

Department of Revenue

Findings on Compliance with Rules and Regulations

Finding Number 11: Tracking and Recording of Fixed Assets Needs Improvement

The Department of Revenue (Department) needs to improve its tracking and recording of fixed assets to more fully comply with Commonwealth of Massachusetts policies and procedures. During fiscal year 1999, the Department moved its offices to a new location and certain fixed assets were disposed of or appeared to become idle but were not recorded on the MMARS fixed assets subsystem as fixed asset dispositions. We also noted that the cost of one asset reported on the fixed asset subsystem did not agree with the amount shown on the invoice. In addition, the results of the physical inventory of management information system equipment (MIS) did not appear to be reconciled with what was reported on the Department's fixed asset subsystem.

The Commonwealth's MMARS Fixed Asset Subsystem User Guide (Guide) requires all departments in the Commonwealth to conduct annual inventories of fixed assets and to verify the existence and location of the fixed assets owned by these departments at or near the end of the each fiscal year. The Guide also requires a reconciliation of the results of the physical inventory against the Department's books and records. The Guide does not address how idle assets should be reported.

From a sample of four asset items selected for testing, two items were either disposed of or seemingly idle, and one had a recorded cost that did not agree to the related invoice. The equipment that was seemingly idle was a telecommunications switching device with an original cost of about \$311,000 and was left in the Department's old building after the April 1999 move. In discussions with MIS personnel, the asset had been unused for approximately 3-4 months when we conducted our testing. The Department needs to make a decision as to whether this asset is needed and, if it is not expected to have any future use or value, remove it from the fixed asset subsystem. A second item of equipment, laser imager, had been disposed of by the Department but was not removed from the fixed asset subsystem. The original cost of the imager was \$42,800. The third discrepancy noted involved a telefile IVR which had an original cost according to the invoice of \$702,780 but was carried on the fixed asset subsystem at a cost of \$703,580 - an \$800 difference. The Department's fixed asset costs as shown on its Fixed Asset Report as of June 30, 1999 totaled approximately \$122,980,000.

While it appears that the Department did conduct a physical inventory of its MIS fixed assets, it also appears that this inventory was not reconciled with the fixed asset subsystem because the disposed of item was not removed from the fixed asset subsystem report.

Recommendation

The Department should reemphasize to its staff the need to be familiar with and comply with the Commonwealth's policies and procedures regarding fixed assets, especially those requiring an annual physical inventory and reconciliation and the removal from the fixed asset subsystem of disposed or

idle assets. Management review of these additions, deletions and reconciliations should be done in a timely manner.

Discussions with Office of the Comptroller may be necessary to determine at what point is equipment determined to be idle and therefore disposed of.

Department Corrective Action Plan

The Department did conduct an annual physical inventory. We agree that it is important to keep staff cognizant of policies and procedures regarding fixed assets, including those requiring a physical inventory and reconciliation and the removal from the fixed asset subsystem.

We will also review our idle assets to determine a final disposition. However, as a result of contacting the Comptroller's Office, as suggested, we were informed that idle assets should remain on the inventory until physically disposed of, as the department had recorded.

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