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George Stone Technical Center Program Audit Industrial Division – Automotive Service Technology and Automotive Collision Repair & Refinish

Audit Number: 2008-006

Report date: December 15, 2007

Period Covered: Fiscal year ended June 30, 2007 and July 1 – October 17, 2007

Fieldwork dates: October 31 – November 30, 2007

EXECUTIVE SUMMARY

Background

The Escambia County School District provides educational opportunities for the Escambia County area. These opportunities include the traditional educational system (K-12) and special centers, such as George Stone Technical Center (George Stone). George Stone is available to individuals 16 years or older. Programs are available for full- or part-time students. The programs of study include the Business, Health, Industrial, Marketing, and Public Service Divisions.

The current principal is serving his first year as principal at George Stone and is committed to make the necessary adjustments to promote continued growth and success within the programs available at George Stone. In an effort to do so, the Principal has requested an internal audit and evaluation of various programs within the Industrial Division.

The Industrial Division includes Automotive Service Technology and Automotive Collision Repair & Refinish areas. The purpose of the automotive service technology program is to prepare a person for employment as an automotive technician. The purpose of the automotive collision repair & refinish program is to prepare a person for employment as an automotive body technician, related repairer, and/or automobile body repairer. The programs also provide supplemental training for persons previously or currently employed in these occupations.

We have combined Automotive Service Technology and Automotive Collision Repair & Refinish into one report because the results were consistent between the two departments.

Objectives

Our initial objective was to conduct a performance audit, which focused on economic and efficient use of resources; however after determining the needs of the end users, we felt a program audit would be more beneficial.

A program audit is performed to determine whether desired results or specified benefits of a program have been achieved. We also assessed the adequacy and effectiveness of the school's system of internal controls and considered whether transactions were made in accordance with applicable policies and laws.

Scope

We interviewed personnel in Automotive Service Technology and Automotive Collision Repair & Refinish areas to obtain an understanding of class instruction, services provided, and the surrounding policies and procedures. We examined specific forms and documents used in these departments.

We contacted several school districts within Florida to perform a comparison of their technical centers' procedures to those of George Stone.

We also selected a sample of transactions during the prior school year and current school year to test for compliance with District established policies and procedures and for the existence of adequate management control systems.

Conclusions

It appears the desired results or specified benefits of George Stone programs are being achieved. According to the Principal, "The basic unit of completion for George Stone is the Occupational Completion Point (OCP). OCPs are established in the program's curriculum frameworks and are earned after completing the required hours and demonstrating skill proficiency." For all programs combined, there was a 75% increase from 2005-06 to 2006-07 in the percentage of students who earned their final OCP during this year and withdrew as a completer.

During our audit, we became aware of matters that represent opportunities for strengthening internal controls, increasing operating efficiencies, and assuring compliance with applicable laws, rules, regulations, policies and/or procedures.

Documented policies and procedures governing these departments could not be located other than those policies listed in George Stone's Faculty Handbook. This concern was heard from numerous George Stone staff. We, nor various District personnel, were able to locate any federal/state regulations governing technical centers or any District/Board policies that were specific to George Stone. In contacting other school districts, it was found they faced the same void.

The following noncompliance with policies and procedures were noted:

- A general lack of awareness of District policies and procedures applicable to Automotive Service Technology and Automotive Collision Repair & Refinish.
- Inconsistencies in Training Job Order charges.
- Individual requesting service and ownership of vehicle is not verified to be a student or School Board employee.
- Training Job Orders are not properly completed.
- "Blanket" Purchase Orders do not include proper wording.
- All invoices are not assigned to a specific "Blanket" Purchase Order.
- Vendor invoices are not submitted promptly.
- Funds are collected by instructors.
- Monies Collected Forms are not properly completed.

The following internal control weaknesses were noted:

- Training Job Order number is not consistently listed on Monies Collected Forms.
- No evidence of student assigned to job.
- No evidence of service performed by student.
- No evidence indicating instructor's review and approval of service performed.

- Job Orders are not updated while work is being performed.
- Customer does not review a list of parts used.
- Customer does not receive a copy of the Training Job Order.
- Potential exists for vehicles to be released to customer prior to final payment being made.
- Property is not secured.

Management Action Plans

Management responses are listed below in italics following the individual comments and recommendations.

Process-improvement recommendations

- **There is a general lack of awareness of District policies and procedures applicable to Automotive Service Technology and Automotive Collision Repair & Refinish.**

We recommend all District policies and procedures applicable to Automotive Service Technology and Automotive Collision Repair & Refinish be discussed with appropriate staff. The District should re-evaluate existing policies and procedures for any needed updates and/or revisions.

Management Response: Appropriate training, including a pre and post test, was provided concerning general policies and procedures as well as specific issues applicable to Automotive Service Technology and Automotive Collision Repair & Refinish to appropriate staff during the April 10, 2008 faculty meeting.

- **Inconsistencies in Training Job Order charges.**

It appears there are inconsistencies regarding charges for services performed, specifically sales tax. George Stone's Faculty Handbook - Training Job Orders Shop Procedures states, "The teacher should not itemize for incidentals. The 20% added for incidentals on the Job Order is clearly marked on Job Order and covers these types of expenses." This 20% is calculated on the purchase amount or value (if customer supplied) of parts. We found sales tax was not consistently charged on the 20% charge for incidentals.

It appears sales tax *is not* calculated on the 20% incidentals amount whenever the customer supplies the parts and *is* collected on the 20% incidentals amount (and collected on the parts "resold" to the customer) when George Stone orders the parts.

According to the Florida Department of Revenue, sales tax should be collected whenever parts are involved (regardless of who purchased them). Therefore, sales tax should be calculated on the 20% incidental amount anytime parts are involved. When parts are not involved and George Stone charges a service fee in lieu of calculating a 20% incidental amount, no tax would be collected.

George Stone would continue to calculate sales tax on the amount of parts that are purchased by George Stone and resold to the customer.

We recommend the District review this sales tax ruling with the appropriate staff.

Management Response: Appropriate training, including a pre and post test, was provided concerning specific tax related issues applicable to Automotive Service Technology and Automotive Collision Repair & Refinish to appropriate staff during the April 10, 2008 faculty meeting. Additionally, the Powerpoint used for training was placed on George Stone's intranet allowing easy review of the tax calculation examples by faculty and staff.

- **The individual requesting service and the ownership of the vehicle is not verified to be a student or School Board employee.**

George Stone's Faculty Handbook states, "The person at the front desk in the Lobby will ascertain ownership... Training jobs can only be accepted from students at George Stone and School Board employees. Other requests must be approved by administration and these would only be for outside non-profit agencies and only in rare cases." Currently, instructors accept vehicles for service based on "knowing the person".

We recommend the District consider implementing the following practices when issuing the Training Job Order:

1. Verify the customer is either a George Stone student or District employee. If the customer is a non-profit agency, obtain required proper administrative approval.
2. Include the customer's District badge number and/or last four-digits of his/her social security number on the Training Job Order.
3. Verify vehicle ownership from the vehicle's Vehicle Registration.
4. Obtain the vehicle identification number (VIN) from the Vehicle Registration and list on the Training Job Order.
5. Make a photocopy of the Vehicle Registration and attach to the Training Job Order.

Management Response: Appropriate training, including a pre and post test, was provided to staff concerning who is eligible to have work performed under a Training Job Order. Employee or student verification will take place prior to issuing a Training Job Order by either employee ID badge or student look-up in TERMS. In lieu of social security number, student ID numbers will be used. This information is to be recorded on the Job Training Order. In an effort to expedite this process, a high speed scanner was purchased to scan the Training Job Order, vehicle registration, employee ID badges or student driver licenses. The scanning of the documents will take place as the customer receives the Job Training Order. The scanned files will be located in a network "shared folder" with a naming convention that allows for look up by date, owner or training job order number. The network drive will only be accessible to George Stone staff.

Additionally, the principal will make periodic reviews of the Training Job Orders to ensure that they are being completed correctly with all required information noted.

- **Training Job Orders are not properly completed.**

Opportunities include the following:

1. *Parts are not individually listed on the Training Job Order.*

Currently the instructor is listing the word “parts” and the total invoice amount on his copies (pink and green) instead of listing the parts separately.

We recommend the instructor list all parts separately on the Training Job Order. This would allow for customer verification.

Management Response: Appropriate training, including a pre and post test, was provided to staff concerning proper completion of Training Job Orders including the requirement of having the customer initialing the complete and detailed parts list on the Training Job Order during the April 10, 2008 faculty meeting.

2. *Description of training job service to be performed is not sufficient.*
Currently the instructor is listing such wording as “repair as needed” on the Training Job Order.

We recommend the instructor provide a more thorough description of service requested.

Management Response: Appropriate training, including a pre and post test, was provided to staff concerning proper completion of Training Job Orders including a full description of the requested work during the April 10, 2008 faculty meeting.

3. *Added services are not denoted on Training Job Order.*
All services provided are not noted on the Training Job Order. Currently, the original service requested is listed. If additional services are needed and performed, they are not added to the Training Job Order.

We recommend if services are needed that are not included in the original description of services requested, the additional services should be documented on the Training Job Order.

Management Response: Appropriate training, including a pre and post test, was provided to staff during the April 10, 2008 faculty meeting concerning proper completion of Training Job Orders including documenting any additional services needed or performed on the Job Training Order not covered in the original description.

Additional audit comment: During the audit, we discovered additional services and parts performed on a particular vehicle were withheld from a Training Job Order. This resulted in under-charging the customer approximately \$300.

- **“Blanket” Purchase Orders do not include proper wording.**

Currently, the Principal authorizes purchase orders to be issued to a particular vendor for a specified dollar limit. These “Blanket” Purchase Orders currently only list the wording “instructional supplies”. However, these “Blanket” Purchase Orders are also used when

placing orders for parts for specific Job Orders. Due to the fact the Principal has authorized purchase orders containing only the wording “instructional supplies”, orders for parts create unauthorized purchases.

We recommend “Blanket” Purchase Orders include the added wording “parts for job orders”; thereby, allowing the Principal the opportunity to authorize such purchases.

Management Response: Appropriate training, including a pre and post test, was provided to appropriate staff concerning the specific wording required for Blanket Purchase Orders during the April 10, 2008 faculty meeting. Additionally, the principal reviewed the District’s Internal Funds Administrative Procedures Manual with the bookkeeper to ensure that all other policies and procedures were being followed as they relate to blanket purchase orders.

- **All invoices are not assigned to a specific “Blanket” Purchase Order.**

As orders are placed and invoices received, they are assigned to one of the “Blanket” Purchase Orders posted in the system. However, it was found not all invoices were assigned against a purchase order.

We recommend routine examination of the running balances of active “Blanket” Purchase Orders. This would safeguard overspending those purchase orders and allow for issuance of additional “Blanket” Purchase Orders prior to new orders being placed.

Management Response: Appropriate training, including a pre and post test, was provided to appropriate staff concerning active blanket purchase orders during the April 10, 2008 faculty meeting. Specific instructions were given to instructors to maintain a “running balance” of the purchase order to ensure that purchase orders would not be overspent. Additionally, training was given to the bookkeeper to make certain that all invoices are assigned to a purchase order.

- **Vendor invoices are not submitted properly.**

We noted instructors hold vendor invoices until the job is complete. This allows for the risk that payments could become overdue.

We recommend all vendor invoices be submitted to bookkeeper immediately upon receipt.

Management Response: Appropriate training, including a pre and post test, was provided to appropriate staff concerning submission of invoices during the April 10, 2008 faculty meeting. Specific instructions were given to the bookkeeper to make certain that all invoices are assigned to a purchase order that is linked to a Job Training Order.

- **Funds are collected by instructors.**

George Stone’s Faculty Handbook states, “Payment is made in the Cashier’s office and not to the teacher.” Currently, the instructor will collect funds from the customer.

We recommend the Principal review George Stone's Faculty Handbook for guidance on the proper methods for receiving of monies and to instruct school staff of policy stating all monies be remitted to the Cashier's office/bookkeeper directly by the customer.

Management Response: Appropriate training, including a pre and post test, was provided to faculty and staff concerning proper payment of Training Job Orders during the April 10, 2008 faculty meeting. Additionally, the Faculty Handbook was reviewed with all staff members to ensure that all instructors have a complete understanding that the bookkeeper is the only person that should be receiving payment and issuing the appropriate receipt for Job Training Orders.

- **Monies Collected Forms are not properly completed.**

Currently the bookkeeper issues the Monies Collected Forms (MCFs). The completion of the MCF includes a signature of the person remitting the monies to the bookkeeper. Normally this would be the sponsor/teacher. Because policy dictates payment is made in the Cashier's office and not to the teacher, there would be no sponsor/teacher signature on the MCF.

We recommended the customer sign the MCF indicating they were present while the bookkeeper counts and verifies the monies. The bookkeeper would countersign the MCF acknowledging receipt of the funds and correctness of count. The yellow copy of the MCF would then be given to the instructor for his files.

Management Response: Appropriate training was provided to the bookkeeper 4/1/08 regarding the Monies Collected Forms as it relates to the customer signing the MCF.

- **Training Job Order number is not consistently listed on Monies Collected Forms.**

We recommend the Training Job Order number be listed on all associated MCFs.

Management Response: Appropriate training will be provided to Automotive Service Technology and Automotive Collision Repair & Refinish teachers as well as related staff, including the bookkeeper, concerning consistently listing the Training Job Order number on the monies collected form.

- **There is no evidence of student assigned to job.**

We recommend the student(s) assigned to a specific job be listed on the Training Job Order. This would provide support of a student's required hours and assist in the instructional process should additional service be required.

Management Response: Appropriate training will be provided to Automotive Service Technology and Automotive Collision Repair & Refinish teachers to ensure that students assigned to the job are listed on the Training Job Order.

- **There is no evidence of service performed by student.**

We recommend the student(s) sign the Training Job Order to indicate work performed and promote accountability.

Management Response: Appropriate training will be provided to Automotive Service Technology and Automotive Collision Repair & Refinish teachers to ensure that students who actually performed the work will be listed on the Training Job Order.

- **There is no evidence indicating instructor's review and approval of service performed.**

We recommend the instructor indicate the work performed has been reviewed and is satisfactorily completed by initialing or signing the Training Job Order.

Management Response: Appropriate training will be provided to Automotive Service Technology and Automotive Collision Repair & Refinish teachers to ensure that the instructors review and approve the work that was performed and note such review and approval on the Job Training Order.

- **Training Job Orders are not updated while work is being performed.**

Currently the instructor fills out the Training Job Order once the service is complete.

We recommend the instructor update the Training Job Order *during* the process of performing the service. This would negate the risk of leaving parts used on the vehicle off of the Training Job Order.

Management Response: Appropriate training, including a pre and post test, was provided to faculty and staff concerning proper completion of Training Job Orders during the April 10, 2008 faculty meeting. Additionally, specific instructions were given to instructors to update the Training Job Order while work is being performed. Finally, specific instructions were given to maintain a complete and detailed parts list on the Training Job Order of all parts used during the service.

- **Customer does not review a list of parts used to confirm they coincide with the agreed-upon services.**

We recommend the customer verify parts listed on the Training Job Order. The customer should initial or sign the Training Job Order to indicate the parts coincide with the services rendered. This would serve as a third-party confirmation that the parts ordered were applied to a specific job order.

Management Response: Appropriate training, including a pre and post test, was provided to staff during the April 10, 2008 faculty meeting concerning proper completion of Training Job Orders including the requirement of having the customer initial the complete and detailed parts list on the Training Job Order.

- **Customer does not receive a copy of the Training Job Order.**

Currently the procedures for processing a Training Job Order do not include the customer receiving a copy. The 4-part Training Job Order is issued at the front desk. The bookkeeper receives one copy and the remaining three go to the instructor. Upon completion of the job, the instructor's three copies are given to the bookkeeper for processing. When all is finished, three copies are retained by the bookkeeper and the instructor receives the fourth copy.

We recommend the customer receive a copy of the Training Job Order. This would allow the customer to review the service performed on his/her vehicle and the amount(s) charged.

Management Response: Appropriate training, including a pre and post test, was provided to faculty and staff (the bookkeeper) during the April 10, 2008 faculty meeting concerning proper distribution of the carbonless copies of the Training Job Orders including the requirement of having the customer receive one copy upon final payment at the completion of the service.

- **Potential exists for vehicles to be released to customer prior to final payment being made.**

George Stone's Faculty Handbook states, "Training Job Orders must be paid in full before the owner removes project from the school campus." Currently, there is not a strong internal control in place to prevent a vehicle from being released to the customer prior to final payment being made.

As mentioned above, we recommend the customer receive a copy of the Training Job Order, marked as paid, when making final payment. The customer would present this copy to the instructor as proof of payment. This would serve as the indicator to release the vehicle.

Management Response: Appropriate training, including a pre and post test, was provided to faculty and staff, including the bookkeeper during the April 10, 2008 faculty meeting concerning proper distribution of the carbonless copies of the Training Job Orders including the requirement of having the customer receive one copy that is marked PAID upon final payment at the completion of the service.

- **Property is not secured.**

During our audit, it was observed numerous vehicles were parked in the area between the automotive buildings. It was found some of these vehicles were neither vehicles to be serviced, vehicles with active or unpaid Training Job Orders, nor authorized vehicles (i.e. donated vehicles used for instructional purposes). It was unclear why those particular vehicles were parked in that vicinity, but they appeared to belong to individuals visiting employees. This "come-and-go" philosophy creates a potential risk for the District by allowing the opportunity for: (1) a vehicle to be removed from the

premises prior to customer making final payment for services, and (2) unauthorized person(s) getting hurt on District property.

We recommend the gate between the automotive buildings be locked at all times. Once permission is granted from the instructor, the gate could be unlocked and the authorized vehicle be permitted to enter/exit this area.

Management Response: The pad lock for the gate to the auto service/auto collision compound has been moved to allow the gate to be locked in such a fashion that prevents vehicles from passing but allows for pedestrian movement. The four auto instructors (three George Stone and one West Florida) that use the area have been instructed to keep the gate locked at all times and allow authorized vehicles into the area.

COMPLIANCE WITH LAWS AND REGULATIONS

The George Stone Technical Center's Automotive Service Technology and Automotive Collision Repair & Refinish Departments were not observed to be out of compliance with any **known** laws and regulations applicable to the areas within the scope of this audit.

METHODOLOGY

A random sample of transactions during the current school year was selected for testing.

STATEMENT ON AUDITING STANDARDS

This audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditing.



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