

Series: Fiscal Management

COA: FIN 1, 2; GOV 6.4, 6.06, 6.08; ETH 1 .01, ETH 2, 5.01; RPM 2, 2.01, 2.03, 5

CFOP: --

Policy Name: Internal Controls
Policy Number: GOV-202
Revision #/Date: (1) 9/15/08
Effective Date: 10/1/04

Applicable to: CBCB Board of Directors and all CBCB Staff

SUBJECT: Internal Controls

PURPOSE: To meet internal control objectives in order to provide reasonable assurance of the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

POLICY:

The Board of Directors (Board), management and personnel of CBCB will implement an internal control structure encompassing the five components established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The five components are:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

At a minimum, each component shall comprise of the following processes:

Control Environment

The control environment is defined as the “tone at the top” of the organization and is considered the foundation for all other controls. The “tone at the top” term will be defined as management’s leadership and commitment towards openness, honesty, integrity, and ethical behavior. As such, CBCB will establish procedures that will apply to all staff and Board members to include, at a minimum, the following:

- Conflict of Interest
- Code of Conduct
- Clear Assignment of Authority
- Defined Duties and Responsibilities

Risk Assessment

In order to successfully maintain financial strength and a positive public image, as well as to maintain the quality of services provided to the Brevard County community, CBCB will establish procedures in an effort to identify risks that could impede achievement of Board objectives and to mitigate exposure to those risks to acceptable levels.

The risk exposure tolerance of the Board is low. As result, "Avoidance" or "Elimination" of risk is the preferred response to identified issues. When these responses are not feasible to implement, (i.e. not cost effective or available), then the "Reduction" or "Sharing" of risk is to be the next course of action. "Acceptance" of risk is to be the last resort. For this to be an acceptable response to identified risk, the probability and impact of the occurrence of the risk must be low.

Control Activities

Policies and procedures will be put in place to ensure that Board and management's directives are carried out. Examples of control activities are to include, at a minimum, the following:

- Timely review of performance and exception reports.
- Approval and authorization of transactions.
- Proper segregation of duties.
 1. Specifically, duties will be assigned so no one individual can control all phases of processing a transaction.
- Physical safeguards to access and use assets.
- Maintain proper documentation to support financial transactions and reconciliations.
- Information system access and security controls.
- Mandatory vacation practice that requires managers and employees to take at least one and preferably two weeks' vacation (not a day here and there) to reduce the risk of embezzlement.
- Control activities should be established to mitigate identified risks.

Information and Communication

This component concerns the way that information is communicated throughout the organization. CBCB will develop and maintain systems that capture and deliver pertinent and timely information in a form that enables the Board, management, and employees to carry out their responsibilities.

Monitoring

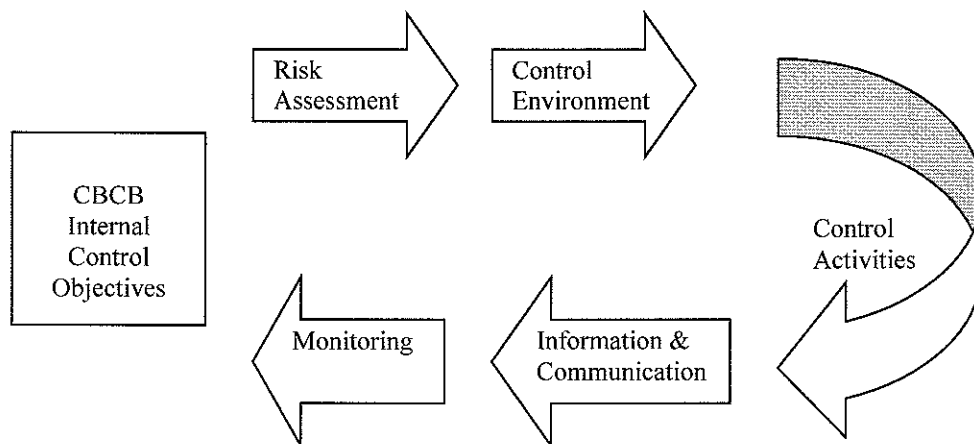
The Board recognizes that change is constant. Given this fact, to prevent internal control systems and processes from losing effectiveness, these controls must be monitored in a timely fashion. CBCB will conduct self monitoring to include the following:

- Board review of policies and procedures annually.
- Management will implement a quality assurance program to effectively monitor services provided to the Brevard County Community.

- Management will maintain a critical incident reporting process to identify, prevent and control potential adverse outcomes from incidents occurring when providing services to the Brevard County Community.
- Management will monitor contractual arrangements for equipment and services provided to the organization.
- Monitoring activities typically performed by auditors and contract reviewers will be presented to the Board in a timely fashion. It should be noted that the Board recognizes that third party audits are not a part of the CBCB internal control structure unless these firms are specifically contracted to perform this function. As a result, the organization must implement self monitoring.

Internal Control as an Integrated Process

It is the Board's intent that the five internal control components should work together in an integrated process as exhibited below:



1. The internal control process will begin with management establishing internal control objectives relevant to CBCB's industry and circumstances with consideration of the Board's directives outlined in this policy.
2. Management will then proceed with identifying risk that would prevent accomplishing these objectives. They will then determine how to manage the risk through a range of control activities.
3. Management will implement systems to capture, process, and communicate information needed for effective operation of control activities.
4. This process will be followed in the context of the CBCB control environment. All processes implemented will be monitored on a consistent basis to ensure that the internal controls operate properly over time. Adjustments will be made accordingly.

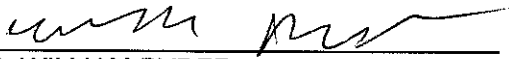
Community Based Care of Brevard, Inc. Policy and Procedure Manual

Reference:

Internal Controls over Financial Reporting – Guidance for Smaller Public Companies
http://www.coso.org/Publications/erm_sb/SB_EXECUTIVE_SUMMARY.PDF

Approved by the CBC of Brevard Board of Directors OCTOBER 23, 2008

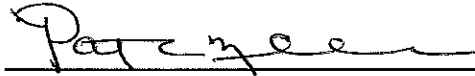
AS APPROVED BY THE BOARD OF DIRECTORS:



MR. WILLIAM RYDER
Chair

Signature Date: OCT 23, 2008

BY DIRECTION OF THE CHIEF EXECUTIVE OFFICER:



DR. PATRICIA NELLIUS-GUTHRIE
Chief Executive Officer

Signature Date: OCT 27, 08