



**NAPA-VALLEJO WASTE
MANAGEMENT AUTHORITY**

Agenda Date: 7/14/2016

Agenda Placement: 7B

Napa-Vallejo Waste Management Authority Board Agenda Letter

TO: Board of Directors

FROM: Richard Luthy - Executive Director
Napa-Vallejo Waste Management Authority

REPORT BY: Karen Querin, Audit Manager - 707-253-4588

SUBJECT: Napa-Vallejo Waste Management Authority - Internal Audit Report for the Quarter Ended March 31, 2016

RECOMMENDATION

DRTS QUARTERLY INTERNAL AUDIT

REQUESTED ACTION: Executive Director requests acceptance of Napa-Vallejo Waste Management Authority -- Internal Audit Report for the quarter ended March 31, 2016.

EXECUTIVE SUMMARY

Staff recommends acceptance of the Internal Audit Report solely to assist the Authority Board and management with respect to the review of revenue and accounts receivable associated with inbound customers; and verification of controls associated with fees, manual tickets, stored tare weights, voids and issuance of tickets at Devlin Road Transfer Station operated by Northern Recycling Operations & Waste Services, LLC (Northern), for the quarter ended March 31, 2016.

FISCAL IMPACT

Is there a Fiscal Impact? No

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of

Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

This engagement was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Napa County Auditor-Controller Internal Audit Section performed a review applicable to the internal controls over the areas noted below for the Napa-Vallejo Waste Management Authority (Authority). This review is solely to assist the Authority Board and management with respect to the review of revenue and accounts receivable associated with inbound customers; and verification of controls associated with fees, manual tickets, stored tare weights, voids and issuance of tickets at Devlin Road Transfer Station operated by Northern Recycling Operations & Waste Services, LLC (Northern), for the quarter ended March 31, 2016.

Summary of the Engagement

For the purpose of our review, items requiring notification to the Board and management have been categorized as follows:

Result - A transaction or group of transactions that warrant notification to the Board and management, but do not require action from the involved parties, such as a revision of procedures.

Exception - A transaction or group of transactions that warrant notification to the Board and management and require action from the involved parties, such as a revision of procedures.

Based on our review of the quarter ended March 31, 2016, we noted the following results and exceptions as identified below by Category and Report Section:

Report Section

I. Result: Account Balances over 90 Days – As of March 31, 2016, sixteen accounts had balances over 90 days past due for an amount of \$8,775.31. See Exhibit A on page 7 for a detail list and Exhibit B on page 8 for the quarterly history of accounts over 90 days from April 1, 2014 to March 31, 2016.

II.A Result: Analysis of General Ledger Activity – A total of \$3.9 million in revenue was received in cash, checks, and credit card charges to accounts receivable. See Exhibit C on page 9 for the detail results of the analysis.

II.B Exception: Cash (Shortage) Overage – During the quarter there were four instances where cash shortages occurred, two instances were due to wrong change was given out and two instances were because customers did not make a full payment. In addition, there were two overages. Total net shortage for all occurrences was \$153. Short pays were not remitted to central collections during the quarter.

III.A Exception: Same Time In and Out - We noted nine tickets with the same “Time In” and “Time Out” entries for a cumulative amount of \$1,474 for inbound materials that did not indicate the cause of why the time was the same within the comment field of SoftPak or on the Daily Reconciliation Forms.

III.B Result: Negative Tickets – During the quarter there were four tickets with negative amounts for a cumulative amount of \$558. All tickets were listed in the explanation section of the daily reconciliation. See Exhibit E on page 11 and 12 for additional analysis.

III.C Exception: Material Code – We noted a material code for special handling fees, SHF, was being used during the quarter, whereas only SH should be used per price sheet. This resulted in the wrong fee being charged for one

ticket.

Please see the attached Internal Audit Report for a detailed description of the results, exceptions, recommendations, and management responses for the quarter ended March 31, 2016. Please note that management's responses to the exceptions have been included; however, we did not review the responses, and accordingly express no opinion on them.

SUPPORTING DOCUMENTS

A . NVWMA Quarterly Report for March 31, 2016

Executive Director: Approve
Reviewed By: Martha Burdick