



"Making a Positive Difference"

Office of Internal Auditing

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Memorandum

TO: Dan Busse
Principal, George Stone Technical Center

FROM: David J. Bryant, Director
Office of Internal Auditing

DATE: April 3, 2009

SUBJECT: George Stone Technical Center Welding Technology Program

Per your request, we have conducted a review of the George Stone Technical Center (George Stone) Welding Technology Program located at the Escambia County Road Prison (Road Prison).

Background

George Stone offers a variety of programs, which include a welding program. According to George Stone's website, "The purpose of this program is to prepare students for employment or advanced training in a variety of occupations in the welding industry." George Stone has entered into a cooperative agreement with the Escambia County Board of County Commissioners. According to this agreement, "...The School District and the Road Prison cooperatively plan for the provision of Career, Technical and Adult Education to incarcerated adult students who are eligible and in need of such services." The Welding Technology Program includes instructional, as well as, hands-on time for students. Scrap metal is donated by local vendors and is used by students to practice welding techniques and in the making of items such as fire pits and grills. Once scrap metal is deemed of no use, it is sold to local salvage yards and the proceeds are deposited back into the welding program.

The *Objective* of the review, as applicable to the Welding Technology Program, was to review receipt collections (specifically as they related to the selling of scrap metal), verify adherence to District policy and procedures, determine if assets were safe guarded, and to determine if internal controls were adequate.

The *Scope* of review for the July 2008 – March 2009 period included examination of receipts and documentation; discussions with George Stone's Principal and staff, the Superintendent of the Road Prison, and personnel of the local salvage yards utilized by the welding program; and review of the Cooperative Agreement between the School Board of Escambia County and the Escambia County Board of County Commissioners. For the period reviewed, financial activity included 22 receipts and verification of 6 scrap metal receipts.

The *Results* of our review are summarized as follows:

Receipt collections/policies and procedures

We examined the 22 receipts listed on George Stone's records for the Welding-Road Camp account. The following was noted:

- Twenty-one of the 22 receipts contained a Money Collected Form (MCF) as required by District policy.
- Thirteen of the 22 receipts were from sales of inventory items or minor welding time. No additional documentation would be expected other than the MCF. The remaining nine receipts were either for Training Job Orders (document used for customer service) or scrap metal sales and additional supporting documentation was expected. Three of the 9 did not include support. These 3 receipts were from scrap metal sales.
- All 3 of the receipts associated to a Training Job Order revealed the Training Job Order was incomplete. George Stone's policy and procedures require students assigned to the job be listed on the Training Job Order. The policy also states the service performed by each student is to be indicated on the Training Job Order. This information was not listed on these Training Job Orders.
- All 22 receipts were collected by the instructor. This is in direct violation of George Stone policy.
- One MCF indicated "donation" on the form. It is George Stone policy not to tie a donation to a Training Job Order. Prices should be assigned to Training Job Orders based on parts used and services performed.

Receipts – scrap metal sales

The following receipts were identified on George Stone's records as scrap metal receipts:

1. \$517.55 07/11/2008
2. \$588.00 08/26/2008
3. \$ 1.00 09/10/2008
4. \$640.80 09/10/2008
5. \$276.80 10/01/2008
6. \$432.30 01/20/2009

We received payment histories from the main scrap metal salvage yard utilized by George Stone. One report included transactions for checks issued to "GEORGE" and "STONE" and a second report was for all transactions posted to an account listed as "KIT1207". The vendor stated the KIT1207 account report was based on the person bringing in the metal (this being the instructor). There were 4 current year transactions on the check report and 6 current year transactions listed on the KIT1207 report.

We attempted to crosscheck all payments and receipts between the vendor's records and George Stone's records listed above. Items 1, 4, 5, and 6 above were listed on both the vendor report for checks issued to George Stone, indicating checks were made payable to George Stone, and on the KIT1207 account report, indicating the instructor took in the scrap metal.

The MCF for item 2 indicated \$588.00 in cash was turned in to the bookkeeper on 08/26/2008. This amount was not found on either of the vendor's reports. However, the KIT1207 account report listed a transaction for \$585.00 on 08/01/2008. The vendor indicated the \$585.00 transaction resulted in a

check made payable to the instructor. It appears the instructor cashed the check, added \$3.00, and submitted cash to George Stone approximately 25 days later.

The MCF for item 3 indicated \$1.00 in cash was turned in to the bookkeeper. This amount was not found on either of the vendor's reports. However, the MCF indicated markings, which appear to indicate another local vendor was utilized. This vendor was contacted, but was unwilling to cooperate with our review.

The KIT1207 report listed a transaction for \$491.15 on 07/10/2008 that was not found on George Stone's records. We contacted the vendor, who stated \$491.15 was a check made payable to the instructor. Discussions with the welding instructor indicated that he also operates a personal welding business and takes metal scrap from his personal business to the same scrap yard as he takes scrap belonging to the George Stone welding program. Because personal transactions are commingled with George Stone's transactions, it is impossible to determine ownership of the scrap metal.

Safekeeping of assets

Interviews with George Stone staff and direct observation indicated items made in the welding program are not documented in an official inventory system or log. We also noted equipment belonging to George Stone is checked out, but not returned in a timely manner.

Internal controls

Interviews with George Stone and Road Prison staff indicated what appear to be weaknesses in internal controls. Inadequate oversight and monitoring allowed these weaknesses to continue.

The *Comments* of our review are as stated below:

- A. Although there is evidence that the welding instructor has been provided information regarding the policies and procedures applicable to George Stone Welding Technology program, it appears a complete understanding of the policies and procedures does not exist.
- B. Funds are collected by the instructor.
- C. There is no evidence of student assigned to job.
- D. There is no evidence of service performed by students.
- E. Established price list for services does not exist.
- F. Donations are tied to Training Job Orders.
- G. Oversight over selling of scrap metal does not exist.
- H. Scrap metal sales belonging to George Stone are commingled with instructor's personal account.
- I. Equipment checked out was not returned timely.
- J. An inventory system or log does not exist.

The *Recommendations* of our review are as indicated below:

- A. We recommend all District policies and procedures applicable to George Stone Welding Technology Program be discussed with appropriate staff again to make certain there is a complete understanding. The District should re-evaluate existing policies and procedures for any needed updates and/or revisions.
- B. George Stone's Faculty Handbook states, "Payment is made in the Cashier's office and not to the teacher." We recommend the Principal review George Stone's Faculty Handbook to determine how the policies can be applied to an off-campus program. Based on discussions with

the Road Prison Superintendent, and review of the Cooperative Agreement, we also recommend the Principal explore the possibility of utilizing Road Prison personnel in the receipts-collection process.

- C. 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.
- D. We recommend the student(s) sign the Training Job Order to indicate work performed and promote accountability.
- E. We recommend a price list be created for welding services (i.e. prices assigned to various ranges of labor time) and inventory items.
- F. We recommend a minimum fee for minimal-effort type services be established in lieu of donations (if a price cannot be determined by the price list recommended under "E" above).
- G. We recommend two persons be present whenever scrap metal is taken to the scrap yard. We also recommend the Principal explore the possibility of utilizing Road Prison personnel in the scrap metal sales process.
- H. We recommend George Stone Welding Technology Program establish a separate account with the scrap metal vendor.
(Note: At the time of this report, the scrap metal vendor established a separate account for George Stone Welding/George Stone Technical Center).
- I. We recommend increased oversight of equipment checked out to ensure timely return of equipment.
- J. We recommend inventory items be accounted for using an inventory system. A simple Inventory Log sheet could be used. As items are made during class, they would be added to the Inventory Log sheet. As items are sold, they would be marked as such, allowing for reconciliation.

Statement on Auditing Standards

This review 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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