




**Electric Cooperative, Inc.**

P.O. Box 128, Espanola, New Mexico, 87532

Phone:  
Espanola 505-753-2105  
Cuba 575-269-3241  
Jemez Springs 575-829-3550

Your Touchstone Energy® Cooperative   
The power of human connections®

<b>Subject: Internal Control Systems Policy</b>			<b>Policy No.: 157</b>
<b>Original Issue: 02/28/2025</b>	<b>Last Revised: 02/28/2025</b>	<b>Last Reviewed: 02/28/2025</b>	<b>Page:</b>

## **I. PURPOSE**

To set forth policy regarding establishment and maintenance of the Cooperative's system of internal control designed to promote efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

## **II. POLICY**

It is the policy of the Board of Directors that the Cooperative will maintain adequate internal control programs and processes to ensure the integrity and accuracy of financial management systems, and that such control programs are in compliance with applicable laws and regulations.

## **III. EXPECTATION**

### **A. Internal Control Components**

The Board of Directors instructs Cooperative management to 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 where 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 operating 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, member service and business operations.
5. Routine monitoring of internal control system operations to ensure 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 and if needed, regarding internal control system failures and corrective actions taken.



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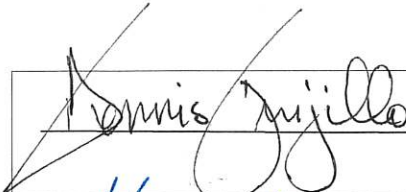

#### IV. IMPLEMENTATION AND COMPLIANCE

**Implementation:** Management will be responsible for implementing this policy with the intent of providing adequate internal control systems and related practices and for proposing improvements to this policy.

**Compliance:** The Board of Directors will review this policy at least annually to ensure its compliance. The board will hold management accountable for the effectiveness of the management control processes and practices put into place at the Cooperative.

The initial policy was established by the Board of Directors at its **meeting on February 14, 2025.**

APPROVED:  4/25/25

	President of the Board	<u>Date</u> 4/25/2025
	Chair of the Policy Committee	<u>Date</u> 4/25/2025