

# Department of Mental Health

## *Findings on Compliance with Rules and Regulations*

### **Finding Number 2: Late Recording of Fixed Assets**

The Department of Mental Health (Department) did not record computer equipment onto the Commonwealth's central accounting system timely or correctly. The Department purchased computer equipment for its Tewksbury State Hospital—Northeast Area Office valued at \$26,109 on February 15, 1997. However, the Fixed Asset (F/A) was not recorded onto the Massachusetts Management Accounting and Reporting System (MMARS) Fixed Asset Subsystem until February 6, 1998 (the next fiscal year) in the amount of \$16,109. The F/A was undervalued by \$10,000 but was corrected on July 30, 1998. The purchase was paid for the Department's Central Office and delivered to the Area Office. The MMARS Fixed Asset Subsystem User Guide requires assets valued at \$15,000 or more to

...be recorded onto the system within seven (7) days of acquisition...to properly account for and record those items owned by the Commonwealth... and to allow them to be incorporated into the Commonwealth's Annual Comprehensive Financial Report (CAFR)

...

The effect of not recording assets timely and correctly was to understate the value of F/A's on the system and in the annual financial report. Furthermore, the physical inventory of fixed assets would not have reconciled with MMARS records.

The fixed asset was not entered onto the system in a timely manner because of a lack of communication between Central Office and the Tewksbury State Hospital/Northeast Area Office. The Area Office assumed that because the Central Office purchased the asset that it would have recorded it onto MMARS. However, the Central Office had not recorded that asset. The Area Office discovered the unrecorded asset in February when reviewing its physical inventory. At that time, the equipment was tagged with an inventory identification number and recorded in the fixed asset subsystem.

### **Recommendation:**

We recommend that the Department of Mental Health develop a policy relative to recording onto the MMARS Fixed Asset Subsystem fixed assets purchased by the Central Office on behalf of area offices and valued at \$15,000 or more. The policy should indicate the F/As should be recorded within seven (7) days of purchase.

### **Department corrective action plan:**

Originally, the fixed asset was not entered in a timely manner to the Northeast Area's fixed asset system because the Area Office thought that it was being recorded at the Central Office. This confusion occurred due to the fact that the Central Office originally purchased it for the Area. Subsequently, during a review of fixed assets, the Area Office recognized its error and entered the fixed asset. However, a typographical error occurred when the fixed asset was entered. It was entered as \$16,109 when it should have been entered as \$26,109. The Area, in reviewing the annual report of fixed assets, discovered the error and a fixed asset was entered to correct the typographical error. As the documentation indicates at the time of your audit, the Department's internal review process had caught the initial error and subsequently corrected the typographical error. Thus, the Department's own internal controls ensured that the fixed asset was recorded properly on the Commonwealth's Fixed Asset System.

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