



A Tradition of Stewardship
A Commitment to Service

Auditor-Controller

1195 Third Street · Room B10
Napa, CA 94559
www.countyofnapa.org

Main: (707) 253-4551
Fax: (707) 226-9065

Tracy A. Schulze
Auditor-Controller

**EXECUTIVE SUMMARY
OF
NAPA VALLEJO WASTE MANAGEMENT
SITE VISIT
ON AUGUST 6, 2015**

August 28, 2015

Board of Directors
Napa-Vallejo Waste Management Authority
Napa County
Napa, CA

Scope

This engagement was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. We have reviewed Northern Recycling Operations & Waste Services, LLC (Northern) internal controls over custody of cash; coverage of scale house during hours of operation; the balancing process at the end of shift; and verification of controls associated with voids, issuance of tickets, and hand tags that were in place during our site visit on August 6, 2015. This review is solely to assist the Napa-Vallejo Waste Management Authority (Authority) Board; the management of Northern Recycling Operations & Waste Services, LLC (Northern); and the management of the Authority.

Objective

The objective of our engagement was to review and evaluate for internal control weaknesses in the following areas as they apply to Northern:

1. Daily cash balancing and reconciliation;
2. Voids, issuance of tickets and hand tags;
3. Coverage and security of Scale House.

Procedures

Our engagement included the following procedures:

1. Determine if the controls over the daily cash balancing and reconciliation is adequate;
2. Determine if controls associated with voids, hand tags and issuance of tickets are being maintained to protect the integrity of the revenues reported to the Authority;
3. Determine if coverage and security of Scale House is adequate; and
4. Calculated the year-end cash overage/shortage.

Summary of Results

We performed the procedures noted above and have noted the appropriate recommendations where improvements are needed.

1. **Daily Cash Balancing and Reconciliation** – We found that Northern’s controls over the daily cash balancing and reconciliation minimizes risks over revenues reported to the Authority.
2. **Issuance of Tickets, Voided Tickets, & Hand Tags** – We identified three internal control weaknesses related to the issuance of tickets, voided tickets and hand tags.

Finding 1: Since SoftPak does not restrict user access, all employees with access to SoftPak (which includes the Scale House attendants) can void tickets. This increases the risk of transactions not being recorded or being recorded for the wrong amount.

Recommendation 1: It is best practice that cashiers do not have sole authority over voids. We recommend that Northern implement a secondary approval for voided tickets.

Northern’s Response 1: Our procedure requires scale house operators to note all voided tickets on their daily reconciliation form that is sent to the office manager each day. The office manager reviews the daily reconciliation form and is able to contact the scale house operator to gather additional information if needed. The office manager keeps a copy of any voided tickets during the month and compiles all voided tickets and puts them on a monthly voided ticket report which is sent to the auditor controller’s office.

Finding 2: SoftPak only records transactions that have been issued a ticket. Ticket numbers are issued when a transaction is completed during the outbound weighing. If a transaction is deleted before a load is issued a ticket, but after the inbound vehicle has been weighed, the transaction can be deleted with no trace of the transaction. This could result in unrecorded sales.

Recommendation 2: Northern should contact SoftPak to see if there’s a way to track all initiated transactions (Inbound vehicle is weighed, but transaction is deleted while vehicle is in the queue). Additionally, Northern should implement a policy that all customers must receive a ticket.

Northern’s Response 2: All customers are required to sign and receive a ticket. The SoftPak software does not track tickets started but not completed.

Finding 3: We noted that the hand tag forms were loose (not bound), which increases the risk of a form being misplaced.

Recommendation 3: Since misplaced hand tags could result in unrecorded sales, Northern should keep account of all hand tags issued. The scale house attendant should ensure that all hand tags are used in sequential order. Additionally, it is recommended that the next hand tag order be a booklet instead of loose forms.

Northern’s Response 3: Northern Recycling will ask our printing vendor to provide bound hand tags when we reorder hand tags. Northern Recycling has only had 1 hand tag turn up missing in the last 7 years and it is possible that the missing numbered hand tag was not in the box when it was opened.

Summary of Results (Continued)

3. **Scale House Coverage & Security** – We found that the Scale House coverage and security is adequate.
4. **Cash Overage/Shortage** – See Attachment A for the net cash overage/shortage.

Conclusion

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.

This report is intended solely for the information and use of the Board, the management of Northern and the Authority; and is not intended to be used by anyone other than these specified parties.

Thank you,



Tracy A. Schulze
Auditor-Controller

CC: Richard Luthy
Executive Director
NVWMA

Attachment A

Napa-Vallejo Waste Management Authority Summary of Cash (Shortage) Overage For the Year Ended June 30, 2015

Description	Quarter Ended Sept. 30, 2014	Quarter Ended Dec. 31, 2014	Quarter Ended Mar. 31, 2015	Quarter Ended June 30, 2014	Year to Date
Cash	\$ 462,107.07	\$ 382,811.36	\$ 462,865.22	\$ 473,332.92	\$ 1,781,116.57
VISA/MC	396,865.79	361,492.44	406,353.68	488,333.40	1,653,045.31
Subtotal	858,972.86	744,303.80	869,218.90	961,666.32	3,434,161.88
Deposits per Cash Report	859,200.82	744,313.80	869,310.34	961,701.32	3,434,526.28
Cash (Shortage) Overage	(227.96)	(10.00)	(91.44)	(35.00)	(364.40)
Adjustments					
Bank Adjustments	-	3.00	-	a 20.00	23.00
Scale House Reporting Error	-	-	-	b 35.00	35.00
Scale House (Shortage)	-	-	(95.88)	-	(95.88)
Net Cash (Shortage) Overage	<u>\$ (227.96)</u>	<u>\$ (7.00)</u>	<u>\$ (187.32)</u>	<u>c \$ 20.00</u>	<u>\$ (402.28)</u>

Shortage is caused by the following:

	Instances	Total
Short Pay	2	\$ (70.00)
Short Pay - Pd	1	35.00
Total Exceptions	3	(35.00)
Bank Adjustments	1	20.00 a
Scale House Reporting Error - Pmt of Short Pay	1	35.00 b
Net Cash (Shortage) Overage	<u>8</u>	<u>\$ 20.00 c</u>
Instances not Detected	-	\$ -
% not Detected	0.0%	0.0%