



A Tradition of Stewardship  
A Commitment to Service

**Napa-Vallejo Waste Management Authority**  
Internal Audit Report  
For the Quarter Ended June 30, 2013

Issued by  
**AUDITOR-CONTROLLER**  
**Internal Audit Section**  
October 31, 2013

NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY

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A Tradition of Stewardship  
A Commitment to Service

**Auditor-Controller**

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**Tracy A. Schulze**  
Auditor-Controller

## EXECUTIVE SUMMARY

Board of Directors  
Napa-Vallejo Waste Management Authority  
1195 Third Street, Room 201  
Napa, California 94559

### Scope

This engagement was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. We have performed a review applicable to the revenue and other elements 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 June 30, 2013.

### Objective

The objective of our review was to:

- Provide the Authority with information on exceptions and additional information resulting from our engagement.
- Determine the accuracy of the accounts receivable maintained by the Treasurer-Tax Collector's Office on behalf of the Authority.
- Determine the accuracy of the revenue reported in the Authority's general ledger for inbound customers.
- Determine if controls associated with fees, manual tickets, stored tare weights, voids and issuance of tickets at Devlin Road Transfer Station are being maintained to protect the integrity of the revenues reported to the Authority.

## Procedures

Our engagement included the following procedures:

- Evaluate accounts receivable activity and balances;
- Verify that the revenue has been posted accurately and timely to the general ledger;
- Verify that tickets have been properly charged;
- Verify that internal controls are in place over the issuance of tickets;
- Examine a sample of transactions to determine the reliability of the Scale Transaction Report; and
- Provide a summary of the results to the Board of Directors and the Executive Director of the Napa-Vallejo Waste Management Authority.

## Summary of Results and Exception

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

Results – A transaction or group of transactions that warrant notification to the Board and management but that do not require action from the involved parties.

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 June 30, 2013, we noted the following results and exception:

## Report Section

- I. **Results: Account Balances over 90 Days** – As of June 30, 2013, twenty-four (24) accounts had balances over 90 days past due and two (2) accounts had a refund due for over 90 days for a cumulative amount of \$8,192.
- II.A **Results: Comparison of General Ledger activity to Deposit Slips** – See Exhibit B on page 7 for the results of the comparison.
- II.B **Results: Comparison of Payments per Scale Transaction Report to Deposit Slips** – See Exhibit C on page 8 for the results of the comparison.
- III.A **Exception: Same Time In and Out** – During the quarter there were four (4) tickets with the same “Time In” and “Time Out” that were not Collection Contractors or public agencies for a cumulative amount of \$1,566.
- III.B **Results: Negative Tickets** – During the quarter there were thirty-five (35) tickets with negative amounts for a cumulative amount of \$10,517.

Detailed information of the reported results, exception, and recommendation can be found starting on page 4.



## Conclusion

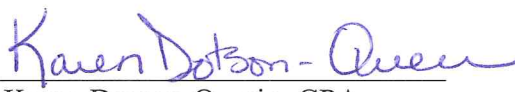
We determined that Northern Recycling Operations & Waste Services, LLC currently owes Napa-Vallejo Waste Management Authority \$32.44 for cash shortages occurring during the period of July 1, 2012 to June 30, 2013. The cumulative shortage for the fiscal year ending June 30, 2013 is due to Napa-Vallejo Waste Management Authority upon the receipt of a letter from the Executive Director of NVWMA in accordance with the conditions set forth in the Agreement between Northern Recycling Operations & Waste Services, LLC and Napa-Vallejo Waste Management Authority.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on specified elements, accounts or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters may have come to our attention that would have been reported to you.

A response to the exception identified in our report has been provided by Northern. We did not audit these responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors and the Executive Director of the Napa-Vallejo Waste Management Authority and the Manager of the Devlin Road Transfer Station and is not intended to be used by anyone other than these specified parties.

Tracy A. Schulze  
Auditor-Controller

By   
Karen Dotson-Querin, CPA  
Audit Manager

October 31, 2013

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## **RESULTS AND EXCEPTIONS**

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY  
FOR THE QUARTER ENDED JUNE 30, 2013**

**RESULTS AND EXCEPTIONS**

**I. ACCOUNTS RECEIVABLE**

**Procedure:** We obtained information from Central Collections regarding the status of accounts 90 days and over past due. The Treasurer's Central Collection Division may request Board approval to write-off the uncollectible accounts twice a year, historically in December and June.

**Results:** Account Balances over 90 Days – All accounts over 90 days and their status have been presented in Exhibit A on page 6 for an aggregate amount of \$8,192, including fees and interest, which is an increase of \$2,248 compared to the prior quarter balance of \$5,944. See Exhibit A on page 6 for a detailed listing of the "Status of Accounts Receivable over 90 Days". Also See Exhibit E on page 11 for historical data and trends of the accounts receivable balances over 90 days.

**Treasurer's Response:** See Exhibit A for Treasurer's Collection Measures.

**II. REVENUE**

**A. Procedure:** We completed a comparison of the general ledger activity to the deposit slip information submitted by DRTS for the quarter ended June 30, 2013. We also verified the timeliness of transmitting the deposit information and recording the revenue in the proper account.

**Results A:** We summarized our comparison in Exhibit B on page 7 ("Analysis of General Ledger Activity"). Exhibit B also includes a graph depicting the quarterly revenue collected by DRTS from cash and credit card transactions over the last twelve quarters. There were no exceptions.

**B. Procedure:** Using the "Scale Transaction Reports," we summarized the total cash, check, and credit card payments for each day and calculated the monthly total.

**Results B:** We completed a comparison of the payments per the Scale Transaction Report to the payments per the deposit information for the quarter ended June 30, 2013. We have summarized our comparison and results in Exhibit C on page 8 ("Summary of Cash (Shortage) Overage").

**III. INTERNAL CONTROLS**

**A. Procedure:** We examined the Scale Transaction Reports for the quarter ended June 30, 2013 and noted transactions with the same "Time In" and "Time Out." Tickets have the same "Time In" and "Time Out" when staff manually input the tickets. Manual tickets may be required if the system is down. We excluded tickets for non-weighed items (e.g. auto batteries, tires, etc.), tickets for Collection Contractor's vehicles and public agencies with tare weights coded into the system in accordance with the Northern contract, hand tags for system outages and tickets where the comment indicated that the ticket was entered manually to correct a previous ticket. As a result of this procedure we noted the following exception:



**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY  
FOR THE QUARTER ENDED JUNE 30, 2013**

**RESULTS AND EXCEPTIONS**

**III. INTERNAL CONTROLS (Continued)**

**Exception A: Same Time In and Out** – We noted four (4) tickets with the same “Time In” and “Time Out” entries for an aggregate amount of \$1,565.52 for inbound materials. One (1) of the four (4) tickets with the same time entries occurred on April 1, 2013 and was for the non-franchise account of NVWMA’s contractor, Northern (#60598). The four (4) tickets did not pertain to non-weighed items, hand tags for system outages, Collection Contractors, or public agencies and did not have an explanation provided to determine if the tickets were replacement tickets.

**Recommendation A:** During the quarter ended June 30, 2013, DRTS was authorized to utilize stored tare weights for account #60598 on May 14, 2013, when NVMWA’s Executive Director authorized DRTS to utilize stored tare weights for Northern’s vehicles. In the future, DRTS should request authorization from NVMWA’s Executive Director prior to utilizing stored tare weights for vehicles that had not been previously authorized.

We recommend that reasons for manual input of tickets continue to be noted in the comment field within Soft-Pak. In addition to noting the reasons within Soft-Pak, the reasons for manual entry should also be noted on the Daily Reconciliation Forms when the reason for manual entry is not apparent.

**Northern’s Response A:** The scale house staff has been instructed to continue to note any reason for a same time in and out ticket such as replacement tickets, incorrect customer input, change payment method from credit to cash, etc. Northern Recycling had also requested permission to store tare weight for commercial customers who regularly use the facility.

**Procedure B:** We reviewed negative amounts from the Scale Transaction Reports for the quarter ended June 30, 2013. We understand from our inquiries that negative quantities may be input manually to void or adjust ticket charges as necessary, for example where the origin, vehicle, customer or other information is input in error. The reasons for the negative amounts appear on a monthly Void Report.

**Results B: Negative Tickets** - During the quarter there were thirty-five (35) tickets with negative amounts for a cumulative amount of \$10,517. See Exhibit D on page 9 for a summary of the negative tickets for the quarter ended June 30, 2013. Exhibit D also includes graphs depicting the quarterly dollar value of negative tickets for quarters ended September 30, 2011 through June 30, 2013.

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## EXHIBITS

**Exhibit A**

**Napa-Vallejo Waste Management Authority  
Status of Accounts Receivable Over 90 Days  
Per Central Collections  
As of June 30, 2013**

<b>Account Name</b>	<b>Account Number</b>	<b>Total</b>	<b>Collection Measure *</b>
<b>Account 501 - General A/R</b>			
Alvarado Construction	52215	\$ 33.00	Paid 8/5/13
R.E. Bradley Construction	52363	767.72	Continue collection procedures
Cannaday Construction	54927	802.36	Continue collection procedures
Commercial Development Consultants	51033	92.84	Continue collection procedures
David Davenport Construction	50569	(12.14)	Refunded 8/30/13
Davis Trucking	60555	32.00	Approved as "uncollectible" as of 6/30/13
Lamberton, Cecil & Karla	55440	33.00	Paid 8/8/13
Leggett Construction	50933	0.66	Continue collection procedures
Malone Roofing	60256	406.04	Approved as "uncollectible" as of 6/30/13
Mr. Home Improvement	57856	2.00	Paid 7/16/13
Napa Valley Door & Trim	50688	272.89	Continue collection procedures
Norcal Communications & Construction	55769	99.31	Continue collection procedures
On Time Maintenance Service	55260	1,726.60	Continue collection procedures
Recology American Canyon	54053	(40.72)	Applied to Inv# 50718567
Recology Vallejo/Vallejo Garbage	50763	229.50	Paid 8/20/13
Sabado, Tiffany	60907	1,005.30	Client making payments
Trumble, Robert	60094	198.00	Paid 7/16/13
Virtue Development Group, LLC	55980	130.00	Approved as "uncollectible" as of 6/30/13
<b>Subtotal 501 - General A/R</b>		<u>5,778.36</u>	
<b>Account 501C - NSF A/R</b>			
Classic Construction	60113	77.00	Approved as "uncollectible" as of 6/30/13
Golden Gate Roofing Service	55442	783.48	Continue collection procedures
Grossi, Paul DBA North Bay Roofing	60494	179.55	Continue collection procedures
Hernandez, Ruben	57142	678.44	Continue collection procedures
Investment Enterprises USA Inc.	61011	250.92	Continue collection procedures
Morgan Peabody, Ltd.	55396	291.00	Continue collection procedures
Rojas, Steven/Aqua Fresca Pool & Spa	60596	77.00	Continue collection procedures
Spangler, Billy	57965	76.00	Continue collection procedures
<b>Subtotal 501C - NSF A/R</b>		<u>2,413.39</u>	
<b>Total Accounts Receivable Over 90 Days</b>		<u>\$ 8,191.75</u>	

\* Collection measures provided by Central Collections.

**Exhibit B**

**Napa-Vallejo Waste Management Authority  
Analysis of General Ledger Activity  
April 1, 2013 through June 30, 2013**

	General Ledger Total	Components			
		Visa / MC	Deposit Slip	CAMS	Other
<b>APRIL</b>	\$ 927,743.27	\$ 115,466.84	\$ 164,900.30	\$ 647,633.25	\$ (257.12)
<b>MAY</b>	729,736.26	126,126.68	137,258.26	435,165.50	31,185.82
<b>JUNE</b>	1,186,224.56	92,971.66	139,122.58	954,130.32	-
<b>QUARTER</b>	<u>\$ 2,843,704.09</u>	<u>\$ 334,565.18</u>	<u>\$ 441,281.14</u>	<u>\$ 2,036,929.07</u>	<u>\$ 30,928.70</u>

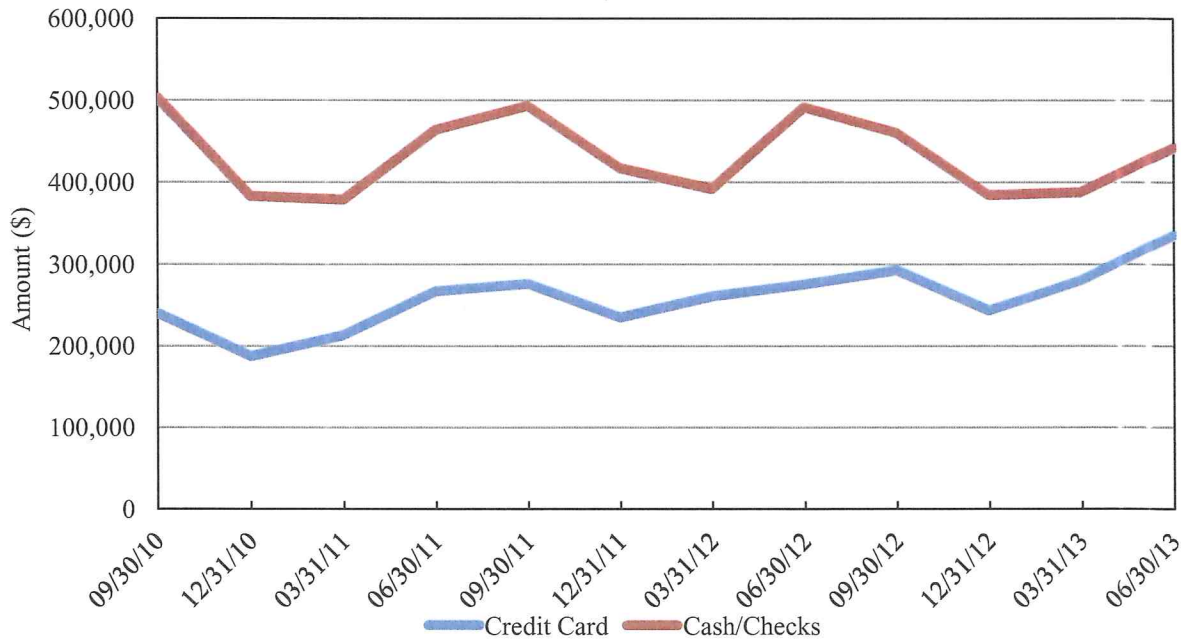
*a*

<b>Explanation of Bank Adjustments &amp; Other:</b>	<b>Instances</b>	<b>Amount</b>
Refund/Returned Checks - Non Sufficient Funds (NSF)	6	\$ (325.75)
Prior Year Reclassification	1	31,254.45
	<u>7</u>	<u>\$ 30,928.70</u>

*a*

Detail is available upon request from the Napa County Auditor-Controller's Office

**Revenue Collected at Devlin Road Transfer Station (DRTS)  
Quarter Ended September 30, 2010 through June 30, 2013**



The majority of the revenue collected at DRTS is cash and checks; however, credit card sales are increasing.



## Exhibit C

### Napa-Vallejo Waste Management Authority Summary of Cash (Shortage) Overage For the Quarter Ended June 30, 2013

Description	Quarter Ended Sep. 30, 2012	Quarter Ended Dec. 31, 2012	Quarter Ended Mar. 31, 2013	Quarter Ended June 30, 2013	Year to Date
Deposit Slips	\$ 483,944.27	\$ 375,191.96	\$ 394,017.16	\$ 438,830.18	\$ 1,691,983.57
VISA Slips	305,778.26	241,675.26	282,569.08	335,416.03	1,165,438.63
Posting errors/Corrections	-	9,984.22	7,392.54	-	17,376.76
Subtotal	789,722.53	626,851.44	683,978.78	774,246.21	2,874,798.96
Deposits Per Cash Report	789,754.89	626,862.00	683,968.22	774,246.29	2,874,831.40
Cash (Shortage) Overage	(32.36)	(10.56)	10.56	(0.08) *	(32.44)
Bank Adjustments	-	-	-	-	-
Net Cash (Shortage) Overage	<u>\$ (32.36)</u>	<u>\$ (10.56)</u>	<u>\$ 10.56</u>	<u>\$ (0.08)</u>	<u>\$ (32.44)</u>

\* Shortage is caused by one (1) immaterial footing error of eight cents (8¢).

**Exhibit D**

**Napa-Vallejo Waste Management Authority  
For the Quarter Ended June 30, 2013**

**Additional Information  
Tickets with Negative Amounts**

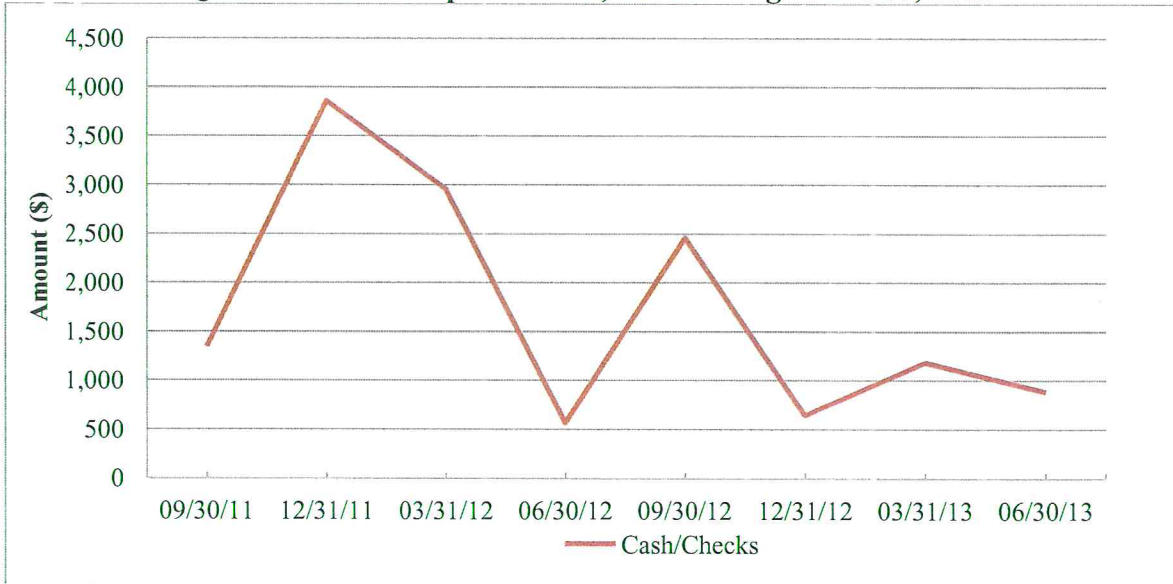
<b>Quarter Ended</b>	<b>Cash/Checks</b>		<b>A/R</b>		<b>Total</b>	
	<b># of Tickets</b>	<b>Amount</b>	<b># of Tickets</b>	<b>Amount</b>	<b># of Tickets</b>	<b>Amount</b>
9/30/2011	14	1,345	35	10,699	49	12,044
12/31/2011	16	3,864	145	41,628	161	45,492
3/31/2012	16	2,958	29	8,066	45	11,024
6/30/2012	13	570	35	11,117	48	11,687
9/30/2012	20	2,462	28	9,264	48	11,726
12/31/2012	8	651	16	4,016	24	4,667
3/31/2013	13	1,191	16	5,178	29	6,369
6/30/2013	10	889	25	9,628	35	10,517
Average	14	\$ 1,741	41	\$ 12,450	55	\$ 14,191

The above table is a summary of negative tickets by transaction type, month, and totals for the quarter ended June 30, 2013 and also includes totals for the seven (7) prior quarters, for comparison.

**Exhibit D  
(Continued)**

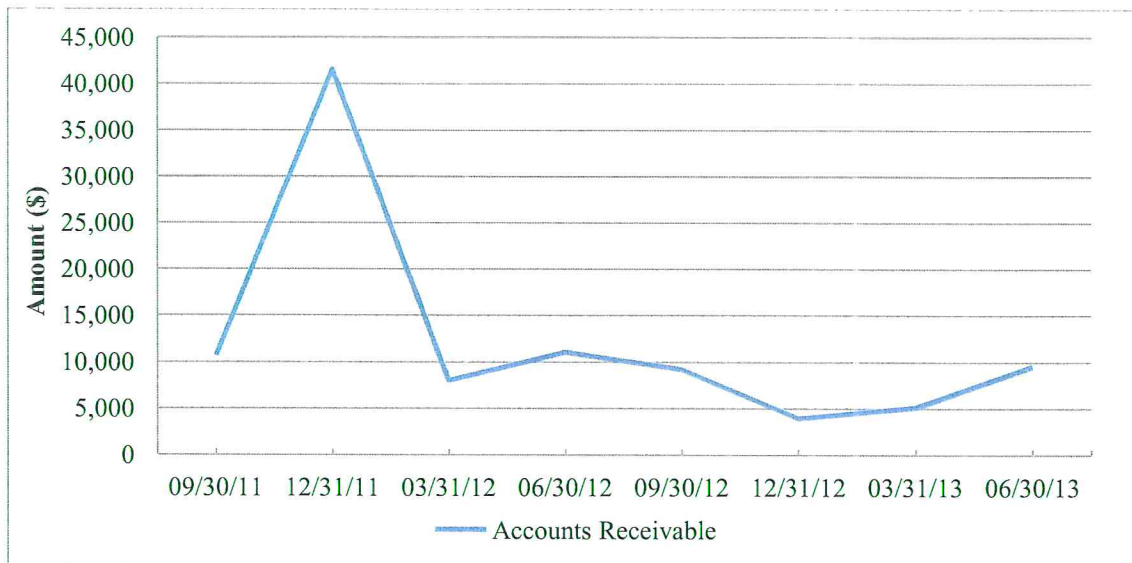
**Napa-Vallejo Waste Management Authority  
For the Quarter Ended June 30, 2013**

**Cash/Check Tickets with Negative Amounts  
Quarters Ended September 30, 2011 through June 30, 2013**



Due to the inherent risk of fraud associated with cash transactions, negative cash/check tickets have been separately shown above. Cash tickets decreased for the quarter ended June 30, 2013.

**Accounts Receivable (AR) Tickets with Negative Amounts  
Quarters Ended September 30, 2011 through June 30, 2013**

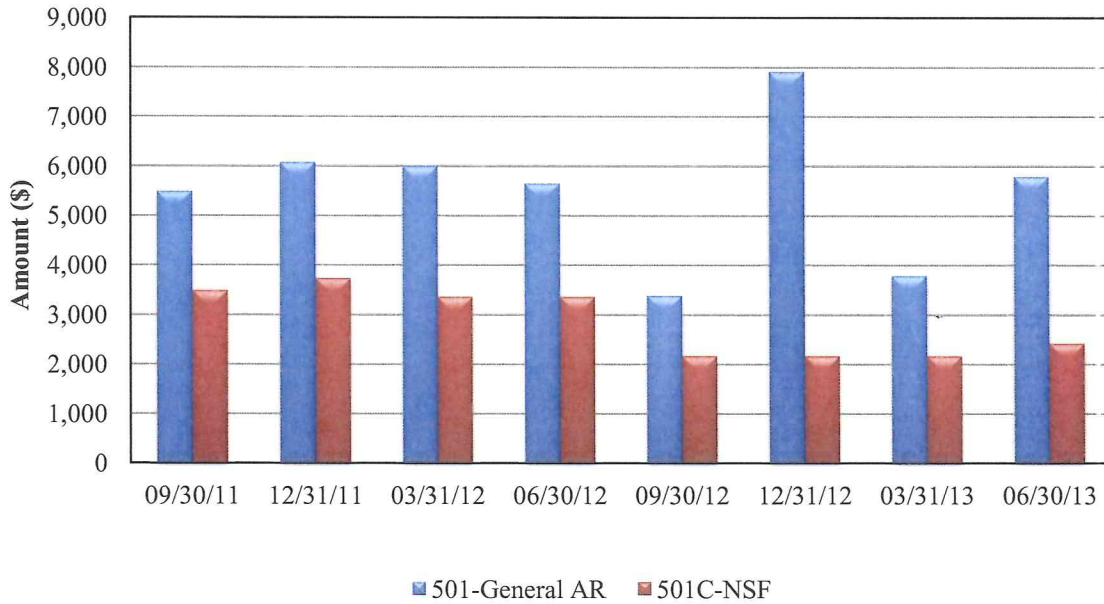


The large amount of negative tickets in December 31, 2011 was due the rates not being updated correctly on October 1, 2011. This resulted in a large number of voided tickets. Negative tickets increased slightly for the quarter ended June 30, 2013.

**Exhibit E**

**Napa-Vallejo Waste Management Authority  
Comparison of Accounts Receivable Over 90 Days  
Quarters Ended September 30, 2011 through June 30, 2013**

Quarter Ended	501		501C		Total	
	# of Accounts	Amount	# of Accounts	Amount	# of Accounts	Amount
9/30/2011	14	\$ 5,481	13	\$ 3,482	27	\$ 8,963
12/31/2011	18	6,068	15	3,729	33	9,797
3/31/2012	17	5,993	12	3,354	29	9,347
6/30/2012	8	5,646	12	3,354	20	9,000
9/30/2012	9	3,377	7	2,162	16	5,539
12/31/2012	26	7,904	7	2,162	33	10,066
3/31/2013	11	3,782	7	2,162	18	5,944
6/30/2013	18	5,778	8	2,413	26	8,192
Average	15	\$ 5,504	10	\$ 2,852	25	\$ 8,356



Historically, delinquent accounts are due to lack of payments on general accounts receivable accounts. The dollar amount of delinquencies generally increases during the quarter ended December 31<sup>st</sup> due to a slowdown in construction jobs and the related cash flows. The increase in the quarters ended June 30, 2012 and June 30, 2013 are due to uncollectible accounts that are historically written off twice a year, after December and June.