

Office of Child Care Services

Background

The Office of Child Care Services (Office) is authorized by Section 3 of Chapter 28A of the Massachusetts General Laws. The primary mission of the Office is to ensure that, in the absence or inability of parents to provide proper care, the Commonwealth will provide substitute residential care and protection for every child. Chapter 43 of the Acts of 1997 authorized the Office to be the lead agency to administer day care services within the jurisdiction of the Executive Office of Health and Human Services (EOHHS) and to communicate with other state agencies providing similar or related services outside of EOHHS.

The Office establishes standards for, and monitors, childcare programs throughout the Commonwealth. Licenses are issued and renewed, through its five regional offices, to over 17,000 providers of child care centers, nursery schools, private kindergartens, family day care homes, school age child care programs, preschool programs, residential and temporary shelter facilities for children, and foster care and adoption placement agencies. In addition, the Office administers a primary prevention program and the Children's Trust Fund to provide statewide child abuse and neglect prevention services.

In fiscal year 1998, the Office administered \$202 million. Federal funds amounted to approximately \$67 million.

The federal funding to the Office is detailed in the accompanying Schedule of Expenditures of Federal Awards. The Office's major program was:

CFDA # Federal Program Description

93.596 Child Care Mandatory & Matching Funds of the Child Care & Development Fund

Findings on Compliance with Rules and Regulations

Finding Number 7: Fixed Assets Not Recorded In MMARS Fixed Asset Subsystem and Not Properly Inventoried

The Office of Child Care Services (Office) has not adhered to the Commonwealth's fixed asset requirements nor its internal policies regarding fixed asset management.

The Massachusetts Management Accounting and Reporting System (MMARS) "Fixed Assets Subsystem User Guide" requires departments to record assets onto the system within seven (7) days of acquisition as follows:

- Assets with an historical value of \$15,000 or more are required to be on the Fixed Asset Subsystem to allow them to be incorporated into the Commonwealth's Annual Comprehensive Financial Report.
- Assets with an historical value between \$5,000 and \$14,999 (Major Fixed Assets) are an optional group on the Fixed Asset Subsystem; and,
- Assets with an historical cost of less than \$5,000 (Minor Fixed Assets) may be recorded on the Fixed Asset Subsystem.

Section 6.4 of the guide requires departments to annually inventory all fixed assets. In addition, the Office's Internal Control Guide, Section 9.0, Inventory Control, states, in part that,

The Purchasing Coordinator shall ensure that:

- All assets bear a unique central identification number, which is engraved or labeled with a permanent tag;
- Complete and accurate information is recorded in the MMARS Fixed Asset System regarding GAAP Fixed Assets and Major Fixed Assets [as] defined in the manual, and
- All minor Fixed Assets are properly recorded in the Asset Management System (Inventory), established within the Office.

The Office had an inventory as of August 1997, which was incomplete and inaccurate. The inventory did not reflect asset values, purchase date, and furniture and fixtures were observed that did not appear on the inventory. In addition, we observed new, unpacked computer equipment valued at \$24,557 that had not been recorded or provided with a unique central identification number. Office personnel acknowledged that the inventory was not complete or accurate and that it did not comply with the policies and procedure set forth in the internal control guide.

The purpose of these requirements is to properly account for and record items owned by the Commonwealth and to verify the existence of assets recorded by the Office. Until the Office inventories all fixed assets indicating an historical cost value, the Office cannot determine which categories of assets need to be recorded on the fixed asset subsystem. Therefore, by not recording, tagging or inventorying its assets, the Office has no assurance that the inventory is being properly recorded or safeguarded against loss or theft.

Recommendation:

The Office needs to prepare an inventory reflecting historical cost, place identification numbers on

equipment, and determine what asset categories need to be recorded on the MMARS fixed asset subsystem.

Department corrective action plan:

All unpacked computer equipment was immediately opened and properly tagged when it was pointed out to the Department that this had not been done. This equipment was also entered onto the Office's inventory list. Furthermore, all future equipment purchases will be opened and tagged upon receipt and entered onto the Office's inventory list (equipment valued at \$5,000.00 or greater will be entered into the MMARS Fixed Asset System).

The Office will conduct an Internal Control Guide training session for pertinent office personnel to ensure that established inventory procedures as well as the Commonwealth's fixed asset requirements are being adhered to.

The Office has scheduled an annual inventory to be conducted each December; all office personnel will be responsible for the inventory of all Office assets in his/her personal space.

Implementation Date: December 1998

Responsible Individual: Richard Steele, Director of Accounting

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