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George Stone Technical Center Program Audit Industrial Division – Marine Service Technology

Audit Number: 2008-007

Report date: December 20, 2007

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

Fieldwork dates: November 29 – December 6, 2007

EXECUTIVE SUMMARY

Background

The Escambia County School District provides educational opportunities for the Escambia County area. These opportunities include the traditional education 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 Marine Service Technology. The purpose of the marine technology program is to prepare a person for employment as a marine rigger, parts technical/service writer, outboard engine technician, inboard gas technician, and inboard diesel technician. This program also provides supplemental training for persons previously or currently employed in these occupations.

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 Marine Service Technology 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 prior school year and current school year to test for compliance with District established policies and procedures, and 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 this department 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 Marine Service Technology.
- Inconsistencies in Training Job Order charges.
- Individual requesting service is not verified to be a student or School Board employee.
- Monies Collected Forms are not utilized consistently.
- Monies Collected Forms are not properly completed.

The following internal control weaknesses were noted:

- No evidence of student assigned to job.
- No evidence of service performed by student.
- No evidence indicating instructor's review and approval of services performed.
- Customer does not review a list of parts used.
- Customer does not receive a copy of the Training Job Order.
- 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 policy and procedures applicable to Marine Service Technology.**

We recommend all District policies and procedures applicable to Marine Service Technology 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 Marine Service Technology 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 and “shop expense”. 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. A service fee or “shop expense” is charged in lieu of calculating a 20% incidental amount when parts are not involved.

Currently sales tax is not consistently calculated when parts are involved (whether purchased for customer or customer supplied). We noted instances where both the 20% for incidentals AND the shop expense were collected.

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 shop expense in lieu of calculating a 20% incidental amount, no tax would be collected. Also, according to policy, either a 20% incidental amount is charged or a shop expense amount, but not both.

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 Marine Service Technology appropriate staff during the April 10, 2008 faculty meeting. Additionally, the Powerpoint used for the training was placed on George Stone’s intranet allowing easy review of the tax calculation examples by faculty and staff.

- **The individual requesting service of motors/boats or small engines 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 motor/boats or small engines 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.

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 issued. 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, boat/trailer 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 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 and that all required information is noted.

- **Monies Collected Forms are not issued consistently.**

According to District policy – Internal Funds Procedure Manual, the completion of the Monies Collected Forms (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.

However, George Stone’s Faculty Handbook states, “Payment is made in the Cashier’s office and not to teacher.” Because policy dictates payment is made in the Cashier’s office and not to the teacher, the bookkeeper issues the MCF. There were several instances found where a MCF was not issued.

We recommend the Principal review the Internal Funds Procedure Manual and George Stone’s Faculty Handbook for guidance on the proper methods for receiving of monies and to instruct school staff of the proper procedures.

Management Response: Appropriate training, including a pre and post test, was provided to faculty and staff concerning collection of Training Job Order payments during the April 10, 2008 faculty meeting. Additionally, the Faculty Handbook was reviewed with all staff members to ensure that all Job Training Order payments are collected by the bookkeeper. Staff was clearly informed that accepting direct payment from customers was inappropriate. Finally, the bookkeeper was instructed to issue a MCF form when payment is received.

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

Currently the bookkeeper issues the Monies Collected Forms, as indicted above. 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 recommend 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 be given to the instructor for his files.

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

- **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 the Marine Service Technology teacher 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 the Marine Service Technology teacher 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, including a pre and post test, was provided to faculty and staff during the April 10, 2008 faculty meeting concerning the instructor signing the Training Job Orders indicating that the work performed by students was completed satisfactorily. Additionally, the George Stone Curriculum Coordinator was instructed to review the format, layout, design and wording of the Training Job Order to comply with all audit recommendations and District policies.

- **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 motor/boat/small engine 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.

- **Property is not secured.**

During our audit, it was found a boat with a motor that was serviced was removed from the premises prior to payment being made. (The Training Job Order was collected in full prior to our exit.)

We recommend projects kept outside the building be secured in some manner. Once final payment is made and permission is granted from the instructor, the project would be released to the customer.

Management Response: Eight EZ Lock Coupler Locks have been ordered for Marine Service Technology to secure trailers that cannot be stored inside the building. Each lock is keyed alike to allow one master key to be kept by the instructor.

COMPLIANCE WITH LAWS AND REGULATIONS

The George Stone Technical Center’s Marine Service Technology 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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