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George Stone Technical Center Program Audit Industrial Division - Cosmetology

Audit Number: 2008-005

Report date: November 15, 2007
Period Covered: July 1 – October 17, 2007
Fieldwork dates: October 18 & 19, 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 for 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 cosmetology. The purpose of the cosmetology program is to prepare a person for employment as a manicurist and pedicurist, facials/skin care specialist, and/or hairdresser and cosmetologist. Instruction is designed to qualify students for employment upon successfully passing the Florida Cosmetology State Board examination.

Objectives

Our initial objective was to perform 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 the cosmetology department to obtain an understanding of class instruction, services provided, and the surrounding policies and procedures. We examined specific forms and documents used in this department.

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 current school year and tested 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.

Overall, the cosmetology department appears to have good policies and procedures in place. Forms and documents specific to the cosmetology department, which provide strong internal controls, appear to be consistently used. However, 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.

The following noncompliance with policies and procedures were noted:

- Monies Collected Forms not utilized.

The following internal control weaknesses were noted:

- Lack of an inventory management/control system for cosmetology products.
- Funds collected are left with bookkeeper prior to verification.
- Specific forms used are not pre-numbered.

Management Action Plans

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

Process-improvement recommendations

- **Monies Collected Forms are not utilized.**

According to District policy – Internal Funds Procedures Manual, the completion of the MCF, by the sponsor/teacher, is an integral part of the internal controls in place covering the receipt of internal funds at the school. MCFs aid the process of identifying the source, time, and form of collections from various sources. Sponsors should complete the MCF properly, which includes differentiating between cash and checks.

Currently, the cosmetology department does not prepare Monies Collected Forms (MCFs). Funds collected are recorded by the cashier in a software program, but not recorded on a MCF.

Although this is a violation of District policy, we feel that the computer report produced provides adequate information that could be adapted to satisfy the MCF requirement. The

computer report lists the very information that would be transferred to the MCF: individual names of persons remitting monies for services performed, identifies the monies as cash or check, a total collected amount, and the instructor initials after review. If the report could be signed and dated by the cashier (person collecting the funds) and the bookkeeper (when receiving the funds), it would then contain the same information found on a properly completed MCF.

In an effort to minimize duplicate paperwork, we recommend the District examine the computer report listing cosmetology receipts and determine if it would be an acceptable means of remitting funds to the bookkeeper. The District should then review the policy regarding receipt of monies and consider including such wording as "...MCF or other acceptable form of documentation".

Management Response: Appropriate training, including a pre and post test, was provided to faculty and staff concerning proper completion of MCF during the April 10, 2008 faculty meeting. However, the George Stone administration and bookkeeper is working with District internal auditors and finance personnel to change the policy wording to allow other acceptable forms of documentation.

- **Lack of an inventory management/control system for cosmetology products.**

Cosmetology products are stored in a supply room. Currently, students are allowed free access to all products. Students do not check in/out any product nor do they list the products taken from the supply room as they are needed for services.

We recommend implementation of an inventory management/control system for cosmetology products. One suggestion would be to have instructors and/or cosmetology students sign an Inventory Log to check out products from the supply room as products are needed and used. At the end of class, the instructors and/or students would return the products to the supply room documenting the unused portion on the Inventory Log.

Management Response: Upon meeting with the cosmetology instructors, internal auditor, bookkeeper and the principal it was determined that the dispensing of the most commonly used items in 1oz disposable cups from a bulk size (1 gallon) container from a central location while keeping the store room locked would satisfy this recommendation. However, an inventory log would be kept in the storeroom to maintain a current balance of consumable supplies. Additionally, single use items such as dyes are currently kept in a secured cabinet and accessed only by the instructor. As such, the cosmetology instructors will also maintain a log of the single use items.

- **Funds collected are left with bookkeeper prior to verification.**

Currently, funds collected in the cosmetology department are counted, reconciled, and placed in a bank bag along with a computer printout showing totals of services provided. The money bag is then taken to the bookkeeper's office and dropped off.

We recommend funds collected by the cosmetology department remain with the cosmetology department until such time when the person remitting the funds can be present

while the bookkeeper counts and verifies the funds. The bookkeeper countersigns a properly completed MCF acknowledging receipt of the funds, correctness of count, and returns the yellow copy of the MCF as a receipt.

Management Response: A small safe was purchased and installed (installation should be complete by 4/7/08) in the cosmetology department to secure funds until they can be presented to the bookkeeper.

- **Specific forms are not pre-numbered.**

Currently, the cosmetology department utilizes a white form as a receipt. This form lists services available and prices. The form is completed as services are performed. The totaled ticket is taken to the instructor for review. Cash is then collected and remitted to the cashier. These receipts are not kept for review.

We recommend the forms used as receipts be pre-numbered for control, verification that all forms are accounted for and services performed are billed and collected. We also recommend these white receipts be given to the bookkeeper when remitting those funds collected. They should be kept on file with the receipts for that school year for review by the auditors.

Management Response: All cosmetology “white” form receipts are now pre-numbered and retained and presented to the bookkeeper with monies collected.

COMPLIANCE WITH LAWS AND REGULATIONS

The George Stone Technical Center’s Cosmetology Department was 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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