77 AUG 12 A 9:53

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
HONOLULU, HAWAII

August 9, 1977

MEMORANDUM - 1977-38

TO: Heads of Departments and Agencies

FROM: Hideo Murakami, Comptroller

SUBJECT: Report on Internal Controls Implemented To Correct Conditions Contributing to Loss of Cash and Equipment

In recent years, departments and agencies have experienced a large number of burglaries, thefts and other losses of cash and equipment. This is evidenced by the proof of loss statements submitted to this office in connection with claims made under the State's insurance policy with Liberty Mutual Insurance Company.

A review of the proof of loss statements indicates that many of the losses resulted from employee carelessness and/or internal control weaknesses. The following are some examples: (1) money bag left unattended on front office counter for armored car pick-up; (2) money left unattended on desk; (3) money left in unlocked desk during lunch break; (4) money kept over weekend pending deposit; (5) several employees handled money; and (6) several employees allowed to have combination to safe or keys to safekeeping facilities.

The purpose of this memorandum is to remind departments and agencies that under the provisions of Section 40-2, Hawaii Revised Statutes, departments and agencies of the executive branch are respectively charged with the responsibility to maintain an adequate system of internal control and with the further responsibility to see that the internal control system continues to function effectively as designed. Departments and agencies are, therefore, requested to implement internal controls to prevent and/or minimize losses of cash and equipment.

In addition, departments and agencies are requested to report to the Audit Division, Department of Accounting and General Services, within thirty calendar days of any incident resulting in the loss of cash and/or equipment, on the circumstances surrounding the loss and the corrective actions taken or which will be taken to prevent and/or minimize such losses in the future. The report must describe the specific internal control weakness which resulted in the loss and the specific changes made or proposed to correct the weakness.

HIDEO MURAKAMI
Comptroller