



Subject: Internal Control Systems Policy			Policy No.: 131
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PURPOSE

To establish and maintain Jemez Mountains Electric Cooperative, Inc. (JMEC) system of internal controls.

ACCOUNTABILITY

The Board of Trustees (BOT) and the General Manager of JMEC are accountable for ensuring implementation of and adherence to this policy.

SCOPE

Internal controls are designed to promote efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

POLICY

1. Internal Control Components

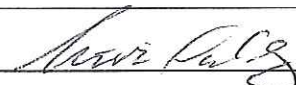
The BOT and management of JMEC will establish and maintain the following internal control components, to the extent that costs of controlling risks do not exceed the benefits:

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

2. Review of Management's Internal Control System

Management will report to the board:

- a. 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.
- b. As needed, regarding internal control system failures and corrective actions taken.

	Chairman of the Board	Date: <u>5/25/12</u>
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