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July 15, 2011

COMPTROLLER'S MEMORANDUM NO. 2011-16

TO: Heads of Departments and Agencies

FROM: Bruce A. Coppa, State Comptroller

SUBJECT: FY2011-2012 Self-Assessment of Internal Controls Questionnaire

The Executive Branch departments and agencies are responsible to maintain an adequate system of internal control, and to see that the internal control system functions effectively as designed. The State Comptroller is required to conduct periodic investigations and audits to ensure the use of the internal control systems in the executive branch (Section 40-2, HRS).

The ultimate responsibility for internal control rests with the State's department management. Every director, fiscal officer or manager with department or agency financial responsibilities is responsible for implementing and maintaining internal control standards for areas under their control. Internal control standards define the minimum level of quality acceptable for internal control systems.

To help departments and agencies comply with State Law and to provide a means for department and agency management, when submitting financial statement information presented in the CAFR, to attest to the accuracy of the information along with the soundness of its established internal controls, the Department of Accounting and General Services (DAGS) established a Self-Assessment of Internal Controls Questionnaire (IC Questionnaire).

Every department or agency's fiscal officer or manager with financial responsibilities is responsible for completing the IC Questionnaire, which is a management tool verifying that strong internal controls are implemented to prevent inconsistencies, inaccuracies, or weaknesses in the financial records. For areas not under the fiscal officer or financial manager's control, an appropriate manager is responsible for completing the questionnaire. Departments and agencies independent or not subject to the State Comptroller's accounting procedures or memorandums are not required to complete and submit to DAGS this questionnaire. However, good business practice would dictate that this questionnaire or a similar document should be completed to document the department or agency's compliance with Section 40-2, HRS.

The IC Questionnaire should be completed annually in advance or at the beginning of the fiscal year and maintained by each department or agency's fiscal office for use by authorized external auditors. The questionnaire and forms are electronic, fill-able and can be downloaded to a computer for completion.

The State Comptroller is requesting the completion of the IC Questionnaire for the fiscal year ending June 30, 2012. The Confirmation of Self-Assessment of Internal Controls form and a copy of the completed IC Questionnaire should be submitted via Email to the DAGS' Audit Division by **September 30, 2011**.

The IC Questionnaire, Confirmation of Self-Assessment of Internal Controls form, and the instructions are located on the DAGS' Audit Division web page:

http:/hawaii.gov/dags/audit

If you have any questions, please call me at 586-0400, or Wayne L. Chu, Audit Division at 586-0360.