistent enforcement and discipline for violators of the organization's Corporate Compliance Plan, including a "progressive discipline" policy that provides for disciplinary sanctions of increasing severity with each subsequent offense and applied equally to all employees without regard to their position within the organization.

7. Response and Prevention Initiatives which require that, after an offense has been detected, the organization must take all reasonable steps to respond appropriately to the offense and prevent further similar offenses, including any necessary modifications to this program.

8. Corporate Compliance Officer for Cottonwood is the Human Resources Director (Direct Line 785/840-1627), or another member of the Management Team.

9. The Policy and Procedures Manual is available as a separate link on the corporate website.

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I. Written Compliance Standards and Procedures

A. Cottonwood's Code of Ethical Conduct

B. Compliance Policies in Specific Risk Areas

1. Quality of Services and Consumer Rights

Cottonwood is committed to providing quality services and to protecting consumer rights, all in accordance with Cottonwood's Mission and Values, Code of Ethical Conduct, and Section 05 of the Policy Manual.

2. Claims Billing and Cost Reporting

Fraudulent and abusive billing practices can result in criminal, civil and administrative enforcement actions which would have a profound adverse impact on Cottonwood. The Billing Workgroup maintains oversight with detailed work instructions which include procedures for billing, reviewing, monitoring, spot-checking, and auditing to ensure compliance. All cost reporting is done in compliance with Generally Accepted Accounting Principles.

3. Affiliate Relationships

See affiliate agreements.

4. Employee Screening

Compliance policies include background checks of all employees, and checking with all applicable licensing and certification authorities to verify that requisite licenses and certifications are in order. See Policies [03-003](#) and [03-005](#).

5. Waste, Fraud and Abuse

Cottonwood has written policies that comply with Section 6032 of the Federal Deficit Reduction Act. See Board Resolution of March 25, 2003 and Policies [04-032](#) and [04-008](#).

C. Recordkeeping, Documentation, and Retention of Records Policy

Cottonwood has policies which provide for the development and implementation of a records retention system which establishes policies and procedures regarding the creation, distribution, retention, and

destruction of documents. See Policies [04-022](#), [04-023](#), [04-024](#), [05-028](#), [05-029](#), and [05-030](#).

D. Compliance as an Element of Employee Performance

Corporate compliance is an overall expectation in every employee's performance. See Policy [01-004](#).

II. Designation of Compliance Officer

Cottonwood, Inc., designates the Human Resources Director as the Corporate Compliance Officer and, as such, is responsible for investigating all reports of waste, fraud, and illegal activity. Through the Risk Management Plan, accountability is assigned for specific areas, and follow-up is monitored to capture potential exposure.

III. Implement Effective Compliance Training and Education

Cottonwood, Inc., will seek appropriate training for those employees whose job requirements make the information relevant.

IV. Develop Effective Lines of Communication

In order for the compliance program to work, employees must be able to ask questions and report problems. Cottonwood has an open door policy and encourages employees to ask questions and seek information from management staff about troubling or confusing practices so that a framework exists to help guide them in their decisions. See Policy [04-032](#).

V. Auditing and Monitoring

Quality assurance and zero tolerance of fraud, waste, and illegal activity should be the goal of the Corporate Compliance Plan. This Plan requires monitoring of its implementation and regular reporting to senior executives and the Board. Cottonwood, Inc., monitors compliance as part of its Risk Management Plan.

VI. Enforcement of Standards Through Well-Publicized Disciplinary Guidelines

Cottonwood, Inc.'s Compliance Plan includes disciplinary policies that set out the consequences of violating the company's standards of conduct, policies, and procedures. See Policies [03-024](#) and [04-032](#).

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