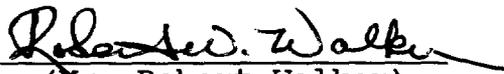An Intern's Experience

An Honors Thesis (HONRS 499)

by

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An Intern's Experience

Throughout my college career I have been exposed to a variety of learning tools. Generally, we are lectured to, shown films, given homework, and experience classroom discussions. Every teacher uses at least one of these techniques, but I feel the most effective professors are those who use other methods as well. These are the classes I remember most. For example, during an anthropology class my teacher passed around skulls and bones to show us first hand what men resembled in an earlier era. In other classes I have had group projects where we were to create, promote, and present our own product. Other group projects have included strategic planning presentations for actual well-known companies and presentations on a specific aspect of business law. And of course all accounting majors at Ball State experience the auditing simulation.

I am a visual learner and I feel the hands on activities and actually seeing a concept used helps me to better understand and learn. It is for this reason that I have chosen to write my honors thesis on that experience which has shown and taught me the most about the accounting profession, my accounting internship.

My accounting internship was at Commodore Homes in Syracuse, Indiana. Commodore Homes is a manufacturer of mobile homes with several plants in the Midwest and locations south. The corporate headquarters is located in Goshen, Indiana which is about twelve miles north of Syracuse. The Goshen plant, which is known as the

Brookwood division, manufactures single- and double-wide trailers while the Syracuse plant only manufactures the single-wide models. The two plants are run separately, but many functions are intertwined. For example, the controller, Jerry Gerard, oversees the accounting functions at both plants, and the computer system at the Brookwood division is used by both plants.

The Syracuse plant is fairly small. There are approximately ninety production employees and they produced four mobile homes per day during the summer of 1990. There are also approximately seven foremen and ten people who work in the office and in managerial positions. The company has recently changed hands and the new owner is Barry Shein.

My first contact with Commodore Homes occurred during the summer of 1989. Sheri, who did the accounts payable and payroll procedures, went on maternity leave and I took over her job for the summer. During the next spring, Sheri decided to quit her job and instead of finding a replacement, Commodore decided on a temporary, Linda. I contacted Star Temporary Services in May to see if they could help me find an accounting internship. I was hired to replace Linda because she was wanting a more temporary position. Thus my internship was actually the second time I had worked for Commodore, and in the same position. Generally, my responsibilities included accounts payable, payroll, and the maintenance of personnel files for approximately ninety employees.

The first week was a crash course in training. I remembered quite a bit from the previous summer, but I needed to be refreshed as to the usual procedures and informed of the new ones. The only major change I found was the computation of the payroll, but I found the new way to be quite easier.

PAYROLL

Normally a regular day began with the accounts payable functions. Taking care of the accounts payable began by going to the post office and picking up the mail. I then brought it back to the office where I opened it, sorted it, and stamped it with the current date. The dating is mainly for the invoices to determine whether the cash discount will be allowed at the time it is paid. The first week I did not process any of the invoices myself because the procedures had not changed from the previous year. My main concentration was on learning the new procedures associated with the payroll system.

The payroll was figured manually on a spreadsheet but was transferred to a computer worksheet and sent to Automatic Data Processing (ADP) for the actual printing of the checks and summary reports. ADP also figured the taxes and other deductions applicable. All payroll work done at the Syracuse plant was done by hand without computers.

The payroll change I previously mentioned was in computing the incentive pay. The indirect labor workers and a few of the direct workers were paid an hourly rate in the usual manner but

the majority of the direct labor personnel were paid an incentive rate. The daily payroll was changed to a "pool rate" system. Each day I received the invoices for the prior day's production of mobile homes. These orders listed the base price of the homes and all the added options in a sales price total. I took these invoices and added them together to arrive at a total sales figure. All shipping and transportation costs were not included in this figure. Nine percent of this figure was the amount to be allocated to the production workers.

Before being distributed to the pool rate workers, the nine percent figure of sales was first reduced by the wages of the hourly direct labor workers. The amount remaining was then divided by the pool rate personnel to arrive at a daily rate. The overtime for the pool rate workers was figured by adding up the week's total pay for a worker, which included daily rates, bonuses, vacation and holiday pay, and adjustments made. This amount was divided by the total hours worked by the employee to arrive at that worker's hourly rate for the week. This rate was only used for figuring overtime pay.

While working on the payroll the first week I ran into some problems because Linda was absent quite a bit. She had written some notes to herself and had forgotten to explain them to me so I did not know what was needed. I asked my boss, Jerry, about them for some insight and luckily he understood what adjustments she was referring to due to earlier errors made with the payroll. After learning of these adjustments I was able to successfully

balance the payroll. I did have some unequal totals at times, but they were usually caused by addition errors.

After balancing the payroll I entered the figures from my working spreadsheet onto the ADP worksheet. I listed the hours worked and total production pay, separating each of these into amounts attributable to regular and overtime hours. I had a special column to enter special pays such as holiday pay, vacation pay, adjustments, and bonuses, which were paid to the assistant foremen in the form of a specific dollar amount for each production day worked. I also had a column to enter single time deductions such as tools purchased and weekly deductions such as dependent insurance and uniforms. Single time and weekly deductions were distinguished by special code letters that were used. This payroll worksheet had to be turned in to ADP by 11:00 am each Wednesday.

On Thursday I got the payroll back from ADP. I received the printed checks, new labels for the time cards, and a series of summary reports. Included in these reports were a summary of the current week's payroll amounts, year-to-date information on all of the employees, and summaries of deductions made. When I got the checks on Thursday I folded them, stuffed them into envelopes, and separated them by departments. When finished, I put them in the bottom drawer of my desk which was kept locked until the production manager picked them up the next day. I then labeled the time cards with the preprinted labels from ADP, separating them by departments and placing them with the checks.

I then filled out the headings and names on the worksheets for the following week.

I also had to fill out check requests each week for garnishments of wages and for the payroll check to the bank. To make things easier, the check requests that were made weekly were already filled out except for dates, amounts, and signatures. These were sent to the Goshen plant where the checks were written. The final step of the payroll process was filling out the labor reports. These were just a summary of the ADP reports which indicated the dollar amounts attributed to each department and distinguished between all of the deductions taken from gross pay for that week. Such examples would be deductions for taxes, insurance, and garnishments. This concluded the weekly routine that I encountered while computing the payroll.

Having Automatic Data Processing process our payroll made things so much easier. When I had to start a garnishment for child support or initiate a direct deposit plan for an employee I just wrote a specific code on the ADP worksheet and it would be taken care of. For example, when starting a garnishment for child support, the code was 17C. The seventeen signified a permanent change while the C meant a deduction for child support. Whatever amount I listed was then automatically deducted each week and I only needed to fill out a check request each Thursday to give reason for the payment. When the garnishment was determined by a percentage of disposable income each week instead of a specified amount, a different code was used and I only

needed to enter the target amount that would end the garnishment when reached. When I needed to change or begin a direct deposit, the code was 17W, withdrawal, and the amount was entered. Again, the money was automatically deducted from the paycheck each week until a new code was entered telling it to stop. No check request was needed for direct deposits. Other times which the codes were used were when deductions are to be made weekly for the same amount such as for uniforms and insurance. Deductions for one time events such as purchase of tools received the code number 16, instead of the previous 17, which signified the deduction was to be taken this time only.

Another problem which I encountered involved the payroll. Sometimes an employee would only work for part of a day and the production manager would want to pay him for only a couple of homes instead of the day's total, which was usually five.

The girl who trained me told me to deal with this by taking the initial daily rate figured and dividing by the day's homes to arrive at a per home amount. Then multiply this number by the number of homes the employee worked on to get his pay for that day. Then take the original nine percent of sales and subtract off the hourly pay and the single employee's pay just figured and divide the result by the remaining "pool rate" employees to get their daily rate.

This did not seem too fair to me since other departments such as trim and shelling were getting to split the money not received by the employee working in cabinet setting. I felt the

money should have only been divided between the other employees in cabinet setting since they were the ones who had to pick up the slack for that day.

When I asked our controller about it he said I had been showed wrong and that I was thinking right. I started doing it the correct way but then the production manager decided I was doing it wrong because he wanted the entire factory to divide the money instead of just one department. After discussing it with Jerry again, I continued to divide it among just the one department and did not hear from the production manager about it again.

ACCOUNTS PAYABLE

As explained earlier, my routine for the accounts payable procedures began with going to get the mail. After processing the mail as previously described, I was left with a stack of invoices for that day. I found that the easiest way to process these invoices began by putting them in alphabetical order while they were still in the envelopes because the invoices themselves vary in size and the envelopes were much easier to work with. Knowing the name variances for the companies was necessary because sometimes the return address on the envelope had one name, but the invoice had another. For example, Dexter Axle invoices came in envelopes marked Phillips. I then started at the end of the alphabet and removed the invoices, making sure to date each one. When finished, I had a pile of invoices with the

beginning of the alphabet on top. I took this pile and matched the invoices with the shipping documents that were proof of delivery. Some were easy to match because there might have been only one POD for Better Bath and the item description was easy to understand. But sometimes the POD and invoice looked completely different and it was necessary to check reference numbers.

Sometimes I had invoices for which I could not find a matching POD. There were several possibilities for having this situation. For example, some of the invoices such as Petrolane, AT&T, and LiTel did not have POD's to be matched with. Also, most companies sent out a bill as soon as they received an order. Thus, the bill would sometimes reach us before the shipment or while the shipping document was still being processed. One time I even had a shipping document missing because a receiver had stuck it in his pocket after checking the order in and did not remember about it until after it had gone through the washing machine. All of the invoices I was unable to match were put in a pile for further examination. I then started at the front of the stack of matched invoices and processed them for payment.

I began by checking the invoices and POD's more closely to make sure the vendors were only charging us for what we had received. If there was a discrepancy, I took the invoice to Bob, the purchasing agent, who usually authorized a short payment to account for items we may have refused or never received. I usually sent a copy of our shipping document along with the check and remittance slip to the vendor as explanation for the

deduction. After making sure I had matched the correct invoice and POD together, I verified the prices being charged with those on the appropriate price list. Again, if there was a difference, I took it to Bob who would either authorize payment at one of the prices or call the company and argue for the better price. Checking prices got to be boring at times because there were some invoices, such as WESCO, that had over fifty different items ordered. After verifying the prices I recalculated the extensions and totals to be sure there were no errors. If an error was found, which only happened rarely, I usually phoned the company and called it to their attention to explain why they would be getting a check of a different amount than what was billed. After checking the extensions I stamped the invoice and initialed it. I then recorded the accounts and amounts for payment.

Most of the invoices were for inventory but the accounts for tools, phone, freight, and office supplies were also used quite often. The stamp on the invoice was made up of squares. In the square on the left hand side I put the number of the account which the invoice was for. For example, the inventory account number was 1201. In the square to the right I entered the amount which was to go in this account. Brackets were placed around credit entries. Sometimes more accounts were used if items from the same vendor were bought for different uses. I also entered on a line the deduction taken on the sales invoice. The net amount of the check was totaled at the bottom of these figures.

Another account which I used often but only on select vendors was the vendor rebate account. This account was for the percentages of the invoices of select vendors who gave us a rebate on our purchases. For example, Nordyne gave us a rebate of 3% on every furnace item purchased. Three percent of the total invoice went into the rebate account while 97% went into the inventory account. The discount was taken in addition to the sales discount and over the entire invoice amount unless there were freight charges added in. Vendor rebates were not figured on freight charges.

When complete, the invoices and POD`s were stapled together and put in a pile to be sent to the Goshen plant. After I finished with the pile of matched invoices, I started on the pile of unmatched invoices I had set aside earlier. These needed to be examined to figure out why they had no POD to be matched with. By checking the files for invoices from the same company that had already been paid, I was able to determine if the invoice was to be paid with or without a POD or what the POD looked like if there was supposed to be one. Sometimes the invoice was not ours. As mentioned earlier, the Goshen plant and Syracuse plant were located close together and the vendors sometimes got the invoices mixed up. But the Goshen purchase order numbers were all supposed to start with either a G or a 6 while the Syracuse invoices began with an S or a 5. Any Goshen invoices received were forwarded to them. If I still could not match an invoice, I usually set it aside for a couple of days to wait and see if a

shipping document came in for it. If one did not, I called the vendor and asked for a proof of delivery to be sent to me.

The stack of processed invoices were sent to the Goshen plant where the invoice numbers and amounts were entered onto the computer for payment. The computer kept track of every invoice processed within the last couple of weeks and showed the date payment was made or the date payment was set for. At the Goshen plant the checks were printed and mailed and I was sent copies of the checks. I stapled one copy of the check to the paid invoice which also came back and filed these by vendor name, I then filed the other check copy by numerical order. All checks were accounted for, even ones that were voided or computer voided.

At the end of each day the head receiver brought me the shipping documents received that day. I filed these so they would be available to match up to the invoices I would receive the next day. Some shipping documents needed special attention, such as the ones from Dexter Axle. These POD's needed to be copied because they listed everything they shipped, but the tires received were billed at a different time by Goodyear. One copy was filed under Dexter Axle and the other copy was filed under Goodyear. This completed the general routine for the accounts payable procedures, notice that it was performed on a daily basis while the payroll routine was only completed weekly.

I would like to point out an internal control weakness that I noticed while working at Commodore and previously alluded to in this paper. There seemed to be a problem with getting the

shipping documents to me on the day the items were received. I noticed this with one particular company which sent the invoice with the driver of the delivery truck who handed it to me after he unloaded the truck. Regardless of this fact, I usually had to wait a day or two before I saw the shipping document on my desk. The Goshen plant had a system of accounting for the location of all shipping documents, but when I asked Jerry, the controller, why Syracuse cannot use the same system to increase our efficiency, he said the receivers would not follow the procedures. This was an area which I felt needed some additional attention.

At the end of each month I had to do the accruals for the Syracuse accounts payable. Because we only wanted a count of what we had as of the month's end, all of the receivers that I was brought as of the cut off date were set aside until the accrual was finished. I started by taking all of the current payables and listing them on a sheet with the vendor's name, invoice date, reference number, and amounts divided into the appropriate accounts. The invoices which I had recently received and processed but which had not yet been sent to the Goshen plant were the easiest to complete. The amounts and accounts had already been verified and determined. It was just a matter of listing these on the sheet. It became more difficult when I had to accrue the unmatched receivers. To do this, I pulled all of the receivers from the open file and by using the quote book, tried to determine the dollar amount of the receiver.

This was more time consuming because the shipping documents were not as organized in appearance as the invoices and it could be difficult matching an item with the correct one in the quote book. There were usually some that were not even listed in the quote books. These I took to the purchasing agent who would either look the prices up in his books or call the company for a quote.

While going through the open file, I also listed the debit and credit memos found. Sometimes there were receivers in the open file which I did not have a quote for, and which I did not take to the purchasing agent for help. One such example was from Lewis Salvage. With Lewis Salvage, each receiver in the open file had the same specific charge associated with it. For items which were ordered frequently, a price could be found by looking in the paid payables' files for a currently paid invoice which listed the same item. When listing the receivers from the open files onto the accrual sheets the reference number used was usually the purchase order number or possibly the shipping document number since there was no invoice number involved. After listing all of the current unpaid payables on the accrual sheets, the individual accounts were totaled and listed on a summary sheet. The vendor rebate account was listed on the summary sheet as one total but it was also broken down into the individual amounts for each vendor. These figures were just stuck on a Post-It Note on the front of the summary sheet. The

accrual and summary sheets were then sent to Jerry at the Goshen plant.

One of the projects which I undertook while at Commodore was the attempt to try and clean out the accounts payable files. Some of the receivers in the open file were really old and I also had old invoices which had nothing to be matched to. There was no reason to have either of these "leftovers" so I wanted to get them all cleaned out.

For unmatched invoices I first checked the paid files to see if they were to even have a receiver to be matched to, as I mentioned earlier, some did not. I also checked previously paid invoices from around the same date to see if some receivers could have possibly been caught together and processed with another invoice. Another possibility was that the invoice had been paid but for some reason, possibly passing in the mail, we were sent another one. If I still did not have a shipping document to match, I would call the company and ask for proof of delivery for the items on that invoice. Most companies were very helpful and got them to me quickly by sending them over the fax machine. At one time I had a company call about an invoice being past due. I looked in all of the files but found no record of them. I even called the Goshen plant to see if there was record of them in the computer, but there was not. I ended up having to request that the company send me copies of the invoice and proof of delivery.

Some of the payables were paid from invoices while others were paid from statements or the receivers that I was brought at

the end of each day. My forgetting or not realizing that I had one such receiver was usually the reason for having old receivers in the open file. Most things were paid from invoices we received in the mail, but others such as Reid's Car Parts and Syracuse Hardware were paid from the receivers. Usually I could distinguish these on sight, but if I was unsure I just looked in the paid files to see how previous ones were handled. I also referred to the paid files when I was unsure as to which account number I was to use. This method of determining appropriate accounts was much quicker that searching through the chart of accounts.

Something I had to do while at Commodore that I did not really like was to admit to my own mistakes when they were embarrassing. Usually I did not mind, as was the case when I accidentally did not give one of the assistant foremen his bonus pay for the week. Luckily, he was understanding about the situation and did not get irate about it since he did receive the bonus on his next check. But there was one incident with AT&T which really made me feel bad. It all started when I received a call from AT&T informing me that Commodore had not paid its bill. I got out all the bills from the paid files but could not find the problem. The man was polite but he kept asking when I was going to send the check and he would not tell me which invoice it was that had not been paid. I was not going to send a check unless he could prove something was owed. I checked all the invoices in the file, which was almost a year's worth, but could

find no problem. I finally got the man to talk enough to find that instead of applying the payments to the specific invoice that was being paid, they were applying it to the total. So there was no way he could tell me what specific invoice had not been paid, just that their records showed a balance due.

For about two weeks I argued with this man that I was not going to send him a check because he had not proved to me that anything was owed. I could not ask Jerry for any help on this matter because he was away on vacation. After muck searching, I finally found the problem. After going back one and a half years into the account payables' files, which, incidently, was two employees ago for this position, I found a credit which AT&T sent Commodore and which was deducted from the next bill. AT&T also started deducting the amount, and thus it was deducted twice. I felt embarrassed when I had to call AT&T back and tell them they were right after arguing with them for two weeks. But I felt good about the fact that I was trying to do what was best for Commodore by requiring proof before payment was made and that I did find where the error was made when even AT&T did not know.

PERSONNEL FILES

While doing the payroll early in the internship I noticed changes in pay rate and departments had not been kept up to date. I began compiling a list of what each employee's department and pay rate should be. I then checked this list with our production manager who verified the information. Pink slips had to be made

to document some of the changes, but most were already listed correctly in their personnel files. It was the ADP files that needed to be corrected so the correct information would appear on their checks and on the ADP reports.

I also had to complete the personnel files and get them in order for the next person who was to have my job. The biggest problem we had with keeping the files complete was with getting the employees to fill out their Form I-9. The Form I-9 required the employees to provide documentation of citizenship by showing a driver's license and social security card or birth certificate. The employees hardly ever turned in their social security cards. Jerry proposed that we start holding their checks until we were shown their cards and this helped get some turned in. But the production manager kept handing out their paychecks and there were still some incomplete form I-9's when I left the job.

During my internship I also experienced the end of the fiscal year for Commodore. I did the usual monthly accruals of the accounts payable but the only other difference that affected me involved the vacation pay. With the end of the fiscal year, Jerry needed to accrue vacation pay for the hourly employees. My assignment was to determine how many employees would receive one, two, or three weeks of vacation. With the ADP master control, it was easy to go through and list all of the current employees and their hire dates. Then I figured as of the end of 1990 how many years of employment each employee had. Employees with less than one year received no vacation, one to three years of employment

received one week, three to ten years received two weeks, and for ten years or more of employment they qualified for three weeks of vacation.

TRAINING REPLACEMENT

With the end of my internship approaching I had to think about organizing everything for the next person. Since there was no one returning to the position, I had to train someone from scratch. I liked the new girl, Jessica, and this really helped us get along. It was pretty easy to train Jessica because she was a fast learner. I only had to explain or show her a procedure a couple of times before she caught on. To help her out I also made lists of what needed to be done each day, and some of the things that were done differently from the norm, such as which companies were paid from invoices without having a shipping document and which companies used the vendor rebate account.

I felt the most difficult aspect of training Jessica was actually turning my responsibilities over to her. I am such a perfectionist and it bothered me when I knew Jessica was doing something differently from how I did it even though it was still done right. It took about two weeks for us to exchange positions from her being the onlooker to my being the onlooker while she performed the tasks. She caught on quickly which helped me to feel confident enough in her abilities to feel I left the job in good hands.

Summary

Overall, I feel my internship experience was a success and I benefited from it greatly. There were so many things that I learned that I would never have learned in the classroom, such as how to deal with other people and companies on a professional level. There was application learning instead of just theory and problems. I would highly recommend taking an internship to anyone who wanted to have a broader base of learning.