

Policy: #1220 – Internal Control Systems

SCOPE OF POLICY: Board of Directors, Management

RESPONSIBILITY: Board of Directors

I. Policy

To set forth this board's policy regarding establishment and maintenance of the Elkhorn Rural Public Power District's (ERPPD) system of internal controls designed to promote efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

II. Procedure

A. Internal Control Components

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

1. An organizational 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 district activities, address risks, and ensure execution of management directives.
4. Information and communication systems sufficient to capture and transmit important district 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:

- a. At least once each year regarding an evaluation, which may be performed by the district's independent public accountants, of the internal control system, including any needed enhancements.
- b. 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 ERPPD's internal control system and for proposing improvements to this policy.