

POLK-BURNETT ELECTRIC COOPERATIVE

Policy No.: **BD-26**

Subject: **Internal Control Systems**

Objective: To set forth this board's policy regarding establishment and maintenance of the cooperative's system of internal controls designed to promote efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

Policy: A. *Internal Control Components*

The board and management of the cooperative will establish and maintain the following internal control components, to the extent that costs of controlling risks do not exceed their benefits:

1. An organization environment in which integrity and values control behavior and promote ethical conduct.
2. Assessment of risks to the achievement of critical success factors and their related goals.
3. Development and execution of policies and procedures adequate to control cooperative activities, address risks and ensure execution of management directives.
4. Information and communication systems sufficient to capture and transmit important cooperative information as required for decision-making, customer service and business operations.
5. Routine monitoring of internal control system operations to assure compliance with policies and procedures.

B. *Review of Management's Internal Control System*

Management will report to this board:

1. At least once each year regarding an evaluation, which may be performed by the cooperative's independent public accountants, of the internal control system, including any needed enhancements.
2. As needed, regarding internal control system failures and corrective actions taken.

C. *Monitoring of Management Performance*

Management shall be held accountable for satisfactory performance of the cooperative's internal control system and for proposing improvements to this policy.

The initial policy was established by the board of directors at its meeting on April 27, 2009.

Edward O. Gullickson, President
July 23, 2018