Internal Audit Report

# Quarterly Monitoring Napa-Vallejo Waste Management Authority

For the Quarter Ended March 31, 2021

Report Date: June 16, 2021



Tracy A. Schulze, CPA
Auditor-Controller

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# **Engagement Team**

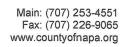
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A Tradition of Stewardship A Commitment to Service

June 16, 2021

Board of Directors Napa-Vallejo Waste Management Authority

#### **Executive Summary**

The internal audit section of the Napa County Auditor-Controller's Office has completed a quarterly monitoring for Napa-Vallejo Waste Management Authority (Authority) for the quarter ended March 31, 2021.

We conducted our review in conformance with the *International Standards for the Professional Practice Internal Auditing (Standards)* established by the Institute of Internal Auditors. These *Standards* require that we identify, analyze, evaluate, and document sufficient information and evidence to achieve our objectives; and that the internal audit activity be independent, objective, and perform engagements with proficiency and due professional care.

Based on our review, internal controls over revenue and accounts receivable appears to be adequately designed and implemented as of March 31, 2021. In addition, Treasurer-Tax Collector's collection efforts appears reasonable. During this quarter, we did note, however, a net cash shortage of \$124 and cumulative cash shortage of \$636 from cash/check and credit card transactions for fiscal year 2020-2021.

This report is a matter of public record and is intended solely for the information and use of the Authority's Board of Directors and Executive Director, Northern's Manager, and the Treasurer-Tax Collector.

I want to thank the internal audit team, Northern's staff, and the Authority's management for their expertise and professionalism in conducting this engagement.

Sincerely,

Tracy A. Schulze, CPA

Auditor-Controller

#### **Background and Authority**

The agreement between the Napa-Vallejo Waste Management Authority (Authority), a joint powers agency organized under the laws of the State of California pursuant to Government Code Section 6500 et seq., and Northern Recycling Operations and Waste Services LLC (Northern), a California Limited Liability Company was entered into and executed as of March 1, 2007, and subsequently amended on March 19<sup>th</sup>, 2010.

The Authority is composed of County of Napa and the Cities of Napa, American Canyon and Vallejo, and was formed for the purpose of providing economic coordination of solid waste processing, transfer, and disposal services. The Authority has contracted with Northern to operate the Devlin Road Transfer Station (DRTS), pursuant to the provisions of *Public Resource Code section* 40059(a)(2). The Authority and Northern are authorized to enter into a transfer station operation agreement where Northern will operate DRTS.

The Authority has engaged Napa County Auditor-Controller's Office to perform a quarterly monitoring over internal controls during fiscal year 2020-2021.

### Objective and Scope

The primary objectives of this engagement are to:

- Determine if internal controls over fees, collections, manual (hand tags) tickets, void and replacement tickets are adequately designed and implemented
- Report Treasurer-Tax Collector's collection efforts for any accounts receivable over 90 days past due if the balance due exceeds \$250
- Report cash (shortage) / overage from cash, check, and credit card transactions

The scope includes a review of the Authority's and Northern's records for the quarter ended March 31, 2021.

#### **Procedures**

To achieve our objectives, our procedures included, but not limited to, the following:

#### 1. Northern's Scale Transaction Report

- Agreed revenue (non-cash transactions) per Northern's Scale Transaction
   Report to Treasurer-Tax Collector's Transaction 501 (AR) Report (CAMS)
- Verified Ticket Rates (i.e., scale rates charged) to the Board's Resolution
- Verified the completeness of the report (i.e., missing tickets)
- Verified internal controls over voided and replacement tickets and manual (hand tag) tickets

#### 2. Accounts Receivable Aging Report

- Compiled Accounts Receivable 90 Day Aging Report from Treasurer-Tax Collector's Transaction 501, 501B, and 501C (AR) Reports (CAMS)
- Reported Treasurer-Tax Collector's collection efforts for any accounts receivable over 90 days past due if the balance due exceeds \$250

### 3. Cash Overage / (Shortage) Summary

- Compared Northern's Cash Receipt Reports (i.e., cash, checks, credit cards) to the Authority's general ledger
- Investigated short pays over \$25 for reasonableness
- Reported cash (shortage) / overage from cash, checks, and credit cards transactions for quarter-end and fiscal year cumulative

#### Conclusion

Based on our review, internal controls over revenue and accounts receivable appears to be adequately designed and implemented as of March 31, 2021. In addition, Treasurer-Tax Collector's collection efforts appears reasonable. During this quarter, we did note, however, a net cash shortage of \$124 and cumulative cash shortage of \$636 from cash/check and credit card transactions for fiscal year 2020-2021.

# Exhibit A – Cash (Shortage) / Overage Summary

Description	uarter Ended rch 31, 2021	Quarter Ended mber 31, 2020	Quarter Ended ember 30, 2020	Ye	ar-to-Date
Authority's General Ledger					
Cash	\$ 621,845	\$ 632,695	\$ 694,045	\$	1,948,585
VISA/MC	1,112,679	987,080	1,125,668		3,225,427
Bank Adjustments*	(181)	(77)	(214)		(472)
Total	 1,734,343	1,619,698	 1,819,498		5,173,540
Northern's Records					
Cash/Check per Northern's Cash Report	622,132	632,942	694,561		1,949,635
VISA/MC per Northern's Cash Report	1,112,335	986,857	1,125,348		3,224,541
Total	 1,734,467	1,619,799	1,819,909		5,174,176
Cash Overage / (Shortage)	\$ (124)	\$ (101)	\$ (411)	\$	(636)
Percentage of Authority / Northern	99.99%	99.99%	99.98%		99.99%

 $<sup>\</sup>textbf{*Note:} \ \textbf{Bank Adjustments amounts for first and second quarter have been corrected from previous reports reported.}$ 

Exhibit B – Accounts Receivable Aging Report and Collection Efforts

Account Number	Total	Collection Efforts 1		
52(20	e 507	D		
52628	\$ 597	Requested write off for Board Agenda dated 6/3/2021		
63081	430	Continue collection efforts		
63104	4,190	Requested write off for Board Agenda dated 6/3/2021		
63109	452	Requested write off for Board Agenda dated 6/3/2021		
63343	3,851	Continue collection efforts		
63370	447	Paid on 4/6/2021		
Total <sup>2</sup>	\$ 9,968			

<sup>&</sup>lt;sup>1</sup> Collection efforts provided by Central Collections on June 8, 2021.

<sup>&</sup>lt;sup>2</sup> Total Accounts Receivable Over 90 Days Aging for accounts with balances exceeding \$250