



A Tradition of Stewardship
A Commitment to Service

Napa-Vallejo Waste Management Authority

Internal Audit Report

For the Quarter Ended March 31, 2015

Issued by
AUDITOR-CONTROLLER
Internal Audit Section
July 13, 2015

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
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EXECUTIVE SUMMARY

Board of Directors
Napa-Vallejo Waste Management Authority
1195 Third Street, Room B10
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 (DRTS) operated by Northern Recycling Operations & Waste Services, LLC (Northern), for the quarter ended March 31, 2015.

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 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:

- 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;

Procedures (Continued)

- Examine a sample of cash transactions to determine the reliability of the Scale Transaction Report;
- Examine a sample of hand tags to determine the reliability of the information inputted into 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 Exceptions

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.

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, 2015, we noted the following results and exceptions:

Report Section

- I.** **Result:** Account Balances over 90 Days – As of March 31, 2015, fifteen accounts had balances over 90 days past due for an amount of \$4,891. See Exhibit A on page 8 for a detail list and Exhibit B on page 9 for the history of accounts over 90 days from April 1, 2013 to March 31, 2015.
- II.A** **Result:** Analysis of General Ledger Activity – A total of \$3.4 million in revenue was received in cash, checks, credit card charges and charges to accounts receivable. See Exhibit C on page 10 for the detail results of the analysis.
- II.B** **Exception:** Overages/Shortages/Short Pays – During the quarter, one overage, two refunds, three short pays, two payments for short pays and one scale house shortage occurred for the cumulative shortage of \$187. See Exhibit D on page 11 for the detail of Net Cash (Shortages) Overages for the quarter ending March 31, 2015.
- III.A** **Exception:** Same Time In and Out – We noted twelve tickets with the same “Time In” and “Time Out” entries for a cumulative amount of \$778 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. Tickets for voids, replacements, non-weighed items, Collection Contractors and public agencies were excluded from the procedure.

Summary of Results and Exception (Continued)

Report

Section (Continued)

- III.B Exception: Negative Tickets** – During the quarter one ticket with a negative amount of \$139 was voided due to an incorrect customer being charged. The exception is presented on page 6. See Exhibit E on page 12 for historical analysis.
- III.C Exception: Hand Tags** – During the quarter there were forty-three hand tags issued during power outages or when the system was down, but only forty-two hand tags could be accounted for. The exception is presented on page 7.

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

Conclusion

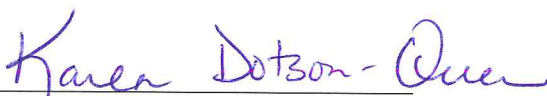
We determined that Northern Recycling Operations & Waste Services, LLC currently owes Napa-Vallejo Waste Management Authority \$422 for cash shortages occurring during the period of July 1, 2014 to March 31, 2015.

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.

The responses to the exceptions identified in our report have been provided by Northern and the Napa County Treasurer Tax-Collector's Office. 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
July 13, 2015

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RESULTS
AND
EXCEPTIONS

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY
FOR THE QUARTER ENDED MARCH 31, 2015**

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 has the option of requesting Board approval to write-off the uncollectible accounts twice a year, historically in December and September.

Result: Account Balances over 90 Days – All accounts over 90 days as of March 31, 2015 and their status have been presented in Exhibit A on page 8 for an aggregate amount of \$4,891, including fees and interest, which is an increase of \$248 compared to the prior quarter balance of \$4,643. In addition, historical data and trends of the accounts receivable balances over 90 days is presented in Exhibit B on page 9.

Treasurer’s Response: See Exhibit A for a status of the 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 March 31, 2015. We also verified the timeliness of transmitting the deposit information and recording the revenue in the proper account.

Result A: Analysis of General Ledger Activity – A total of \$3.4 million in revenue was received in cash, checks, credit card charges and charges to accounts receivable. We summarized our analysis in Exhibit C on page 10 (“Analysis of General Ledger Activity”). Exhibit C also includes a graph depicting the quarterly revenue collected by DRTS from cash and credit card transactions over the last twelve quarters.

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. We compared the daily amounts to the amounts DRTS deposited into the bank. We have summarized our comparison and results in Exhibit D on page 11 (“Summary of Cash (Shortage) Overage”).

Exception B: Overages/Shortages/Short Pays – During the quarter, one overage, two refunds, three short pays, two payments for short pays and one scale house shortage occurred for the cumulative shortage of \$187 occurred resulting in a net shortage of \$187 before bank adjustments. See Exhibit D on page 11 for the detail of Net Cash (Shortages) Overages for the quarter ending March 31, 2015.

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY
FOR THE QUARTER ENDED MARCH 31, 2015**

RESULTS AND EXCEPTIONS

II. REVENUE (Continued)

Recommendation B: We recommend that all unusual transactions be recorded on the Daily Reconciliation Form on the day they occur. This will provide information to balance the daily transactions prior to the deposits being remitted to the bank.

Northern's Management Response B: The scale house staff has been reminded to continue to note all shortages/overages on their daily reconciliation report.

III. INTERNAL CONTROLS

A. Procedure: We examined the Scale Transaction Reports for the quarter ended March 31, 2015 for cash transactions with the same "Time In" and "Time Out" for Cash Customers.

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:

Exception A: Same Time In and Out – We noted twelve tickets with the same "Time In" and "Time Out" entries for a cumulative amount of \$778 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.

Recommendation A: 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 reminded to note the reason for the same in and out time.

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY
FOR THE QUARTER ENDED MARCH 31, 2015**

RESULTS AND EXCEPTIONS

III. INTERNAL CONTROLS (Continued)

B. Procedure: We reviewed negative amounts for cash customers from the Scale Transaction Reports for the quarter ended March 31, 2015. 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.

Exception B: Negative Tickets - During the quarter ticket with a negative amount of \$139 was voided because the customer was incorrectly selected from the system and charged for another customer's load that happened to have the same name and was at the transfer station at the same time.

Meanwhile, the intended customer who should have initially been charged the ticket for \$139 was only charged \$44, causing an underpayment of \$95.

See Exhibit E on page 12 for a summary for the quarter ended March 31, 2015 and for the previous seven quarters.

Exhibit E also includes a graph on page 12 depicting the quarterly dollar value of negative tickets for quarters ended June 30, 2013 through March 31, 2015.

Recommendation B: We recommend that scale house staff confirm the full name when pulling up a cash customer before opening a ticket. Scale house staff should also continue to note reasons for any negative amounts on the end of day reconciliation form. The reasons should include the original ticket number, the replacement ticket number, and any change of date, weight or origin. The implementation of the monthly void reports has been useful for review purposes, as the comment field (described in the void report as "Notes") provides a description for each ticket with a negative quantity.

We also recommend that replacement tickets for cash transactions are signed by the drivers. This will assist in providing an audit trail that the appropriate payment was received in conjunction with the replacement ticket.

Northern's Response B: The scale house staff has been reminded to note any discrepancies on their daily reconciliation at the end of the day. The scale house staff has been instructed to confirm the full customer's name when the customer is weighing out.

**NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY
FOR THE QUARTER ENDED MARCH 31, 2015**

RESULTS AND EXCEPTIONS

III. INTERNAL CONTROLS (Continued)

C. Procedure: We reviewed the System Log for power outages, system changes, updates, programming concerns and hand tag issuances for the quarter ended March 31, 2015.

Exception C: Hand Tags - During the quarter there were forty-three hand tags issued during power outages or when the system was down, but only forty-two hand tags could be accounted for. Since hand tags are pre-numbered, it was discovered that one hand tag (#3513) form was missing from the end of one batch or the beginning of the next batch according to the System log. The hand tag could not be located on the Scale Transaction Report and upon investigation, remains unaccounted for.

Recommendation C: According to the Policy and Procedures, the hand tag is a pre-numbered three part form which is issued during a power outage or when the system is down. The customer receives a copy, the original is retained, and another copy is used for processing the invoice. Hand tags numbers should be entered on the system log (calendar) upon issuance as well as into SoftPak.

We recommend that when scale house staff issues a hand tag, the information is entered on the system log at the time of issuance, ensuring that the starting number used is in succession with the last number used. A copy should then be submitted to the administrative staff for processing into SoftPak. We also recommend that all hand tags received by administrative staff should be verified to the system log to ensure that each hand tag is accounted for. If a hand tag is voided, a copy of the voided hand tag should be retained and noted as void in the system log.

Northern's Response C: We agree that when the scale house staff issues a hand tag, the information should be entered in the systems log book at the time of issuance, to ensure that the starting number used is in succession with the last number used.

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EXHIBITS

Exhibit A

Napa-Vallejo Waste Management Authority Status of Accounts Receivable Over 90 Days Per Central Collections As of March 31, 2015

Account Name	Account Number	Total	Collection Measure
Account 501 - General A/R			
Abel's Roofing	58183	\$ 168.00	Paid 4/29/15
BBI Construction	54926	88.40	Paid 4/3/15
Classic Party Rentals	55367	626.78	Paid fees for \$51.68, still owes \$626.78. (In Bankruptcy)
On Time Maintenance Service	55260	1,226.60	Customer agreed to payment plan-has not followed through
R.E. Bradley Construction	52363	585.94	Customer making monthly pymts for \$100.00
Rice, Eric	60677	135.32	Continue collection process
Four (4) accounts - Less than \$10	Various	<u>3.10</u>	Paid or cleared through over/shorts account
Subtotal 501 - General A/R		<u>2,834.14</u>	
Account 501B - No Pay A/R			
Miller, Jeff	61909	<u>124.08</u>	Continue collection procedures
Subtotal 501B - No Pay A/R		<u>124.08</u>	
Account 501C - NSF A/R			
Golden Gate Roofing Service	55442	783.48	Judgment on file
Grossi, Paul DBA North Bay Roofing	60494	179.55	continue collection process
Hernandez, Ruben	57142	678.44	Judgment on file
Morgan Peabody, Ltd.	55396	<u>291.00</u>	Judgment on file
Subtotal 501C - NSF A/R		<u>1,932.47</u>	
Total Accounts Receivable Over 90 Days		<u>\$ 4,890.69</u>	

Exhibit B

Napa-Vallejo Waste Management Authority Comparison of Accounts Receivable Over 90 Days Quarters Ended June 30, 2013 through March 31, 2015

Quarter Ended	501		501B & 501C		Total	
	# of Accounts	Amount	# of Accounts	Amount	# of Accounts	Amount
6/30/2013	18	\$ 5,778	8	\$ 2,413	26	\$ 8,192
9/30/2013	11	4,702	7	2,336	18	7,038
12/31/2013	17	10,173	7	2,336	24	12,509
3/31/2014	8	3,517	6	2,464	14	5,981
6/30/2014	7	3,324	5	2,009	12	5,333
9/30/2014	4	2,926	5	2,009	9	4,935
12/31/2014	6	2,510	6	2,133	12	4,643
3/31/2015	10	2,834	5	2,057	15	4,891
Average	10	\$ 4,471	6	\$ 2,220	16	\$ 6,690

Historically, delinquent accounts are due to lack of payments on general accounts receivable accounts. The dollar amount of delinquencies generally decreases during the quarter ended March 31st due to uncollectible accounts being approved by the Board to be written-off and generally increase in the quarter ended December 31st. However, during the quarter ended March 31, 2015, the Board elected to only write off \$32 which resulted in a slight increase overall.

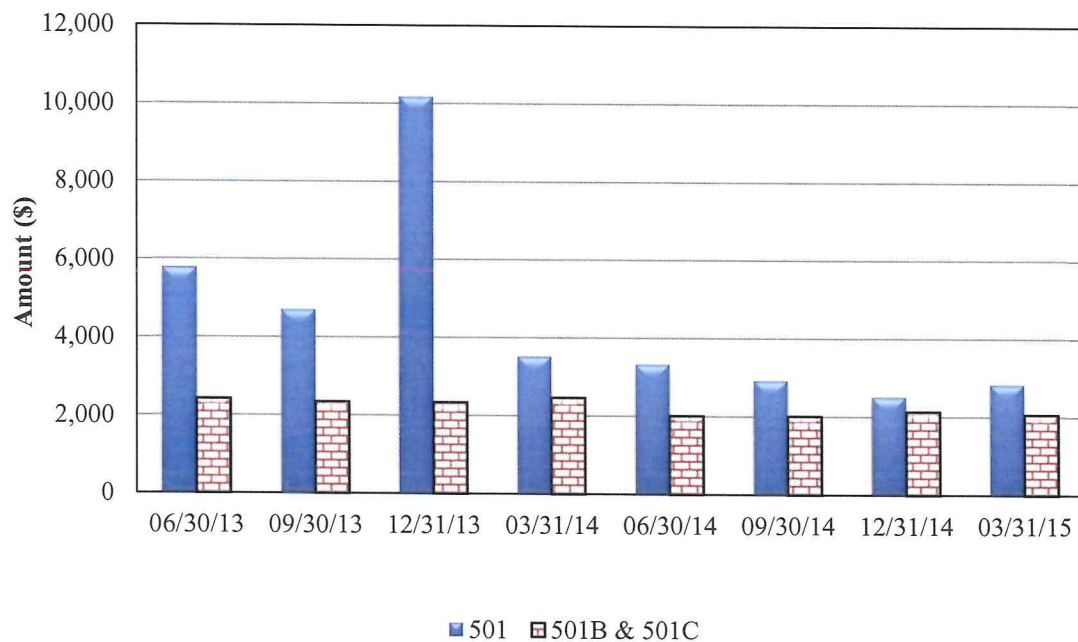


Exhibit C

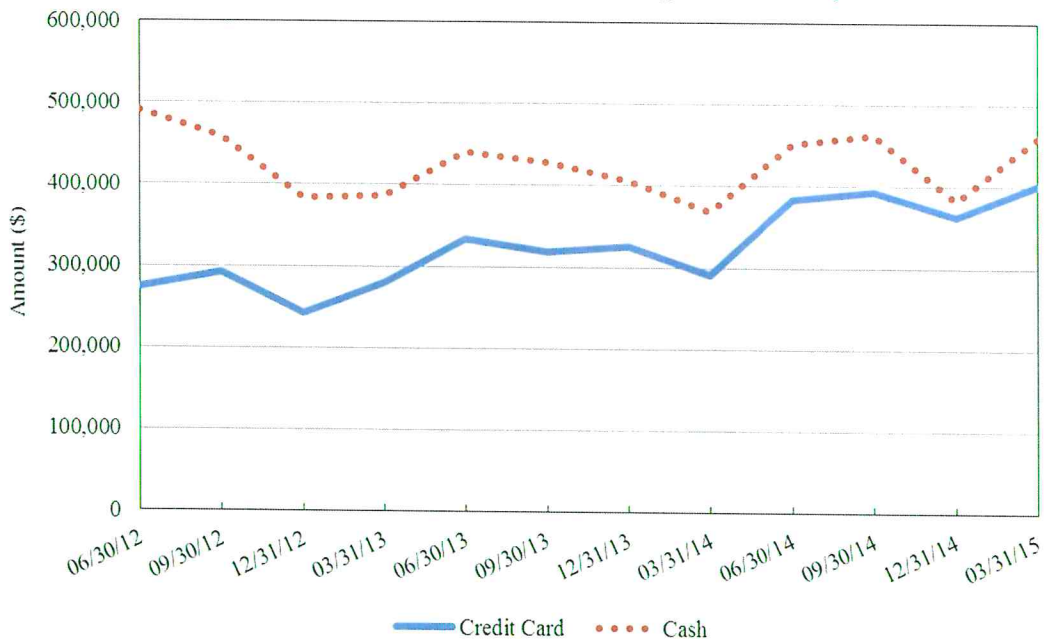
Napa-Vallejo Waste Management Authority Analysis of General Ledger Activity January 1, 2015 through March 31, 2015

General Ledger Total	Components				
	Visa / MC	Deposit Slip	CAMS	Bank Adjustments	Other
\$ 1,043,124.29	\$ 122,300.16	\$ 148,156.30	\$ 772,992.01	\$ -	\$ (324.18)
1,110,515.35	125,672.16	134,879.32	850,318.35	-	(354.48)
1,222,357.26	154,451.32	177,737.54	890,168.40	-	-
<u>\$ 3,375,996.90</u>	<u>\$ 402,423.64</u>	<u>\$ 460,773.16</u>	<u>\$ 2,513,478.76</u>	<u>\$ -</u>	<u>\$ (678.66)</u>

Total Bank Adjustments and Other \$ (678.66)

Explanation of Bank Adjustments & Other:	Instances	Amount
Refund/Returned Checks - Overpayments	3	\$ (678.66)
Bank Adjustments/Deposit Corrections	0	-
	<u>3</u>	<u>\$ (678.66)</u>

**Revenue Collected at Devlin Road Transfer Station (DRTS)
Quarters Ended June 30, 2012 through March 31, 2015**



Revenue collected at DRTS increased approximately \$125,000 for Cash/Checks and Visa/MC during the quarter ended March 31, 2015 compared to the quarter ended December 31, 2014.

Exhibit D

Napa-Vallejo Waste Management Authority Summary of Cash (Shortage) Overage For the Year Ended March 31, 2015

Description	Quarter Ended Sept. 30, 2014	Quarter Ended Dec. 31, 2014	Quarter Ended Mar. 31, 2015	Year to Date
Cash	\$ 462,107.07	\$ 382,811.36	\$ 462,865.22	\$ 1,307,783.65
VISA/MC	396,865.79	361,492.44	406,353.68	1,164,711.91
Subtotal	858,972.86	744,303.80	869,218.90	2,472,495.56
Deposits per Cash Report	859,200.82	744,313.80	869,310.34	2,472,824.96
Cash (Shortage) Overage	(227.96)	(10.00)	(91.44)	(329.40)
Bank Adjustments	-	3.00	-	3.00
Shortage (Scale House)	-	-	(95.88)	(95.88)
Net Cash (Shortage) Overage	\$ (227.96)	\$ (7.00)	\$ (187.32)	\$ (422.28)

March 31, 2015 shortage is caused by the following:

	Instances	Total
Overage	1	\$ 136.00
Shortage/Refund	2	(156.00)
Short Pay	3	(111.44)
Short Pay - Pd	2	40.00
Customer Shortage	1	(95.88)
Net Cash (Shortage) Overage	9	\$ (187.32)

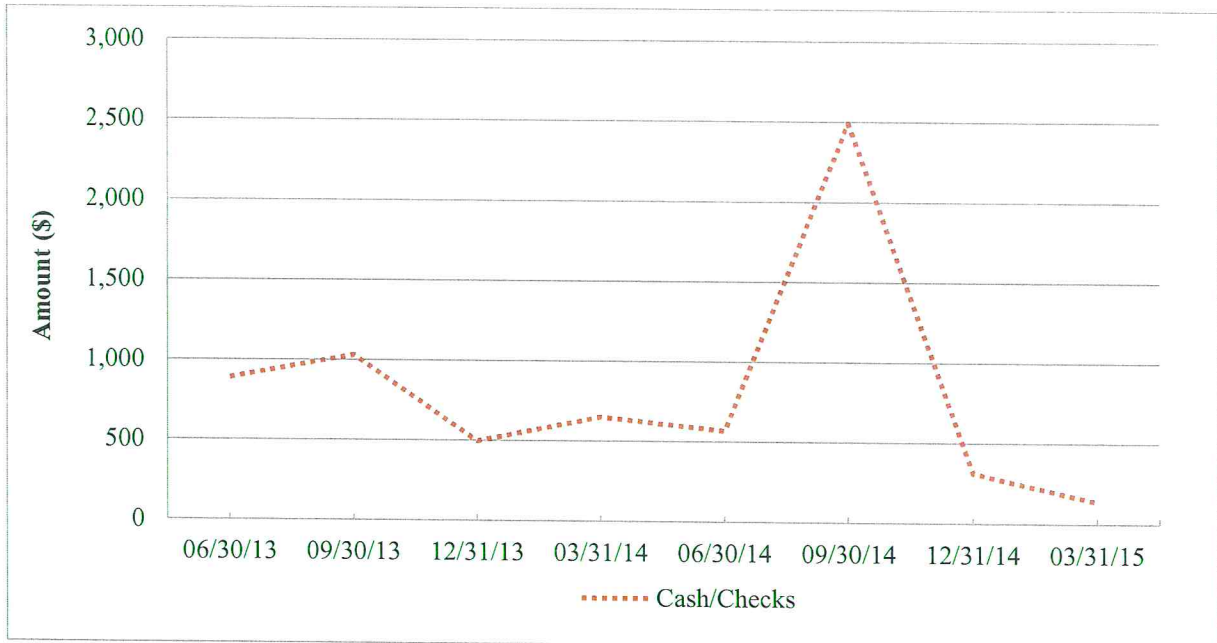
Exhibit E

Napa-Vallejo Waste Management Authority Summary of Tickets with Negative Amounts For April 1, 2013 to March 31, 2015

Quarter Ended	Cash/Checks	
	# of Tickets	Amount
6/30/2013	10	\$ 889
9/30/2013	13	1,033
12/31/2013	6	500
3/31/2014	5	652
6/30/2014	6	570
9/30/2014	15	2,497
12/31/2014	9	316
3/31/2015	1	139
Average	8	\$ 825

The above table is a summary of negative tickets for the quarter ended March 31, 2015 and also includes totals for the seven prior quarters, for comparison.

**Cash/Check Tickets with Negative Amounts
Quarters Ended June 30, 2013 through March 31, 2015**



Cash tickets with negative amounts decreased during the quarter ended March 31, 2015.